



## Building High Commitment, High Performance Organizations:

Implication for Consultant Identity and Practice

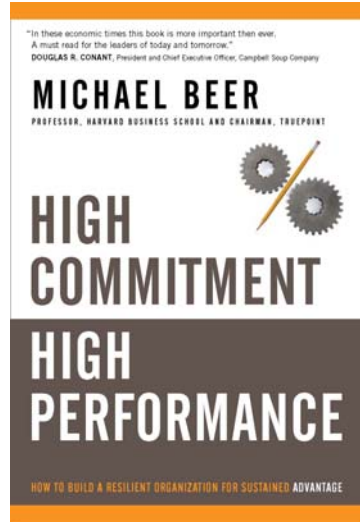
Michael Beer  
Chairman, TruePoint  
Professor Emeritus, Harvard Business School

“Hewlett Packard Chairman Built Company by Design,  
Calculator by Chance”



“The problem is how you develop an environment in which individuals can be creative? I believe that you have to put out a good deal of thought to your organizational [system] in order to provide this environment.”

– David Packard, Chairman Hewlett Packard

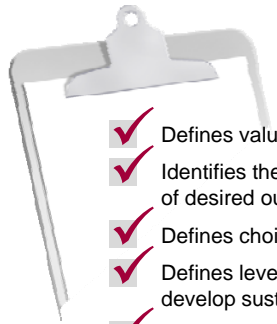


Book Website:  
[www.hchp.truepoint.com](http://www.hchp.truepoint.com)

## Why an Actionable Normative Theory for Developing High-Commitment, High-Performance (HCHP) Organizations?

- Few firms are able to survive and/or sustain high performance
- Failures in leadership and organizations contribute to systemic risk in an interdependent complex economic system – 2008 economic crisis
- Investors and employees have no framework for evaluating the quality of leadership, management and organization
- The field of OD is fragmented and unable to speak to senior leaders and students with a clear voice about the why and how of HCHP
  - A macro theory provides a framework that leaders and consultants can use for diagnosis, dialogue and action at the systems level
  - Would facilitates empirical research that is cumulative
  - Can provide a missing performance and organizational context for education about leadership, values, ethics and corporate social responsibility

## Specification for a Normative Actionable Theory of OD



- ✓ Defines valued organizational outcomes
- ✓ Identifies the organizational dynamics essential for achievement of desired outcomes
- ✓ Defines choices leaders must make to achieve outcomes
- ✓ Defines levers managers and their consultants can employ to develop sustained commitment and performance
- ✓ States content principles for designing/developing each lever
- ✓ Specifies character of a transformation process consistent with the desired organizational outcomes and values

## Who are You as a Consultant?



- What are your purpose and values as a consultant?
- Do you have a systemic vision of a “great” high-commitment, high-performance organization?
- What is your theory of organization development and consulting? – What are the barriers and how to overcome them?
- What domains of leadership work and consulting advice are relevant to developing high-commitment, high-performance organizations?
- How do you engage clients?
- What is your practice?
  - Expert consultant
  - Process consultant

# Essential Elements in the Journey to Alignment Commitment and Sustained High Performance

**Resilient high-commitment, high-performance (HCHP) companies**

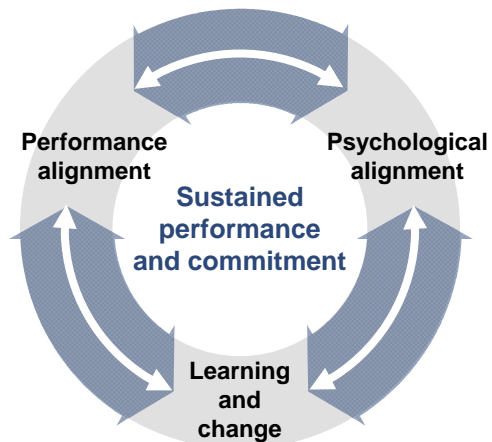
What stands in the way

Change levers

Implications for consultant  
Identity and values

# Three Paradoxical Pillars of HCHP

*Organization design, people and capabilities that "fit" a winning strategy*



*All Stakeholders are committed to company. Employees love company and put the larger good ahead of self interest*

*Capacity to confront reality, learn, and reinvent*

“ I think many people assume, wrongly, that a company exists to make money. While this is an important result of a company’s existence, we have to go deeper and find the real reason for our being. As we investigate this, we inevitably come to the conclusion that a group of people get together and exist as an institution that we call a company so they can accomplish something collectively that they could not accomplish separately – they make a contribution to society, a phrase which sounds trite but is fundamental... You can look around and still see people who are interested in money and nothing else, but the underlying drives come from a desire to do something else – to make a product – to give a service – generally to do something which is of value. So with that in mind, let us discuss why Hewlett-Packard Company exists... The real reason for existence is that we provide something which is unique [that makes a contribution]. ”

– David Packard, Founder and CEO

“ The HP Way is difficult to explain because it is woven into the fabric of our organization. It’s really about the inherent feeling that you just have to do the right thing for the company, the people and the customer. It can take the form of teamwork, respect, or even just a smile. ”

– HP manager

## Southwest Airlines

“You have to treat your employees like customers. When you treat them right, they will treat your outside customer right.

That has been a powerful competitive weapon for us.

We've never had layoffs. We could have made more money if we furloughed people. But we don't do that. And we honor them constantly. Our people know that if they are sick, we will take care of them as people, not just cogs in a machine.”

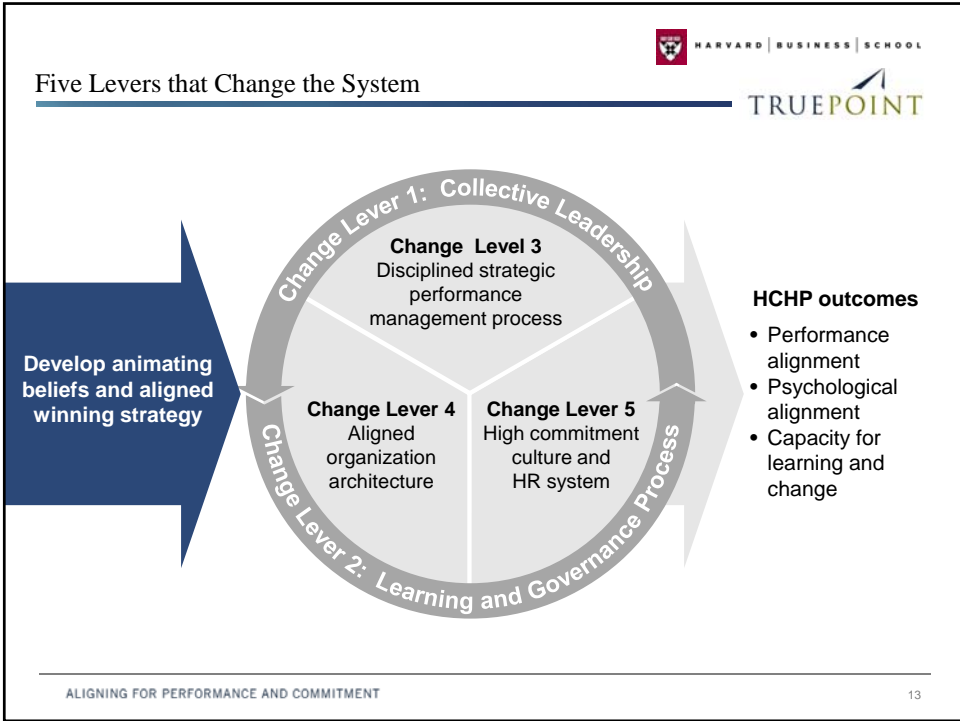
– Herb Kelleher, CEO



## General Electric

“General Electric has set a standard in candor – that is, dealing with reality and rigor in communicating around the company. Everybody has a real chance to know exactly where they are. There is no puffery. Decisions are buttressed by rigorous, fact based, honest assessment of the business situation. There isn't an ounce of denial in the place.

In addition, there is real pride in being part of GE – a common sense of purpose. It's well known but still worth noting that the operations and financial promises are not “we'll give it our best shot” kind of promises. They're really sacrosanct. Finally GE is aggressive. They think big and they take risks.”

– Former senior executive

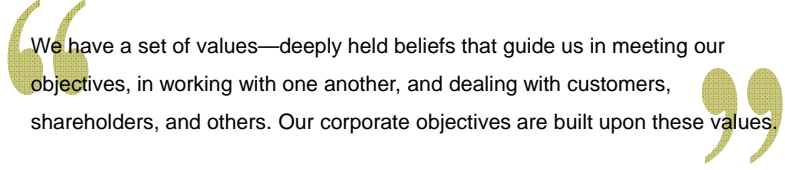


### Leaders Must Make Principled Choice About ...

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- Firm Purpose and guiding values – multiple stakeholder perspective


  
 “We have a set of values—deeply held beliefs that guide us in meeting our objectives, in working with one another, and dealing with customers, shareholders, and others. Our corporate objectives are built upon these values.”

– *David Packard*

- Strategic identity
- Risk – financial and cultural
- Management philosophy
- Truth and trust

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ALIGNING FOR PERFORMANCE AND COMMITMENT 14

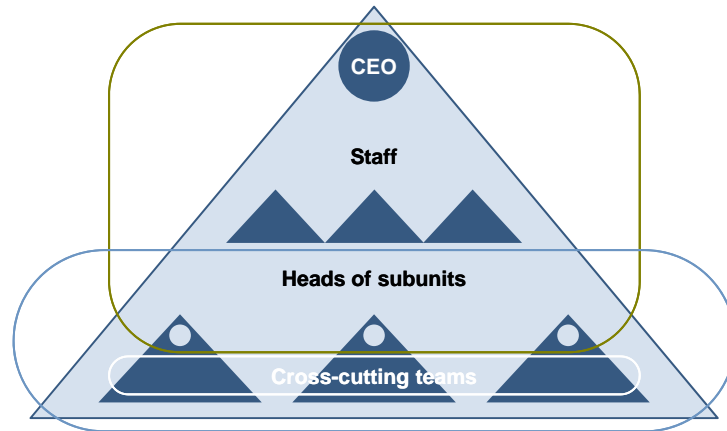
Companies Born “Right”: As High-Commitment,  
High-Performance Organizations

<b>Southwest Airline</b>	Airlines
<b>SAS Institute</b>	Software
<b>Hewlett Packard (until late 1990s)</b>	Technology
<b>Infosys</b>	IT
<b>McKinsey</b>	Consulting
<b>Nestle</b>	Food
<b>Nucor</b>	Steel
<b>H&amp;M</b>	Retail
<b>Johnson &amp; Johnson</b>	Pharmaceuticals
<b>Marriott</b>	Hotels
<b>IBM (until 1980s)</b>	Computers
<b>Costco</b>	Grocery
<b>Harvard Business School</b>	Education
<b>IKEA</b>	Furniture

Companies Not Born “Right”  
Can be Transformed

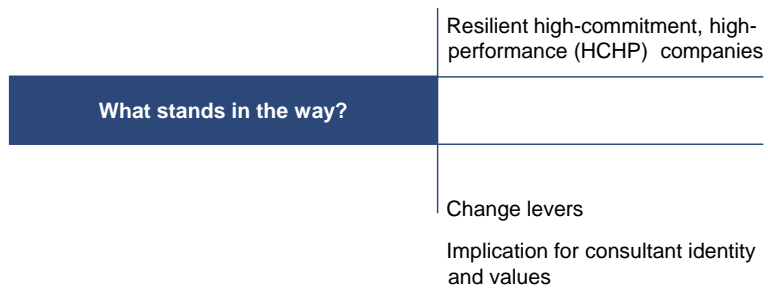
<b>Asda (U.K.)</b>	Grocery
<b>NUMMI</b>	Automobile
<b>General Electric</b>	Conglomerate
<b>IBM (1991)</b>	Information technology
<b>Becton Dickinson</b>	Medical technology
<b>Campbell Soup</b>	Food
<b>Volvo Group (Sweden)</b>	Trucks
<b>Standard Charter (U.K.)</b>	Banking
<b>NORDEA (Sweden)</b>	Banking
<b>BUPA (U.K.)</b>	Healthcare

## HCHP Must be Developed at Every Level of the Company



Adapted from the Beer et al, "The Critical Path to Corporate Renewal," 1990

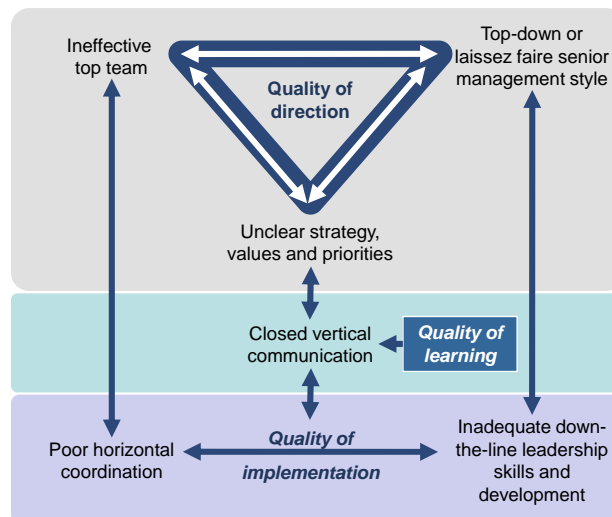
## Essential Elements in the Journey to Alignment Commitment and Sustained High Performance





### The Silent Killers

- Unclear strategy, values, and conflicting priorities
- Leadership style – top down or laissez faire
- An ineffective top team
- Poor coordination across businesses, functions or geographic regions
- Inadequate leadership/management skills and development in organization
- Closed vertical communication and resulting low trust



## Responses to *Silent Killers*



### The Silent Killers

- *Avoidance*
- *Replacement*
- *Engagement*
  - Make *silent killers* discussible in each unit
  - Develop them into strengths
  - Change how you lead, organize and manage

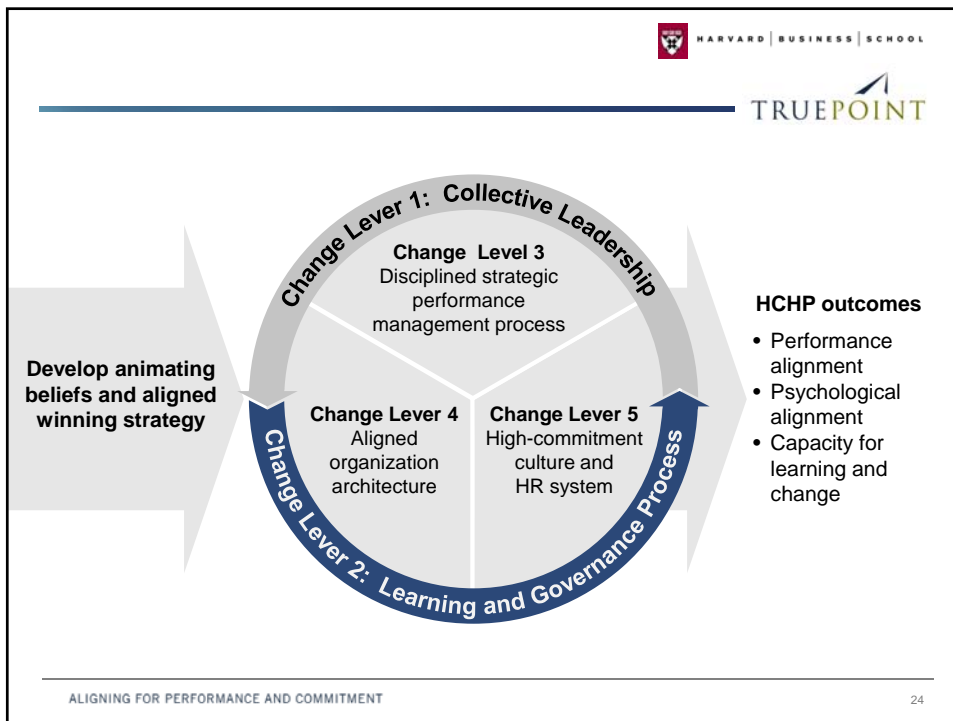
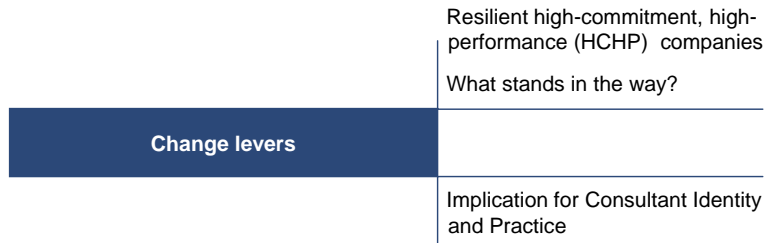
## Translating *Silent Killers* Into Core Capabilities and Change Levers

### Critical organizational capabilities

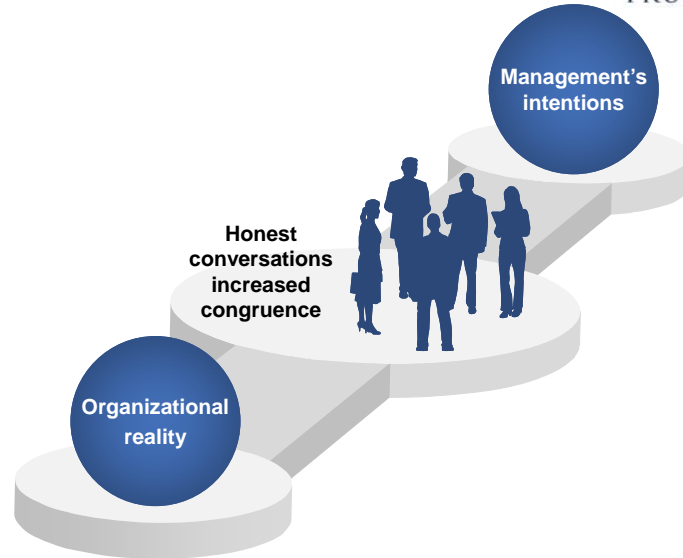
### Change levers

- |  |  |
|--|--|
| 1. Clear and principled top down direction and confrontation and resolution of internal tensions blocking achievement of direction | 1. Lead collective learning process that develops direction and organization |
| 2. Continuous honest communication within and between the senior team and lower levels about the "system"                          | 2. Enable truth to speak to power through a learning and governance system   |
| 3. Translation of strategic direction into priorities, goal alignment, resource allocation and effective execution                 | 3. Develop a strategic performance management system                         |
| 4. Capable people, particularly leaders, who fit strategy and animating beliefs and values   | 4. Develop human and social capital – the HRM System                         |
| 5. Horizontal coordination between value creating activities   | 5. Manage evolution and revolution in organization design                    |

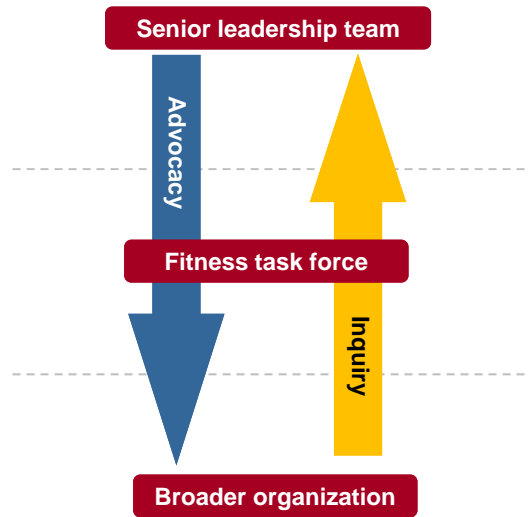
# Essential Elements in the Journey to Alignment Commitment and Sustained High Performance



Honest Conversations Align Management's Intentions with Living Breathing Reality



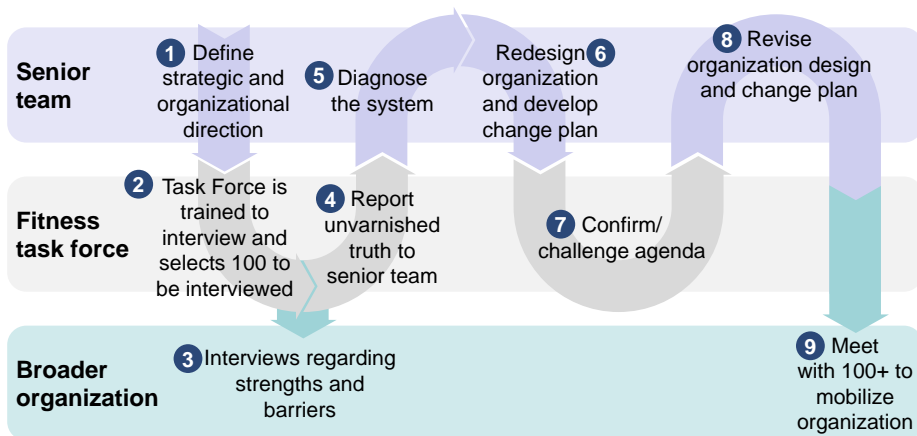
The Strategic Fitness Process:  
Enables Truth to Speak to Power



The “Fishbowl” –  
Building the Mandate for Change



Figure 1: The Strategic Fitness Process





**Levels**

- Corporation
- Business unit
- Process
- Function
- Operating unit



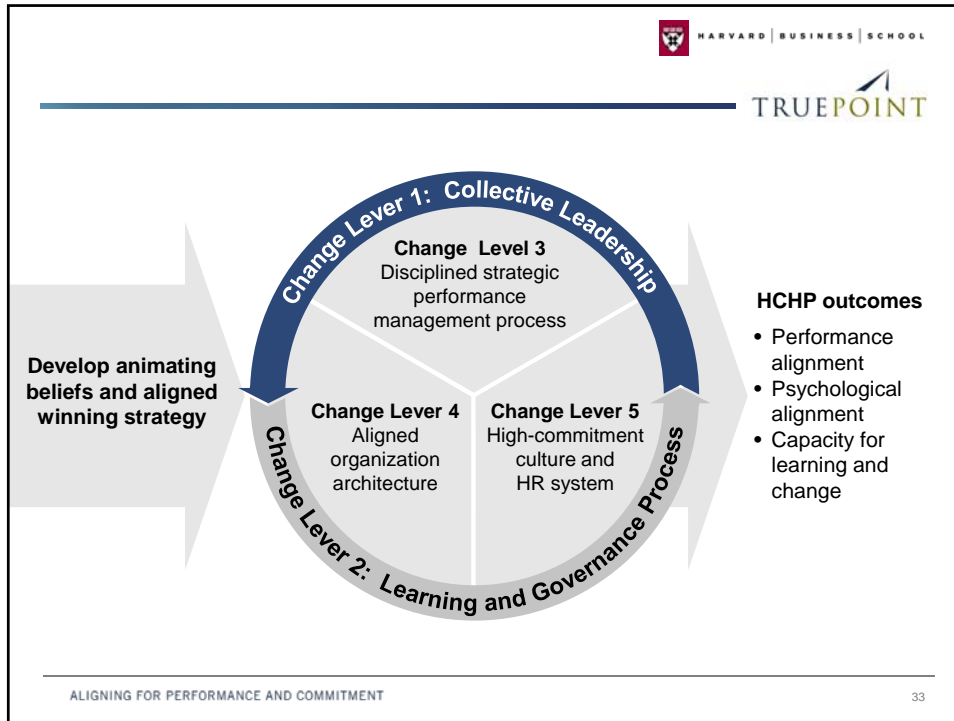
- Platform managers require to keep organization aligned and capable of continuous change
- Provides Valuable information – hidden organizational and leadership problems are made discussible and actionable
- Change efforts become more systemic – they address more hard/head and soft/heart issues simultaneously
- Egos and politics are suppressed and willingness to sacrifice for community is enhanced
- Commitment through partnership increases
- Transparency, learning, and accountability for change increases
- Hope that change will really happen is rekindled – “this will not pass like other initiatives”

## Boundary Conditions for SFP – Honest, Collective, and Public Conversations

- Dissatisfaction with the status quo
- Leader readiness to learn
- Alignment of leader and existing culture with high commitment values
- External and internal organization development resources
- SFP is recycled periodically – becomes integrated with strategic management
- National culture not a big factor – leadership is
- Consultant expertise not a deciding factor – though matters when confronting complex problems

## Toward a Practice Theory for Developing an Effective HCHP System

- The senior team must be at the center of the process – leading and learning from the conversation
- Focus inquiry and action on strategy, values, and performance
- Enable truth to speak to power safely
- The truth must be delivered by a group of the organization's own people
- Data must be valid and lead to systemic diagnosis
- Conversation must lead to initiatives to redesign the system and leadership behavior
- The conversation must iterate between advocacy and inquiry
- Senior teams must be accountable to lower levels
- The conversation must be collective and public
- The conversation must be structured and facilitated
- The conversation must be recycled to review progress, make midcourse corrections, and enable continuous improvement



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### What Leaders Must Do, Be, and Know to Build a HCHP System

Do	Be/know
Connect authentically	Know who you are – be anchored and self-revealing
Advocate a direction	Higher ambition, deep purpose and will to lead
Inquire into the quality of the direction and barriers to implementing that direction	Will to hear the truth and learn
Help the organization confront and resolve tensions	Readiness to engage in conflict and have “the conversations that matter”
Design an aligned organization	Will to build an institution - systems perspective and design skills
Develop a partnership with employees	Go beyond “heroic” model of leadership to collective leadership
Lead learning and learn to improve leadership	Courage to be vulnerable and learn

ALIGNING FOR PERFORMANCE AND COMMITMENT

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Implications for Consulting Identity and Practice

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