Developing Management Competence for Higher Performance

8/27/2014

A Model of Organizational Performance & Change

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A Model of Organizational Performance & Change

Learning Objectives

- Identify the role of strategic renewal in propelling change.

- Focus on the behavioral aspect of organizational change.

- Analyze the dynamics of motivating employees to alter their behaviors.

- Differentiate the three faces of change.

- Understand the source of both employee resistance to and support for change.

- Appreciate the importance of trigger events in initiating change efforts.

- Examine the role that "going global" plays in triggering organizational change.

Strategic Responsiveness

Successful organizations cannot remain static if they hope to continue that success; they must change in order to keep up with a changing world.

- **Change implementation:** actions taken by organizational leaders in order to support <u>strategic renewal</u> and maintain outstanding performance in a dynamic environment.

- **Strategic renewal**: change in an organization's strategy through a process of creating new business models, new products, services, capabilities, and knowledge bases.

Examples of Strategic Responsiveness

Company	Altered Strategy
IBM	Move from product to service/consulting company
Netflix	Move from providing DVDs through mail to providing streaming on-demand entertainment
Renault	Move from French-based to international-focused automobile company
Pandora	Move from selling through third parties to selling directly to end users
Facebook	Move from restricted, college campus only social network to become a "universal utility" open to everyone

- **Turnaround:** an attempt to improve the immediate financial position of an organization by focusing on the income statement and the balance sheet

- **Techniques and tools:** organizational processes, mechanics, and other interactions intended to produce a product or service

Three Faces of Change

Type	Target	Rationale
Turnaround	Internal resources	Improve short-term bottom-line performance
Tools and techniques	Processes	Increase internal efficiency
Transformation	Behaviors	Enhance human capabilities

Popular Change Tools and Techniques

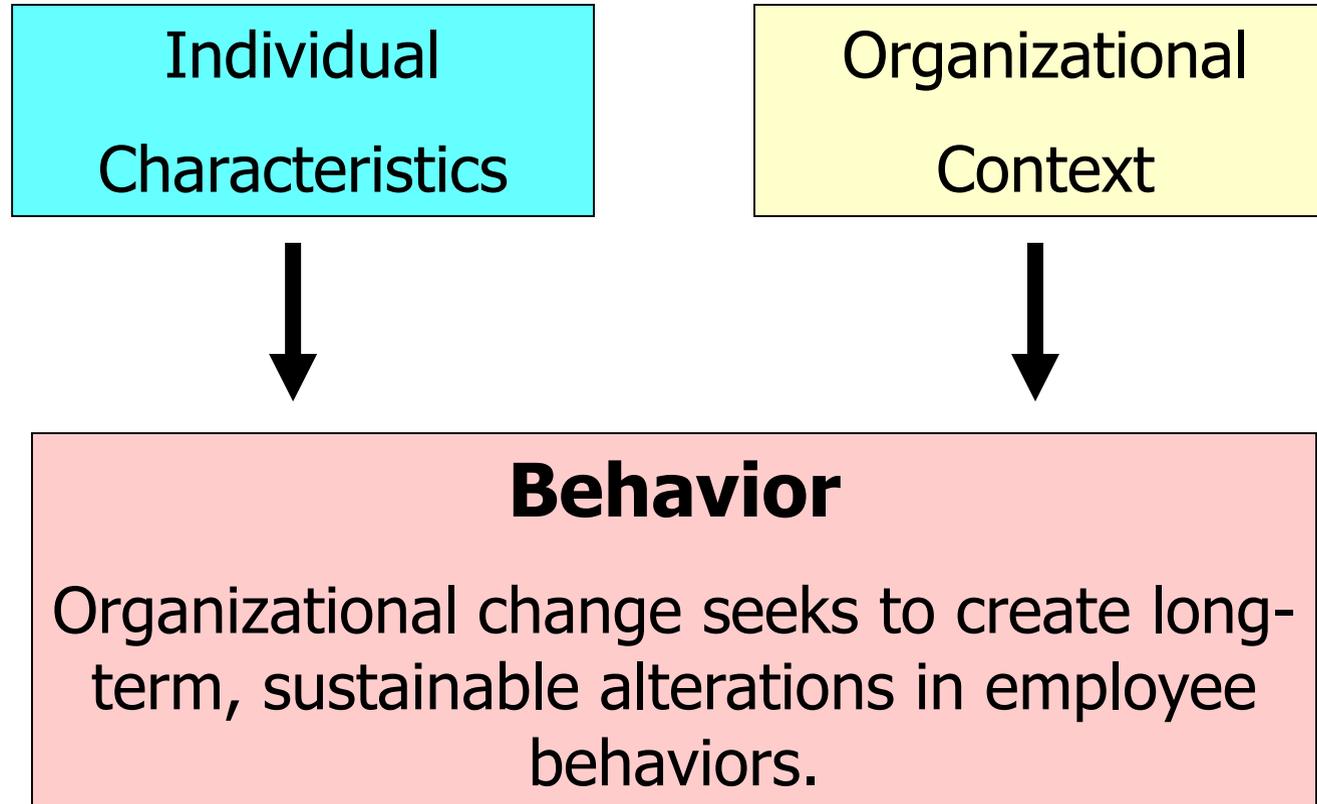| Tool	Key Points	Company Examples
Total Quality Management	Align operational processes with the requirement for customer-defined quality and continuous improvement.	Globe Metallurgical, Inc. Motorola Westinghouse
Agile Development	A process for product development, mainly software, based on collaborative cross-functional team effort.	GKN Aerospace PNC Financial Acxiom
Balanced Scorecard	Use of a measurement system that balances financial objectives alongside internal business process, customer satisfaction, and employee learning and growth.	VW of Brazil Ricoh Weichert Relocation
Value-Chain Integration	Capture value by linking and coordinating the primary activities—inbound logistics, production, outbound logistics, marketing, and sales—of the organization.	ComputerWorld IBM Electronics Microsoft
Lean	Eliminate activities that do not add value from the perspective of the customer.	Sealy Toyota Conmed
Considered Design	Ecological impact is considered at beginning of new product design process rather than as an afterthought.	Nike Hewlett-Packard Ford

Transformational Change

- Effective strategic renewal efforts combine aspects of turnaround, tools and techniques, and transformational behavioral change.

- Transformational organizational change seeks to create long-term, sustainable alterations in employee behaviors.

- The way employees conduct themselves at work impacts the bottom-line performance of the company.

- Behavior comes from both the individual and the organizational context in which the individual works.

- **Behavioral change**: alterations in employee behavior in order to enable the organization to meet the demands of its strategy while achieving and sustaining outstanding performance

- **Behavior:** the enactment of roles, responsibilities, and relationships by employees within an organization

- **Organizational context:** the setting and circumstances in which employees work.

"Organizational culture and values, the behaviors of leaders, as well as rules and procedures to define a context that shapes how employees enact their roles, responsibilities, and relationships"

Sources of Behavior

Individual Characteristics	Organizational Context

Behavior

Organizational change seeks to create long-term, sustainable alterations in employee behaviors.

- **Resistance:** efforts exerted by employees either overtly or covertly to maintain the status quo.

"Employee response to change runs across a broad spectrum, ranging from *commitment* at one end to *aggressive resistance*" on the other. Each of these reactions to change helps shape the behavior of individuals and, ultimately, the success of a change effort."

Underlying Causes of Resistance

- Individuals may be *satisfied with the status quo.* Because their needs are being met, they may view any potential change as negative.
- Individuals may view change as a *threat,* fearing it will adversely affect them in some significant way.
- Individuals may understand that change brings both benefits and costs, but feel that the *costs far outweigh the benefits*.
- Individuals may view change as potentially positive, but may still resist because they believe that the organization's management is *mishandling the change process.*
- Individuals may believe in the change effort ,but still believe that the change is *not likely to succeed.*

Participation: A Key to Effective Change

- **Participation:** the process of allowing employees a voice in work-related decisions.

"By diagnosing problems, understanding their importance, and being part of the process of formulating solutions, people develop a psychological sense of *ownership* over the outcome. That ownership now creates in employees the heightened motivation to implement change in order to achieve desired goals."

Participation truths

Imposing change from above can lead to employee resistance.

and

A participative process can help build support for change efforts.

Management's Role in Creating Resistance

Resistance	Cause
Satisfied with status quo	Employees not included
Change is perceived as threat	Employees see little opportunity to get required skills
Cost outweighs benefits	Inadequate articulation of goals
Belief that management is mishandling the process	Employees' voice and interest not being included
Employees doubt success	Past change efforts lack sustained success

Reasons Why Globalization Might Require Change

- They may seek to outsource certain activities that had previously been performed in the home country.

- They may seek to enter new, nondomestic markets.

- They may seek nondomestic suppliers for needed raw materials.

- They may seek strategic alliances with related companies in other countries.

- They may seek to locate research and development activities in multiple nations as a way of better understanding the needs of nondomestic customers.

Strategic Renewal and Organizational Change
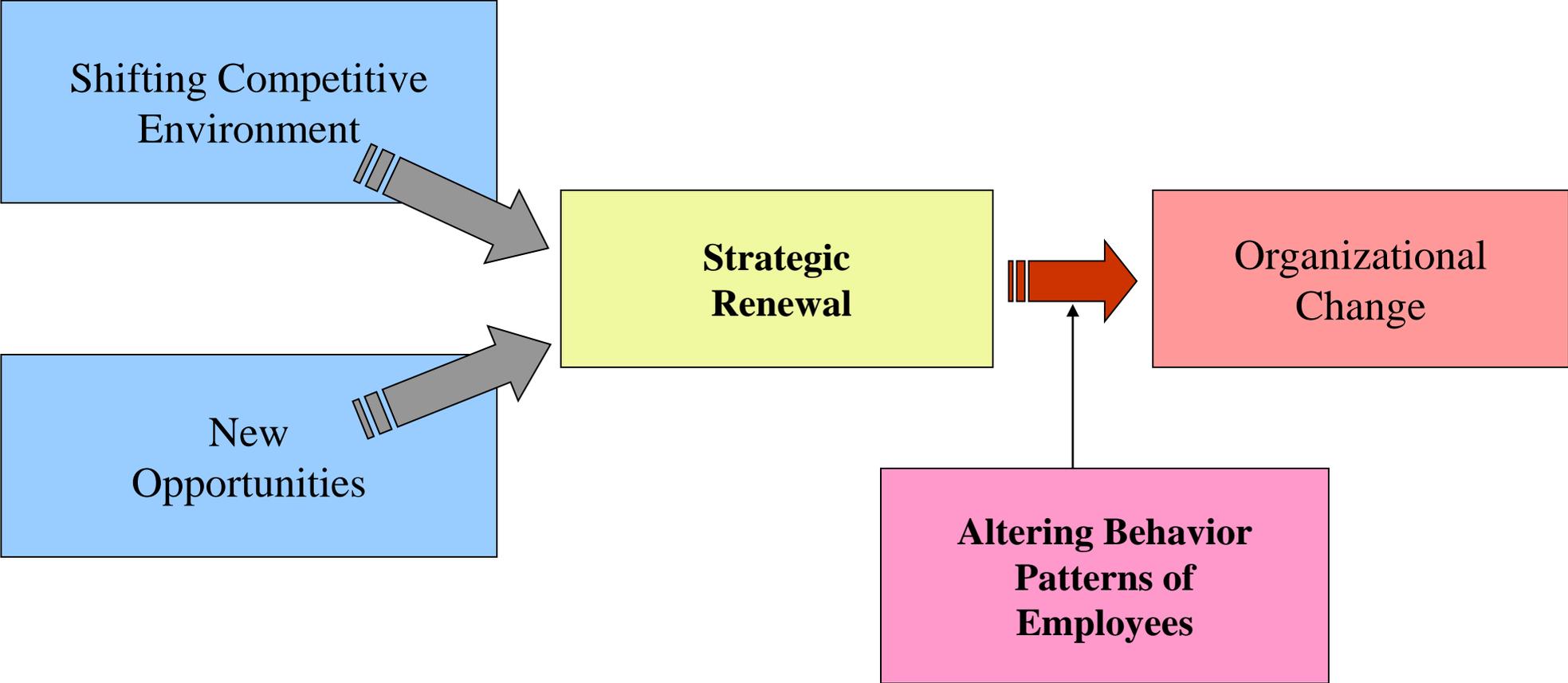
- **Organizational development (OD):** an approach to organizational effectiveness that calls on the fields of behavioral and social sciences to provide guidance to planned change efforts

"Performance problems often reside in the hand-offs between employees, between tasks, between functions, and between units; these are the problems that be targeted first for change."
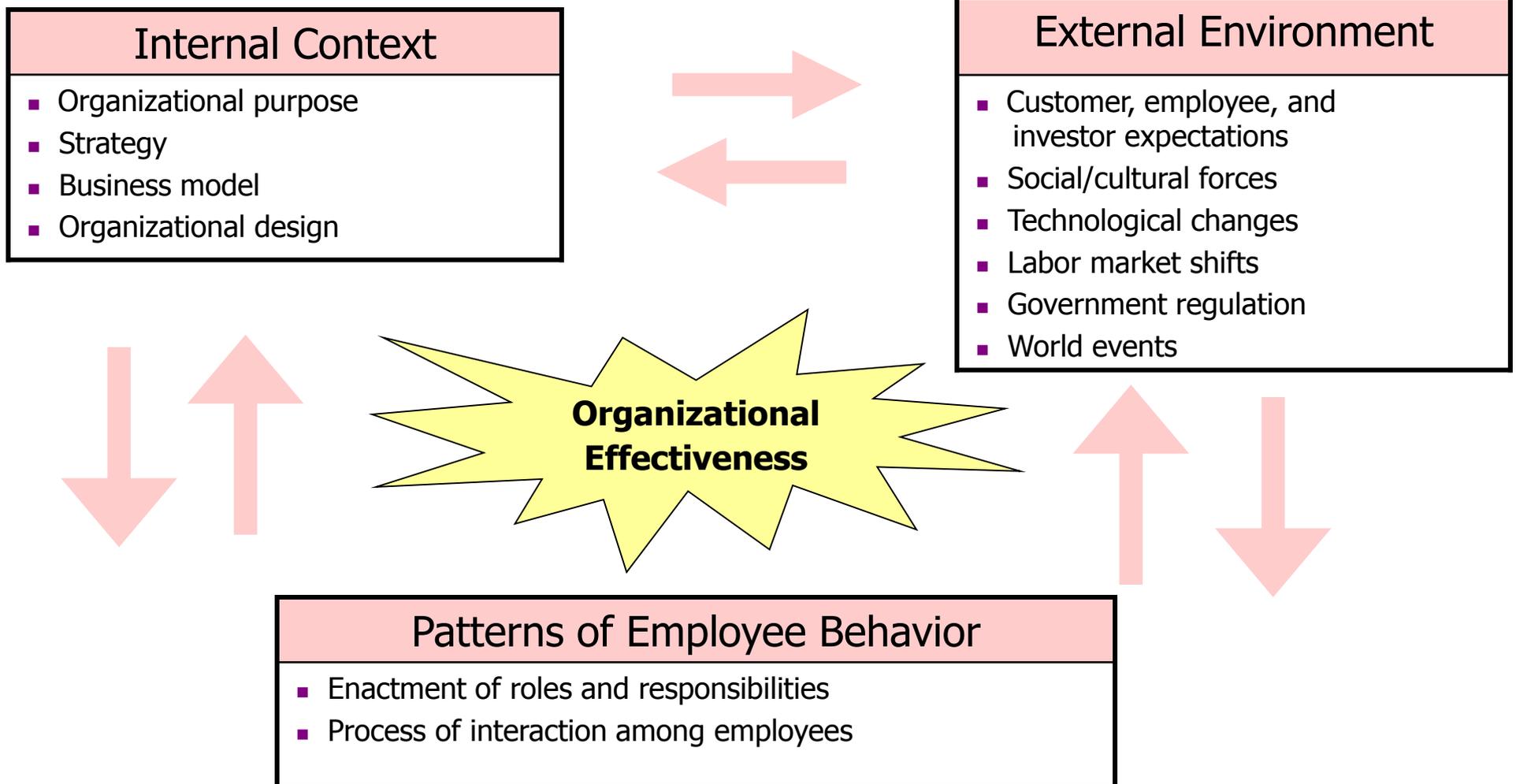
10 Defining Perspectives of Organizational Development (1–5)

Perspective	Underlying Assumptions
Systems perspective	Outstanding performance depends on interactions between and among the multiple elements of organization; among the people, processes, structure, and values of the organization; and between the organization and its external environment.
Alignment perceptive	The effectiveness of organizations will be determined by a state of congruence among people, process, structure, values, and environment.
Participation perspective	People will become more committed to implementing solutions if they have been involved in the problem-solving process.
Social capital perspective	To achieve outstanding performance, organizational leaders seek to create a network of interdependent relationships that provides the basis for trust, cooperation, and collective action.
Teamwork perspective	Accepting shared purpose and responsibility for interdependent tasks enhances coordination, commitment, and creativity and supports outstanding performance.

10 Defining Perspectives of Organizational Development

Perspective	Underlying Assumptions
Multiple stakeholder perspective	Outstanding performance requires that organizational leaders balance the expectations of multiple stakeholders: shareholders, employees, customers, suppliers, host community, labor unions, trade associations, governments, and so on.
Problem-solving perspective	Conflicts over task issues can increase the quality of decisions if they occur in an environment of collaboration and trust.
Open communications perspective	Open and candid communication, especially upward in the hierarchy, creates the opportunity for learning and development while building trust and collaboration.
Evolution/revolution perspective	Organizations must develop competencies to engage in both incremental (evolutionary) and fundamental (revolutionary) change.
Process-facilitation perspective	Individuals who reside outside of the organizational hierarchy can become both facilitators and teachers of effective implementation processes in partnership with organizational members.

A Congruence Model of Effectiveness

Internal Context
- Organizational purpose
- Strategy
- Business model
- Organizational design

External Environment
- Customer, employee, and investor expectations
- Social/cultural forces
- Technological changes
- Labor market shifts
- Government regulation
- World events

Organizational Effectiveness

Patterns of Employee Behavior
- Enactment of roles and responsibilities
- Process of interaction among employees

- **Open system:** an organism or entity that exists in a constant interactive state with its external environment

- **Alignment:** the degree of congruence or compatibility between and among various elements of a system

- **Stakeholders:** individuals or groups who lay legitimate claim to the performance of the organization

▪ **Content-drive change:** programmatic change in which specific programs, customer relationship management, balanced scorecard and lean enterprise, for example are used as the driver and centerpiece of implementation.

▪ **Process-driven change:** an approach to change implementation that emphasizes the methods of conceiving, introducing, and institutionalizing new behaviors and uses content as a reinforcer rather than a driver of new behaviors

"Content-driven change often fails because of inadequate attention to the process of change."

Task alignment: an approach to behavioral change that starts with the identification of the key strategic tasks of an organization or unit and then asks employees to redefine their roles, responsibilities, and relationships in order to perform those tasks

"Task alignment combines the insights of organizational development with a bottom-line focus on performance."

"A task aligned approach to change implementation can help create motivation to adopt new behaviors by focusing on real, immediate business problems and producing tangible results."

Key Theoretical Approaches to Change Implementation

Theoretical Approach	Main Theoretical Contribution	Help Explain How to Implement Change
Lewin's Field Theory	Begin behavioral change by focusing on context and unfreezing existing social habits	▪ Build a sense of pervasive dissatisfaction with the status quo on the part of employees ▪ Offer operational models for new behavioral patterns ▪ Reinforce new behaviors with alterations to systems and structures
Organizational Development	Organizations are dynamic, open systems	▪ Target entire organizational system for change ▪ Create a climate of open discussion and upward feedback on efficacy of change implementation ▪ Call on process consultants to facilitate interventions
Process-Driven Change	Focus on organically developed and implemented efforts to improve organizational performance	▪ Do not use externally developed program as driver of change ▪ Focus on the unique requirements for each organization and unit ▪ Build support for change implementing it
Task Alignment	Link desired new behaviors to requirements of performing key tasks	▪ Analyze and identify key performance indicators and behavioral implications for outstanding performance ▪ Attach requirements for new behavior to new strategy objectives of the organization ▪ Build line-management support for change effort

Shared diagnosis: a process that creates widespread agreement about the requirements for change

Redesign: an alteration in employee roles, responsibilities, and relationships

Talent management: the movement of employees into, through, and out of the organization

Mutual engagement: the process of building a participatory dialogue among employees at all organizational levels to the requirements of and process for achieving change
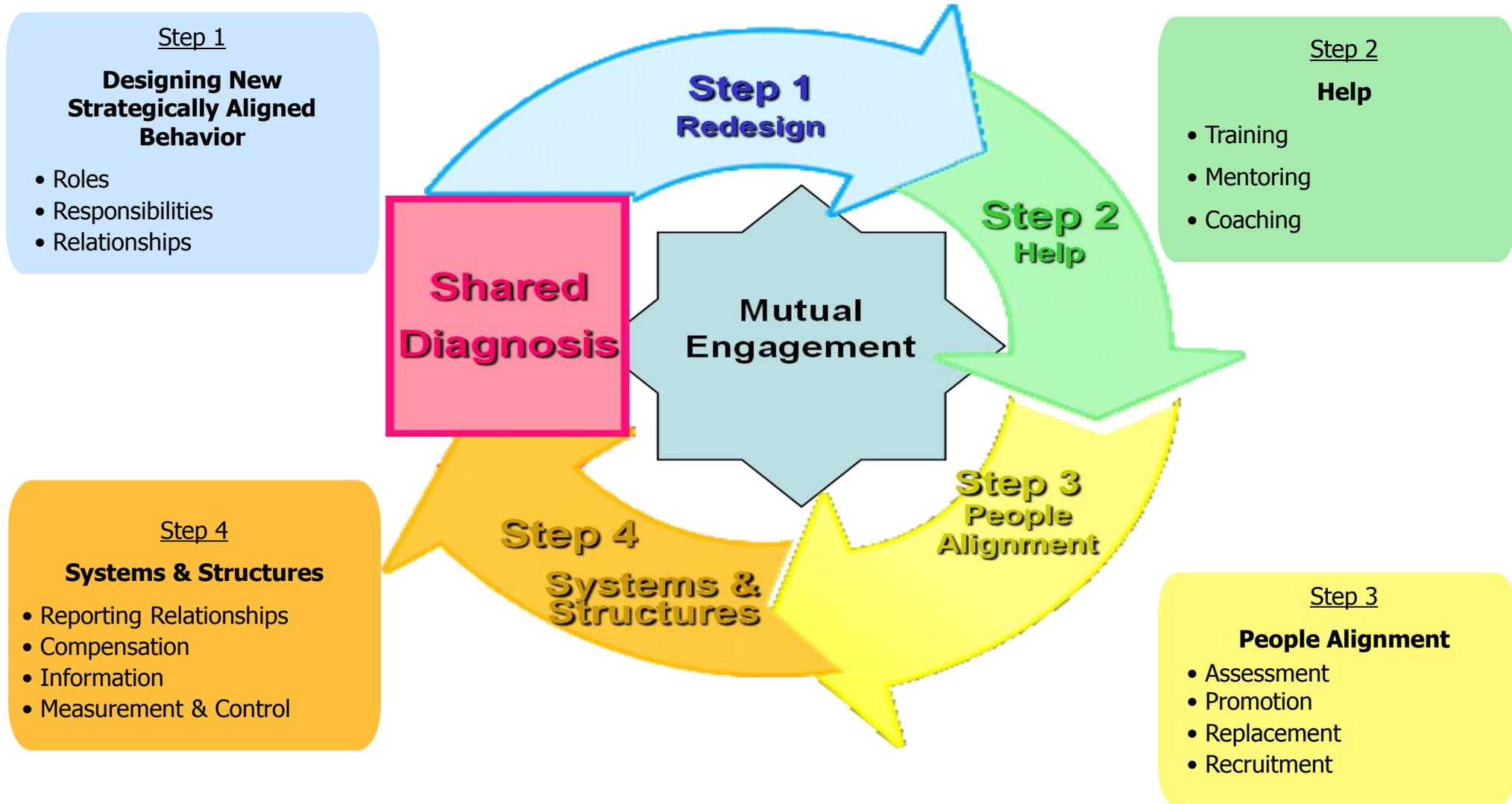
"Kicking off change implementation with shared diagnosis builds both dissatisfaction with the status quo and a commitment to enact new behaviors."

"Asking employees to enact new behaviors, roles, responsibilities, and relationships can be supported by organizational help in learning new skills."

"Altering formal organization systems and structures can come at the end of a change implementation in order to refreeze new patterns of behavior."

"Mutual engagement at every stage of the implementation process helps assure learning and build commitment."

A Sequential Model for Effective Change Implementation

Step 1

Designing New Strategically Aligned Behavior

- Roles
- Responsibilities
- Relationships

Step 2

Help

- Training
- Mentoring
- Coaching

Step 4

Systems & Structures

- Reporting Relationships
- Compensation
- Information
- Measurement & Control

Step 3

People Alignment

- Assessment
- Promotion
- Replacement
- Recruitment

Shared Diagnosis — Mutual Engagement

Step 1 Redesign — Step 2 Help — Step 3 People Alignment — Step 4 Systems & Structures

Implementation Traps: Applying the Right Tools at the Wrong Time in the Process

Trap	For Example	Why is it a trap?
Starting with Systems and Structures (Step 4)	Imposing new system or structure (e.g., global matrix, balanced scorecard measurement system)	Will be experienced as "change from above"; likely to be poorly understood and resisted.
Starting with Help (Step 2)	Driving change with training program	Because employees work in an unchanged organizational context, their learning is likely to be short-lived and will fade out.
Starting with People Alignment (Step 3)	Recruiting new employees, removing and replacing individuals seen to be resisters to change	Lack of understanding concerning what is required can be viewed by employees as arbitrary, thus diminishing trust and commitment.
Starting implementation with shared diagnosis	Redesigning work (e.g., creating cross-functional teams).	New designs will be seen as unconnected to strategic reality which can lead to resistance
Ignoring mutual engagement	Driving change through top management	Leadership may be out of touch with realities of organization while employees may not understand strategic imperatives

- **Learning** is the process by which individuals receive data from the external environment, analyze that data, and adjust their thinking and behaviors accordingly.

"Don't expect formulas and solutions that have worked in the past and are imposed on the current situation to work for your organization."

- **Diagnosis:** process of learning about the dynamics of the organization in order to take action intended to improve performance

- **Diagnostic framework:** a roadmap to analyzing alignment that makes explicit both the key elements of an organization that need to be aligned and the interconnections and interdependencies among those elements

"The most effective change implementation starts with a diagnosis that is shared by many employees at multiple organizational levels."

"Use a common organizational framework to shape mutual engagement and shared diagnosis"

"Use diagnosis as the preliminary stage in implementing change."

- **Dialogue:** involves a structured, collective discussion among two or more parties without a predetermined outcome
- **Organizational silence:** the lack of truthful dialogue in organizations

"Don't mistake passive acceptance with agreement. "

"Leaders can ask themselves—has their organization bred a 'climate of silence' that discourages subordinates from speaking up and discourages bosses from seeking feedback? "

"A large power distance between parties in a dialogue inhibits openness and risk taking while distorting communications."

Power Equalization Steps

Steps	Leads to
Delayering	Removing hierarchical barriers that create and distort communication
Decentralizing	Pushing down decision making to close the gap between decision makers and doers
Egalitarianism	Removing "artifacts" of status differentials
Third-party Facilitation	Structuring effective "rules-of-engagement" around feedback and dialogue
Representation	Inserting voice from multiple levels, both vertical (managers, shop floor employees, etc.) and horizontal (union and management, various functions, etc.) into dialogue
Teamwork	Building shared purpose and mutual responsibility to ensure equal participation and influence by all members in dialogue

- **Psychological safety:** a belief on the part of employees that the organizational climate is conducive for taking personal risks, especially around dialogue.

"Instead of committing to solutions, leaders can commit to a process of mutual engagement and learning, thus inviting employees at all levels to cross barriers of silence and participate in a dialogue."

■ **Consultant:** an individual possessing a broad range of diagnostic and developmental skills who contracts with the organization's leaders to facilitate an intervention.

"Leaders can call on a consultant to introduce and teach skills required of mutual engagement and diagnosis."

"Consultants may arrive from outside the organization: professional consultants or academics with a specialization in organizational
change and development. They may also come from within the firm: specially trained employees, often within the company's human resource or organization development staff. Whether internal or external, the task of the consultant is the same: to facilitate diagnosis and dialogue and to do so in a way that allows employees to develop those skills themselves."

Principles for Organizational Diagnosis

Systemic Focus	Targets the entire organization and guided by a framework that focuses on interactions
Consultant Facilitated	Specially trained individual(s) bring external perspective and required skills
Client-Oriented	Employees participate in all stages as full partners in order to build commitment and competency
Data-Based	Participants agree on the validity and strategic importance of data collected about performance
Honest Conversation	Employees engage the requirements of shared dialogue: mutuality, reciprocity, advocacy, and inquiry
Psychological Safety	Active steps taken to overcome climate of organizational silence

Data Collection Methods

Questionnaires: self-administered paper-and-pencil data collection forms, often stressing areas of behavioral interaction such as communications, goals, and coordination

Advantages:

- Reach large numbers of employees
- Fast
- Anonymous
- Used for benchmarking

Disadvantages

- Based on preconceived ideas
- Can oversimplify complex issues
- Does not expose root causes
- Does not create commitment or motivation

"Be careful about the overuse of employee questionnaires in collecting data about organizational effectiveness. They can be useful for measurement purpose but do not create mutual engagement."

Data Collection Methods

Diagnostic interviews: a form of data collection in which a trained diagnostician meets with an employee, or small groups of employees, to solicit information pertaining to the performance of the organization

Advantages:

— Collect rich data
— Begins process of dialogue
— Teaches communication skills

Disadvantages:

— Requires investment in training interviewers
— Data hard to summarize or quantify
— Lacks anonymity

"Use diagnostic interviews and behavioral observation to collect rich and valid data about how employees behave and how the organization functions."

Data Collection Methods

❑ **Behavioral observation**: a form of data collection in which a trained diagnostician can watch actual behaviors of employees

Advantages:

- Work-based behavior as data
- Data rich and deep on interactions
- Reveals underlying emotions

Disadvantages:

- Observation will impact behaviors
- Time consuming
- Requires highly skilled observers

❑**Discovery:** the process of analyzing and making sense of data that has been collected as part of an organizational diagnosis

"Mutual engagement in the discovery stage will help both to assure the validity of the conclusions and build commitment to corrective actions."

Closing the Loop

Feedback: the process of receiving information focused on the effectiveness of one's actions and performance.

"Mutual engagement can be enhanced when top management feeds back to employees what it has learned from the diagnostic process and uses that feedback as an opportunity to generate more learning."

❑**After-action review:** an organized, disciplined approach to shared diagnosis and mutual dialogue in the immediate aftermath of a specific action or event.

"After-action reviews provided an opportunity for a sharply focused and timely mutual engagement that can lead to quick corrections."

Organization design: the arrangements, both formal and informal, that an organization calls upon in order to shape employee behavior

Organizational redesign: the process of changing an organization's design in response to shifting dynamics in the organization's environment

Design Elements

Formal Arrangements	■ Compensation and measurement ■ Reporting structures
Informal Arrangements	■ Defining roles and responsibilities of employees ■ Defining relationships within the organization and between the organization and external stakeholders

"Effective change implementation starts with informal redesign rather than formal design changes."

Organizational Redesign Sequencing

- The most effective way to change organizational design is to be systemic and strategic rather than piecemeal and haphazard.

- Effective change implementation *starts with informal redesign* in order to shape new behaviors; formal design changes can follow as a way of reinforcing new patterns of behavior.

- When implementing change, seek early wins through pilot projects.

Piloting Redesign

- **Change pilots—**small units or specific processes which can be targeted at the early stage of change implementation to experiment and learn

"When implementing change, seek early 'wins' through pilot projects."

"In selecting change pilots, select units where the change is most likely to be successful."

▪**Differentiation:** the degree to which different functions, departments, and units in an organization are allowed to develop their own approaches in response to their particular goals and unique competitive environments
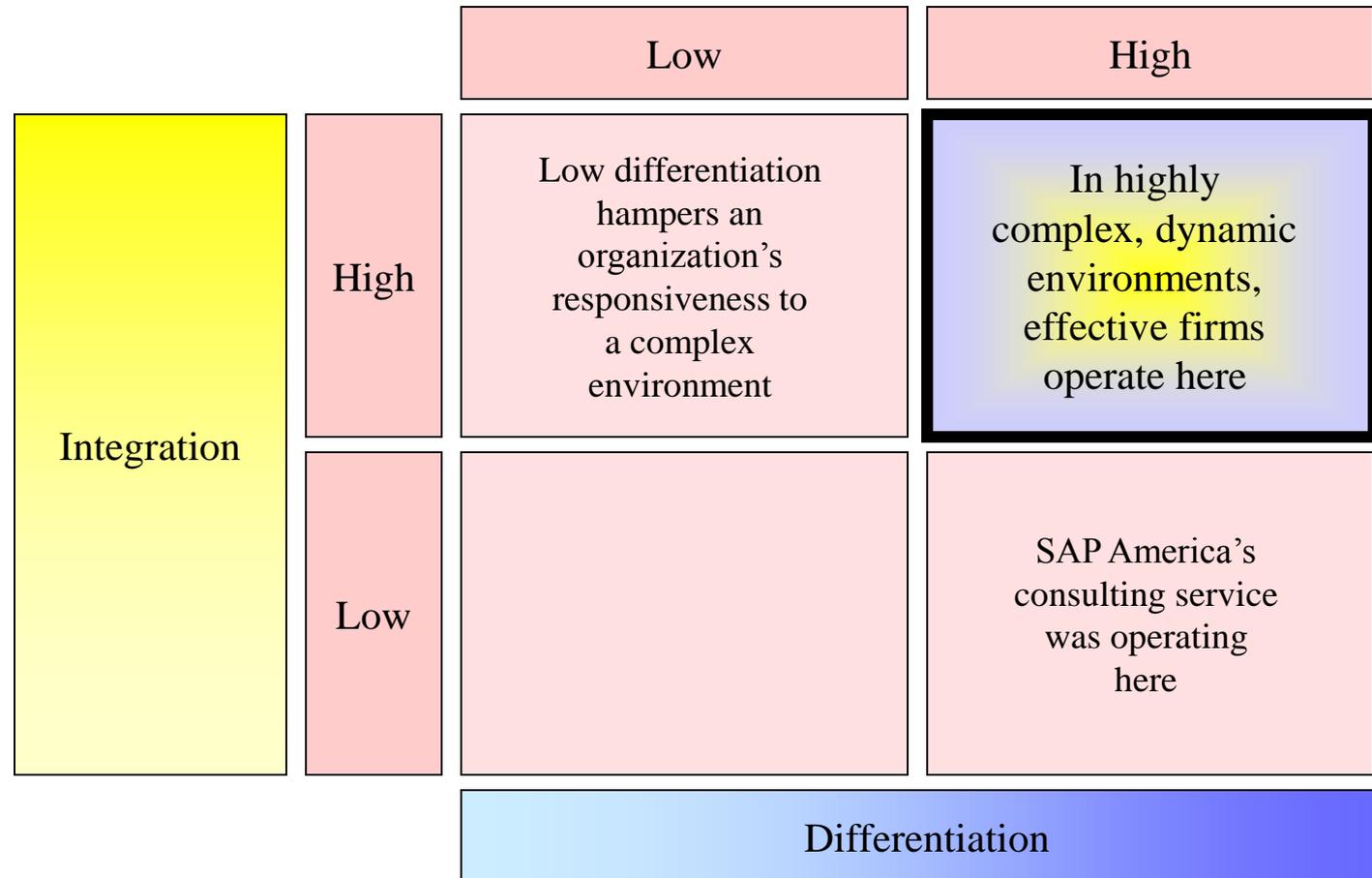
▪**Integration:** the required level of coordination across differentiated functions, units, and division

"Use high differentiation to enable different functions, departments, and units in an organization to develop their own responses to their particular goals and unique competitive environments."

"Use high integration to enable the organization to achieve efficient operations among different functions, departments, and units."

"Levels of differentiation need to be matched by appropriate levels of integration."

The Challenge of
Differentiation and Integration

		Low	High
Integration	High	Low differentiation hampers an organization's responsiveness to a complex environment	In highly complex, dynamic environments, effective firms operate here
	Low		SAP America's consulting service was operating here

Differentiation

Dimensions of Differentiation

Dimension	Examples
Goals	A sales function may have the goal of increasing revenues, whereas a manufacturing function may have the goal of reducing costs
Time orientation	A research department will likely have a long-term orientation toward research and development, whereas a sales function will want new products that it can sell by the end of the quarter
Interpersonal style	Research scientists might believe that they can maximize creativity and contribution by focusing all their individual attention on their task, whereas manufacturing managers might desire to create rich interpersonal relationships among key individuals to maximize quality
Formality	An assembly operation is more likely to be governed by tight rules and strict procedures, whereas a research and development laboratory would find such rules stifling of creativity

- **Control:** design choices called upon to shape employee behavior in alignment with the requirements of outstanding performance

- **Organic controls:** an approach to shaping employee behavior that emphasizes shared values, a common understanding of strategy, loosely defined roles and responsibilities, and overall organizational performance

"Traditional mechanistic control tools can create predictability and standardization but can undermine creativity, flexibility, and collaboration"

"Organic controls, which are intended to increase employee flexibility and creativity, rely on shared values and clarity about overall strategy and performance expectations."

- **Decision-making rights:** the determination of who should make what decisions in organizations.

"Allowing front-line employees to make autonomous decisions is intended to unleash motivation and creativity among those organizational members with the 'best information' to make decisions."

Challenge of Multinational Organizations

- **Multinational organizations face special challenges regarding the allocation of decision-making rights.**

"The challenge for multinational organizations is to allocate a high level of autonomy to national units as a way of achieving marketplace responsiveness while simultaneously making corporate-level decisions that allow the exploitation of synergies across the divisions."

- **Synergies:** the advantages of efficiency and effectiveness conferred by the combined effect of interaction and collaboration among multiple units

- **Employee commitment:** the internalized desire of employees to expend energy and discretionary effort on behalf of the goals of the organization

- **Collaboration:** involves willing cooperation among individuals and groups with a common goal

- "The challenge for multidivisional organizations is to allocate a high level of autonomy to separate divisions as a way of achieving marketplace responsiveness while simultaneously making corporate-level decisions that allow the exploitation of synergies across the divisions."

- "High employee commitment can improve organizational performance by enhancing productivity, creativity, collaboration, and the willingness to change."

  "Collaboration will require effective teamwork across units and functions of an organization."

Informal Design Elements for Building High Commitment

Element	What Happens
Clarity of organizational goals	Employees at all levels and in all units are provided with an understanding of the goals and values of the organization as well as its strategic choices
Influence mechanisms	A variety of formal (elected board of representatives) and informal (open doors and accessible managers) mechanisms enable wide participation in the dialogue and decision making of the organization
Teamwork	Teams designated to perform interdependent tasks
Shared information	Employees kept informed about how the organization is performing, including the dissemination of data such as financial performance, costs, profitability, information on competitors, and feedback from customers
Organic controls	Control exerted through peer pressure, organizational culture, and expectations of outstanding performance reinforced through performance feedback
Individual development opportunities	Control exerted through peer pressure, organizational culture, and expectations of outstanding performance reinforced through performance feedback

- **Job design:** organizational expectations for how tasks will be performed in order to meet both individual task requirements the overall performance requirements of the organization

"By enriching jobs along any or all of five characteristics, organizations can increase the motivation and commitment of employees performing those tasks."

Using Job Enrichment to Increase Commitment

Job Dimension	Description	Enrichment Action
Skill variety	The degree to which a job requires a variety of different activities in carrying out the work, involving the use of a number of different skills and talents	Enlarging task requirements to involve multiple and varied skills
Task identity	The degree to which the job requires completion of a "whole" and identifiable piece of work; that is, doing a job from beginning to a tangible outcome	Combining individuals into a team with shared responsibility for the final product
Task significance	The degree to which the performance of the task has a substantial impact on outcomes that are deemed to be important to employees, to the organization, and/or to society as a whole	Communicating regularly and clearly how individual and group effort contributes to overall performance of company
Autonomy	The degree to which the job provides substantial discretion to the individual in scheduling work and determining procedures for carrying it out	Allowing individuals or groups to schedule work and assign specific tasks consistent with achieving performance goal
Feedback	The degree to which carrying out work activities required by the job results in the individual acquiring direct and clear information about the effectiveness of his or her performance	Communicating frequently concerning progress toward work goals

- **Teams:** interdependent groups with shared responsibility for an outcome

- **Cross-functional teams:** teams made up from representatives of multiple organization functions typically intended to achieve required coordination along a chain of interrelated activities and processes

"Don't just place employees on teams and expect the performance benefits of teamwork; organizations will need to create the context required of teamwork."

"When members of a team feel equally responsible for the outcome of their efforts, teamwork will be enhanced."

"At least in the early stages of change, organizations will need to make sure teams are buffered from traditional hierarchical power and are allowed to work across functions."

"In order to encourage teamwork, organizations can take care to ensure that team members have the appropriate skills to perform the task effectively."

"Teams succeed or fail in organizations based not just on the efforts of team members but on the overall design and context of the organization, which must support and reinforce joint effort."

Team Types

Team Type	How they contribute
Work team	By sharing responsibilities, developing multiple skills, and performing varied tasks, motivation and quality are enhanced
Product development team	Through concurrent rather than sequential development activities, speed to market and innovation are enhanced while costs associated with rework are diminished
Problem-solving team	By bringing together individuals from multiple functions, problems associated with handoffs and cross-functional interactions can be creatively addressed
Project management team	The multiple functions and tasks of the value chain are linked in order to enhance quality, coordination, and customer responsiveness

- **Sustainability**: voluntary actions taken by organizations designed to meet the needs of the present generation without compromising the needs of future generations
- **Compliance:** actions of an organization designed to meet requirements imposed by law

"Corporate sustainability involves voluntary efforts on the part of organizations."

"There is still much that is controversial about going green."

"The Bhopal chemical leak of 1984 proved to be a major trigger event in looking at the social and ecological responsibilities of companies."

- **Triple bottom line:** an approach to defining performance that takes into account social, economic, and ecological dimensions and assumes that the three are mutually reinforcing
- **Greenwashing:** public relations efforts aimed to claim environmental virtue without making any substantive organizational change

"Although there is a great deal of controversy about the triple bottom line, it is an important step toward aligning business with sustainability concerns."

"'Greenwashing' is a public relations effort that does not involve organizational transformation."

"Government regulations are the main motivation for going green in the United States; in Europe, the major factor is customer preferences."

Five stages of responsiveness to issues of sustainability

- **Defensive stage:** company denies claims that they are responsibility for negative outcomes.

- **Compliance stage:** company accepts responsibility and costs of following rules and legislation as "the cost of doing business."

- **Managerial stage:** company integrates sustainability objectives into the management goals at multiple levels of the organization.

- **Strategic stage:** sustainability issues become fully integrated into a company's business strategy.

- **Civil stage:** company representatives promote wider efforts on behalf of sustainability.

"When it comes to going green, most organizations follow a predictable path, starting with denial and compliance before becoming managerial, strategic, and civil."

Performance Advantages of Going Green.

Advantage Gained:	By:
Lowered cost of operating	Elimination of waste
Reduced exposure to risk	Inoculating against future law suits
Increased innovation	Impetus for new products/services
Improved recruitment	Enhanced image of green company makes it more attractive to potential employees
Enhanced employee motivation	Creates sense of excitement and purpose for employees
Market differentiation	Appealing to sustainability-conscious consumers

"In addition to cost savings and image building, going green offers an incredible fountainhead for innovation."

The Process of Going Green

- Once the trigger event motivates a reevaluation of values, goals, and strategies, companies seeking to go green undergo a transformation that follows a set of sequential interventions:
  - Set the vision
  - Diagnose the status quo
  - Alter first informal and then formal design elements

"Going green starts with a visionary statement from top leadership."

"To be effective, green visions embed and connect the firm's commitment to sustainability with its business mission; that way, going green is seen as strategic, not peripheral."

"Early diagnostic efforts will need to include not just the company itself, but also its supply chain partners."

"Informal design changes associated with going green start with building high levels of collaboration".

Measuring Success

- **Balanced scorecard (BSC):** a tool for measuring multiple outcomes—financial performance, customer satisfaction, internal process excellence, and employee learning and growth—and the connection of those outcomes to the vision and strategy of the organization
- **Green metrics:** specific objective measurements of a firm's social and environmental impact

"The BSC is a tool for measuring the effectiveness of change efforts on multiple dimensions."

"A sustainability balanced scorecard can help an organization measure its performance on the triple bottom line."

The Vocabulary of Shaping a Green Culture

- **Organizational culture:** the common and shared values and assumptions that help shape employee behavior and is typically passed down from current to future employees.
- **Sustainability mindset:** a positive openness to the complexities and opportunities of aligning people, profits, and the planet.
- **Espoused values:** the set of values called upon by individuals to explain or justify their course of action or pattern of behavior.
- **Enacted values:** the set of values that are implicit in that course of action or pattern of behavior.

"Organizational culture can help embed a green mindset and shape employee behaviors"

Leader Behaviors That Shape a Green Culture

- Leaders elect to measure and reward green activities.
- Leaders react to critical green incidents and crises.
- Leaders allocate scarce resources toward green endeavors.
- Leaders choose to emphasize green criteria in their recruitment, selection, and promotion of employees and future leaders.

"The values and behaviors of leaders shape an organization's culture."