

Chapter 1

Why Build Organizations to Change

*Built-to-Change Strategy:
Seek Temporary Advantages*

All organizations are experiencing a business environment characterized by rapid change. This is not news to most people—their lives have changed because of it. What may be news is just how much the speed of change has increased. An analysis of Fortune 1000 corporations shows that between 1973 and 1983, 35 percent of the companies in the top twenty were new. The number of new companies increases to 45 percent when the comparison is between 1983 and 1993. It increases even further, to 60 percent, when the comparison is between 1993 and 2003. Any bets as to where it will be between 2003 and 2013? An early indicator is that the 2004 list shows a 10 percent change in comparison to the 2003 list.

Wal-Mart is now seen as an unstoppable giant (in 2004, it was once again at the top of the Fortune 1000), but in 1993 it was not even on the top twenty list. Back then, Wal-Mart ranked twenty-sixth—behind Sears! In the ten years from 1993 to 2003, Sears, JCPenney, Kmart, and Montgomery Ward all lost market share to Wal-Mart and to newcomer Costco.

Montgomery Ward ended up in bankruptcy; Kmart and Sears merged to try to compete with Wal-Mart and Costco. In their heyday, Kmart and Sears probably felt safe—and were safe. Retail was a traditional, unattractive industry, and they were well-established incumbents. But feeling safe and being safe are two different things. The growth of Wal-Mart demonstrates how a changing environment can rapidly dethrone existing leaders. Will Wal-Mart still be at the top in 2013? Given the rate of change, it is far from a sure thing, particularly when you consider that in 2005 Wal-Mart's same-store growth in sales slowed for the second consecutive year.

The lesson from the changing of the guard in the Fortune 1000 is clear: change is all around us and is occurring more and more rapidly. It demands the attention of every executive and every organization that wants to survive.

Not surprisingly, the number of books and articles on organization change has skyrocketed. There are books on how to implement Six Sigma programs, organize work teams, create customer-focused organizations, go global, deploy large-scale information systems, manage change, and lead change. For all that is written about organizational change, companies ought to be getting better and better at it, but they aren't.

We believe that a major reason why organizations are not getting better at executing change is that existing theory and

practice in organization design explicitly encourage organizations to seek alignment, stability, and equilibrium. Little mention is made of creating changeable organizations.

Organizations are encouraged to institutionalize best practices, freeze them into place, focus on execution, stick to their knitting, increase predictability, and get processes under control. These ideas establish stability as the key to performance. As a result, organizations are built to support enduring values, stable strategies, and bureaucratic structures, not to change.

Change is viewed as a necessary evil. It is costly, undignified, annoying, hard, and, more often than not, ineffective. Organizations must be disrupted, unfrozen, shocked, and changed; a crisis must be created, a case for change articulated and sold. It is no wonder that people resist it and organizations avoid it. This view of change fails to reflect the reality of today's business environment and needs to go the way of black-and-white TVs, 8mm home movie cameras, and Oldsmobiles.

But what about creating organizations that don't resist change, that are built to change? We believe that instead of pursuing strategies, structures, and cultures that are designed to create long-term competitive advantages, companies should seek a string of temporary competitive advantages through an approach to organization design that assumes change is normal. Instead of having to create change efforts, disrupt the status quo, or adapt to change, organizations should be built to change. Further, we believe that many current organization practices and designs actually prevent leaders from successfully implementing necessary changes. Organizations need to be built around practices that encourage change, not hinder it.

WHY ORGANIZATIONS NEED TO CHANGE

The environment in which most organizations operate today is continuously changing, and the rate of change is accelerating. Looking back only ten or fifteen years, one can see tremendous change. There are new countries, such as Slovenia, Namibia, Slovakia, and Kazakhstan. The Deutschmark and French Franc have disappeared. China has joined the WTO and become a leading force in Western economies. A decade ago, American computer programmers hadn't even heard of Bangalore; now it's the place they go to visit their old jobs.

We are experiencing a massive increase in international trade, partly due to the enthusiastic entry of India and China into the global market, but also stimulated by the opening up of Eastern Europe and the economic growth of such countries as Korea, Singapore, Malaysia, Vietnam, Cambodia, and Thailand.

The globalization of business has had two profound effects. First, it has raised the level of competition in most industries. Singapore is making a play to take a leadership role in bio-tech; Korea's Samsung and LG have become respected international brands; Malaysia is a leader in chip manufacturing. These new competitors have advantages that range from geography to high-skill, relatively low-wage workforces. Second, international trade and information technology have opened new markets and challenged firms to deal with global consumers. Overall, international trade has created a world in which the bar that marks "good enough" keeps moving higher and higher.

Perhaps the most dramatic changes in the last decade have been in the area of telecommunications. The Internet, satellite TV, and cell phones have connected most of the world. Perhaps

the most striking example of the rapid evolution of technology is the Internet. The number of unique websites grew an average of 53 percent per year between 1998 and 2002 and continues to grow at a rapid rate. In just a few years, the Internet has created a host of new businesses that serve customers in new and different ways. It also has facilitated the movement of work to India, Russia, and a host of other countries.

Human Capital Is Critical

In this new world of global competition and technological change, the era of human and social capital has arrived. There is no single reason why it has finally happened, but it is possible to identify some key changes. Combined, they have made human capital a critical and nearly universally acknowledged element in the effectiveness of organizations and a key source of competitive advantage.

The rapid growth in scientific and technological knowledge is one driver that has contributed to the growing importance of human capital. Second, the information technology boom of the 1990s and the accompanying talent shortage got firms thinking about human capital as never before. Finally, there is a growing recognition that more and more of the market value of firms rests in their human capital.

Knowledge Is Central

The centrality of knowledge to organizational effectiveness has changed the very essence of organizations, what they do, and how they do it. Because of the growth in knowledge and the

ways it is used by organizations, the nature of individual work has changed. Increasingly, work in developed countries is knowledge work in which people manage information, deal in abstract concepts, and are valued for their ability to think, analyze, and problem-solve. Fewer and fewer people are doing the mind-numbing, repetitive manual tasks that used to dominate the work scene. It is being done by machines or transferred to low-wage economies.

Organization Makes a Difference

There is growing evidence that the way corporations are organized can in fact provide a competitive advantage. Research focusing on the performance impact of total quality management programs, knowledge management, employee involvement programs, and various organization designs and structures has shown that getting management and organization right can, in fact, produce superior financial returns for organizations.¹

Similarly, research on the impact of companies' human capital management practices, such as their training programs, efforts to create a desirable place to work, and reward systems, has found that there are practices that produce superior financial results.² Other research suggests that one of the factors that increasingly determines the market value of corporations is the quality of their management talent. When surveyed, stock analysts and investors say that it is a very important intangible feature of a company's assets.

Investors appear to be very aware that a shift in the source of competitive advantage has occurred. A growing body of research shows quite clearly that the stock price of an organization less and less reflects its book value. In other words,

investors no longer primarily price a stock based on its tangible assets: cash in hand, equipment, and buildings. Tangible assets accounted for 62 percent of the typical New York Stock Exchange company's value in 1982, whereas in 2000 it had decreased to 15 percent of the company's market value.³

Of course, an organization's human capital and management systems are not the only intangibles that make a difference. The company's brands and intellectual property are among its other key assets, although even these cannot be completely separated from its human capital, and certainly not from its management practices. Knowledge is not only generated by individuals but also carried in their minds; it therefore walks out the door every day and may or may not return the next. The return of employees, like their performance, depends on how they are organized and managed.

Perhaps less related to human capital is a company's brand or brands, but they too are definitely related to its organization and people. One slip-up by an employee can quickly destroy the reputation of a major brand in such areas as health care, food, and transportation. A clear example is Krispy Kreme donuts, which seriously tarnished its formerly enviable reputation by stuffing the distribution channel (sending more donuts to stores than could be sold) to meet short-term revenue targets.

When competitive advantage rests in a company's people and its ability to organize its human capital, the situation is dramatically different than when organizations compete on the basis of tangible assets. Organizations are now competing based on their ability to organize. Thus innovations in management and organizational change need to be much more frequent and effective, and survival much more a function of possessing the ability to change. When the development of new approaches to

organizing is combined with the rapid changes taking place in the environment and the new competitors that have appeared on the global scene, it is clear that performance levels that were good enough a few years ago are almost never good enough today.

TYPES OF CHANGE

Many of the changes that occurred in the last decade were unpredictable, or at least unpredicted. The rise of the Euro as a potential alternative to the U.S. dollar as a global reserve currency, for example, although discussed at times, certainly was not predicted. The implication of the unpredictable nature of change for organizations is clear: although in many cases they may not be able to anticipate change, they *can* always be fast adapters.

The world of human resources (HR) consulting provides an interesting case of change and product obsolescence. Younger HR managers cannot believe the time and energy that went into job evaluation in the 1970s and 1980s. The major benefactor of this passion for job evaluation was Hay Management Consultants.

In the 1960s, Hay's CEO, Milton Rock, took the pioneering work of Ed Hay and turned it into a finely tuned consulting process. Rock opened Hay offices around the world. Hay raked in the cash. But as the 1980s wound down, the environment started to change.

Big, stable bureaucracies were ripped apart by downsizing. Constant reorganization meant that this week's job evaluation might be obsolete next week. Managers were suddenly saying,

“I don’t want to spend two hours in a committee deciding what grade a job is in!” Hay needed to change to survive—it almost didn’t. What saved Hay was the acquisition of the McBer consulting firm and the launching of a new area of consulting: competency modeling. The rise of a new consulting practice upset power relationships within Hay, changed the type of consulting Hay did, and required a different image for the firm. Hay was hardly a poster child for smooth transition to a new product area, but it got it done. Hay managed to survive an environmental change that took away a big part of its core business; many firms do not, and this is understandable.

In uncertain and rapidly changing environments, organizations are challenged to accomplish two often conflicting objectives: performing well against a current set of environmental demands and changing themselves to face future business environments. To meet these objectives, organizations must manage at least two types of change: the natural process of evolution, or what we will call strategic adjustments, and strategic reorientations. In some cases they also have to manage a third type of change, transformational change.

Strategic adjustments involve the day-to-day tactical changes required to bring in new customers, make incremental improvements in products and services, and comply with regulatory requirements. This type of change helps fine-tune current strategies and structures to achieve short-term results. It should be incremental, constant, and natural; it should not be an option or a nice thing to do. Like the continuous improvement capability that many organizations focused on in the 1980s, this basic capability to evolve is essential if an organization is to survive.

The second kind of change, strategic reorientation, involves altering an existing strategy and, in some cases, adopting a new strategy. When the environment evolves or changes sufficiently, an organization must significantly adjust some elements of its strategy and the way it executes that strategy. It needs to develop new competencies and capabilities. In the Hay example, the Milton Rock years were a time of strategic reorientation. For example, introducing Hay's existing products and services to foreign markets required hiring new staff, opening new offices, creating new policies regarding worldwide pricing, and developing mechanisms to deliver consistent services in different countries. Hay's shift away from job evaluation toward competency consulting is an example of a strategic reorientation.

More and more often, organizations have to face a transformational change. It involves not just a new strategy but a transformation of the business model that leads to new products, services, and customers, and requires new competencies and capabilities. It is often stimulated by the appearance of what Clayton Christensen calls a disruptive technology.⁴ Enron's conversion from a regulated pipeline company to a multibusiness energy financial trader is an extreme example of this type of change. A possible example of this kind of change is under way at BP. Recognizing the finite limits of oil and gas supplies, BP has committed itself to a "green strategy" built on a fundamentally different economic logic, one that will rely more on revenue from solar, fuel cells, and other sources of energy that are currently viewed as "alternative."

Transformational change is something very special. Successful cases of it occur relatively infrequently. Unlike strategic reorientations, during which the strategy can remain relatively

stable but the organization's design undergoes substantial revision, transformational change is associated with fundamental shifts in the organization's strategy, organization design, and processes. Unisys is now known as a supplier of IT services, but some readers will recall that it was once a major mainframe manufacturer. This dramatic shift from manufacturing to services is an example of successfully mastering transformational change.

Unfortunately, the execution of transformational change is particularly likely to be inadequate, too late, or poorly managed. To us this is not surprising, considering that despite all the talk about change, organizations are in fact designed for stability. But even if an organization is not designed for stability, it may not be able to execute a strategic transformation quickly enough to be successful. All too often a new organization that doesn't have to change wins out because it gets the new business model right first. Fortunately for existing organizations, the need for transformational change is relatively rare.

ORGANIZATIONS ARE BUILT TO BE STABLE

Most of the writing and consulting done on change management offer suggestions and remedial actions that an organization can take when it is not designed to change. Unfortunately, remedial actions are often desperate efforts to enable an organization to do something that is very much counter to what it is designed to do—change! As a result, most efforts at designing and managing organization change are dismal failures. Scarce resources are wasted, organizational cultures destroyed, and lives disrupted for little or no gain.

Human Nature Is Not the Problem

A major barrier to change is how individuals react to it. There is a great deal of writing on the reactions of individuals to change that emphasizes their resistance to it. Many discussions of change picture this resistance as irrational and perhaps a part of “human nature.” We don’t think this is true. We know of no evidence that there is a resistance-to-change gene!

It is true that when people have been successful at doing something over and over, and have been rewarded for doing it, they may take a great deal of pride and comfort in doing it. Change is particularly difficult in these situations not because people are inherently resistant—after all, they learned to perform this way in the first place—but because they have not been told to expect change, don’t see any advantages to change, continue to be rewarded for doing what they have always done in the past, and are understandably confused by the suggestion that doing what they were trained to do is no longer valued. Further, change often requires learning and developing new skills, forming new relationships, and disrupting one’s personal life. Although learning and establishing new relationships can be rewarding, it also can be hard work, uncomfortable, and stressful.

When email was new, many executives would have their assistants print out incoming emails, then write out their replies by hand, which the assistant would then email out. The IT folks tore their hair out! They despaired at this “irrational resistance to change.” They said things that we sincerely hope the executives never heard. Yet to the executives, resistance to email was rational. Why take time away from running the business to

learn about electronic communication when paper communication had always worked just fine?

The bottom line is that organizational change is difficult because management systems are designed, and people are rewarded, for stability. For people to change, there needs to be a reason for them to change. There may be a few people who irrationally resist change, but given a strong case for change, and appropriate rewards and support, people will change the way they work and the way they operate. We will talk specifically about how to handle rewards in Chapters Nine and Ten.

Traditional Design Is a Problem

In many respects, traditional organizations are built to resist change. Their numerous rules, regulations, and provisions limit experimentation, program in traditional behaviors, and reward consistent performance. They have many checks and balances in place to ensure that the organization operates in the prescribed manner.

Teleworking wasn't widely adopted until long after it was technically possible, simply because organizational rules required people to be physically at their desks. An innovative manager favoring telework had to go up against the bureaucracy in allowing an employee to work at home.

There is good reason why organizations are built to operate in a stable, predictable manner. Behaving this way is often critical to an organization's ability to perform well in the short term. It is perfectly consistent with the objective of achieving success under current business conditions, but it is inconsistent with achieving continuing success when change is needed.

The traditional approach to change management assumes resistance and reinforces stability. It identifies three phases: unfreezing, moving, and refreezing.⁵ Unfreezing involves creating dissatisfaction with the current state so that an organization will abandon its traditional ways of operating. The whole notion of unfreezing implies that an organization exists in some form of equilibrium that needs to be disrupted. Once the status quo is considered obsolete or ineffective, the organization is expected to go through a period of change, during which a new set of behaviors and systems is implemented. Refreezing involves institutionalizing the change and returning to a period of stability. As is true of unfreezing, refreezing implies that the organization should seek stability following a period of change.

As a general rule, the more radical or disruptive the changes that an organization tries to implement, the more likely that it will be unable to successfully change. Indeed, the more radical the change, the more likely that new organizations, often startups, will ultimately emerge as the winners. There is clearly not just a first-mover advantage when disruptive changes are involved; there is a *new organization* advantage.

Not surprisingly, many major innovations, such as copiers and low-cost air transportation, were developed by start-up companies. Xerox developed and commercialized the copier; Southwest created the low-cost air carrier market. In essence, the new entrant's advantage comes from not having to unlearn old habits and creatively destroy old ways of doing things. It is often easier to start with a blank sheet of paper and to create "from scratch" an organization designed to perform in the way that will best serve the new market.⁶

Even when organizations develop a new technology that leads to a new business, they are often unable to exploit it. The

computer industry provides many examples of existing organizations that have ended up as nonplayers even though they pioneered much of the technology. For example, Bell Labs developed transistors, but its parent, AT&T, never became a major player in either semiconductor manufacturing or in the many other products that it has led to.

Xerox developed an early PC and much of the user-friendly software that currently dominates the industry, but it failed to build a computer business. Why? Despite the fact that Xerox had a clear technological lead and a first-mover advantage, it simply was unable to develop the kind of focus and internal organizational capabilities needed to be successful in this new business. In contrast, over the years numerous start-up companies have been able to develop the ability to make quick decisions and stay on the technological edge. Today the PC market is dominated by Dell and Hewlett-Packard, neither of which was in the PC business when it was created.

Consulting work we did with Honeywell years ago helped us understand why existing organizations have problems in businesses that require new kinds of organization designs. Honeywell was an early mover in the computing business. It developed its own product line and also bought General Electric's computer business. There was one glaring difference between the successful start-up firms and Honeywell: the start-ups were more nimble in their decision making. Why was this?

Basically, Honeywell's decision processes were designed to support its major businesses (thermostats, airplane guidance systems) at that time. Most of these businesses were relatively slow moving and did not require high-speed decision making and agile behavior. In contrast, the computer business was changing almost daily and needed to be able to respond quickly to

competitors' moves, technology developments, and environmental changes. The required speed of decision making simply did not fit with Honeywell's kind of internal decision processes or with the elaborate justifications that were required for capital investment and product development.

Leadership Is Not the Answer

The implicit, and at times explicit, message of many management and leadership books is that if an organization can find the right leaders, it can successfully change in response to almost any challenge.⁷ According to them, the "right" leader is someone who can establish a vision compelling enough to motivate change. The right leader also has the personal drive to get things implemented by challenging the status quo as unacceptable.

The importance of leadership is conveyed by the case studies MBA students are given that feature the leadership behavior of senior executives, and by the popular business press, which profiles leaders who have "successfully changed their organizations despite overwhelming difficulties." One indirect measure of the star status of senior executives is the number of *Business Week* covers featuring CEOs from the Fortune 1000. It went from almost zero in 1981 to twenty in 2000.

The reality is that most heroic leaders fail in their attempts to change organizations. Study after study has shown that most would-be saviors are unsuccessful in producing significant organization change.⁸ This is true whether the leaders are from the outside or from the inside. Regardless of their leaders' skills and best efforts, many organizations are so change resistant that it is virtually impossible for a heroic leader or leaders to effect significant change.

Organization Design Is the Issue

Models of strategy and organization design that encourage companies to maintain and fine-tune the status quo work well when organizations face stable environments. For example, making big investments in developing job descriptions makes sense if (but only if) the jobs will not change for many years. When advantage derives from geographical location, financial capital, or legislation, the important thing for an organization is to use these assets effectively, and often this is possible only with stable processes. However, when organizations face uncertain environments, organization designs that capitalize on only these sources of competitive advantage are often not sustainable.

The automobile industry provides a clear example of the changing nature of competitive advantage. Japanese manufacturers have consistently gained market share in the U.S. market, despite the fact that they face a significant location disadvantage and well-established competitors.

Initially, the Japanese manufacturers gained market share by charging lower prices, but that did not prove to be a sustainable competitive advantage, so they began to focus on quality. Until recently, they had a clear-cut quality lead over their American competitors.

Beginning in the early 2000s, U.S. auto manufacturers began to equal Japanese quality; as a result, quality has ceased to be a significant competitive advantage. Consumers now take quality for granted. As a result, the competition has shifted to intangibles, such as design, customer experience, service, and image. There is also growing evidence that customers want a car company to exhibit a sense of social responsibility by producing energy-efficient, low-pollution cars. Perhaps the best

way to summarize this is that customers want to make a purchase that not only provides reliable, high-quality transportation but also makes a statement.

The Japanese manufacturers once again have adjusted their strategies. They now lead in service, design, and social responsibility. Once again, the U.S. manufacturers appear to be behind. Some have been able to make creative cars like the Humvee, which makes a statement, but how many people want to make a Humvee-type statement?

Indian call centers appear to be repeating the automotive change experience. They are winning business from U.S. competitors despite being many thousands of miles from their clients and living in a different time zone. One leading outsourcer commented, “We were attracted by cost but stayed because of the superior quality of the Indian call centers”—a replay of the Japanese auto story.

The main lesson from the past thirty years is that as industries, technologies, and environments change, so too do the definitions of advantage. Organizational change, whether planned or by accident, is essential for continued success. Simply stated, the law of competition is that an organization must change or become extinct.

Creating a stable organization to perform in a complex and rapidly changing environment is following a recipe for failure. The primary drivers of organizational effectiveness are fluid and dynamic; so too must be the primary elements and processes of strategy and organization.

We can no longer think of structure as a static concept, we can no longer view strategy as a “thing,” and we can no longer accept that people are resistant to change. We need to embrace

the view that the ability to change is an organization's best sustainable source of competitive advantage. It is the only way an organization can capitalize on new sources of competitive advantage as they emerge or are anticipated. Organizations must have the ability to quickly reconfigure their work processes, technical knowledge, and human capital in ways that provide new sources of temporary competitive advantage—over and over again.

Simply stated, the challenge for organizations is to perform so well and change so fast that they string together a series of temporary competitive advantages. This is easy to say but very difficult to do. It is hard enough to organize effectively when you can spend years perfecting your organization's strategy and design. It is extremely difficult to do it in a situation where your organization has to adapt to a rapidly changing environment.

It is precisely because it is so difficult to create effective change-friendly organizations in today's business environment that being one provides a competitive advantage. If it were easy to do, the process could quickly be copied, just as most of the traditional sources of competitive advantage can be.

Companies need to devise new ways of organizing that support change, not just pour old wine in new bottles or encourage managers to execute better. These new ways of organizing must be built on different assumptions. We believe that the central assumption should be that organizations always need to be changing and must be able to perform well while changing. Thus, in today's business environment, organizations have to be built to change, not merely changed as a result of a special change program or effort. Change, not stability, must become the coin of the realm.

THE *BUILT TO CHANGE* LOGIC

Strategic management research and practice have struggled with whether organizations designed for flexibility can outperform those designed for stability. We believe that today the rate of environmental change and the economic opportunities provided by change are sufficient to justify adopting a built-to-change (b2change) approach regardless of answer. Even if the operating costs of a b2change organization are slightly higher (and we aren't sure that they necessarily are), they will be more than offset by the organization's ability to capture profits from change and the temporary advantages it creates.

The central thesis of this book, then, is to challenge the "stability equals effectiveness" assumption and propose a model of organization in which change is expected and normal. It is not the same as being good at change management. In change management, the assumption is that organizations, structures, and systems exist in a current state that must be changed and shaped into a future state. In change management, people must be coaxed and motivated, the old way modified, and the new way institutionalized. According to the b2change logic, organizations are always changing, in sometimes fast and sometimes slow ways.

The key issue for the b2change organization is orchestration, or keeping the multiple systems that are changing coordinated to produce high levels of current performance. With the right organizational policies and practices in place, strategic adjustment and reorientation do not require special programs and initiatives; rather, they should and can be natural processes of adaptation to a changing environment. Transformational change is a different matter. It may require special

programs even in a b2change organization. It is difficult to execute, even with a lot of design features that support it.

CONCLUSION

Creating a b2change organization calls for a special mind-set with respect to its structure and process. Instead of striving to produce a fine Swiss watch with all the movements aligned so that it consistently produces the same behavior, an organization needs to be designed in ways that stimulate change. This means creating an organization that encourages experimentation, learns about new practices and technologies, monitors the environment, assesses performance, and is committed to continuously improving performance. The organization's strategies, structures, reward system, communication processes, and HR management practices must be designed to change and to encourage the organization to continuously and rapidly change.

Maintaining a changeable organization is not a matter of searching for *the* strategy but continuously strategizing, not a matter of specifying *an* organization design but committing to a process of organizing. It is a search for a series of temporary designs that create short-term advantages. In turbulent environments, organizations that string together a series of temporary but adequate advantages will outperform organizations that stick with one advantage for a long period of time.

Organizations that are built to change must view people as open and willing to learn and as eager to try new things. They must have structures that are constantly refocusing attention and resources on both current and future problems and opportunities. They must have reward systems that encourage learning and growth as well as current value-added activities. Finally,

they must have financial processes and other systems that support innovation and the start-up of new products and services.

The challenge, and it is a big one, is to create organizations that have elements and processes that lead to current high performance and that lead to change. What kind of elements and processes can be counted on to do this? That, of course, is the \$64,000 question.

For us to answer the question, we need to look first at the key characteristics of an effective organization and then look at specific organizational practices. Creating the right kind of organization is not simply a matter of designing one part, such as the reward system, effectively. It requires an integrated approach that considers all of the parts together and is targeted at producing an organization that is ready, willing, and able to change.