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What is This?
Developing an Organization Capable of Implementing Strategy and Learning

Michael Beer\textsuperscript{1,3} and Russell A. Eisenstat\textsuperscript{2}

Acting as consultants, the authors developed a process by which leadership teams in Alpha Technologies' many business units could develop an organization capable of implementing strategy and learning. Leadership teams of 20 units implemented the self-diagnosis and redesign process between 1988 and 1994. The process was designed to develop the ongoing capacity of the client organization to achieve systemic change, to surface undiscussible data about barriers, as well as to develop a partnership with employees. Research was conducted to determine whether the intervention achieved its intended objectives, as well as to understand the elements of the intervention design, and managerial and organizational context that lead to these results. The research, funded by the Harvard Business School, relied on the following methods: content analysis of task force reports, interviews, questionnaires, and participant observation. The process succeeded in the short term in all of its attended objectives. The process, however, does not appear to have increased the client's underlying capability for organizational learning. The implications of the findings for intervention theory and practice are discussed.

\textbf{KEY WORDS:} strategy implementation; organization development; organization learning; organization design; overcoming defensive routines; strategic human resource management.

\textbf{INTRODUCTION}

Global competition, rapidly changing technology, and deregulation are demanding that corporations rethink their strategies, and realign their organizations to implement them. The inability of companies to do this has become obvious in the last decade as corporate giants like IBM, Sears and

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Roebuck, and General Motors have fallen on hard times. Going through the realignment process once is not enough, however. Corporations will have to learn to reformulate strategy and realign their organizations continuously, if they are to survive in an increasingly turbulent environment. In short, corporations will have to become learning organizations capable of continuous adaptation (Hayes, Wheelwright, & Clark, 1988; Senge, 1992).

The difficulties companies have in developing the capability to implement a new strategic thrust is evident from an examination of how they manage change. Too often companies employ top down “programs” such as total quality, employee involvement, incentive compensation, structural change, and more recently reengineering (Beer, Eisenstat, & Spector, 1990; Schaffer, 1988). Yet these programs often fail to yield benefits proportional to the financial and human investment made in them. Seventy percent of all corporations report that TQM has not lived up to their expectations (Spector & Beer, 1994). An equally large percentage of companies are failing to get the benefits promised by reengineering (Hall, Rosenthal, & Wade, 1993). The result is often cynicism, and lowered commitment to change. In other words, even when the need for a new strategic direction is perceived at the top, the inability to create an organization capable of implementing it is a serious barrier.

Research in the fields of organizational behavior and development suggests three principles that should characterize change processes if they are to result in effective strategy implementation and organizational adaptation (Beckhard, 1969; Beer, 1980; Beer & Walton, 1987; 1990; Beer, Eisenstat, & Spector, 1990; Bennis, Benne, & Chin, 1961; Bennis, 1969; Burke, 1982).

1. The change process should be systemic. Organizations are complex and highly interdependent open systems (Beer, 1980; Katz & Kahn, 1978; Waterman, Peters, & Phillips, 1980). A stream of research has shown that strategy, structure, leadership, and behavioral characteristics of the firm must be aligned (Lawrence & Lorsch, 1967; Miles & Snow, 1978). The interdependence of various organizational design elements—particularly the requisite alignment or “fit” between the softer elements of people, leaders, and values, and the “harder” elements of technology, strategy, and structure—accounts for the failure of uni-dimensional interventions. The change process must, therefore, focus on both strategy and organization, structure and behavior, analysis and emotion, internal organizational arrangements and the context in which the organization operates.

2. The change process should encourage the open discussion of barriers to effective strategy implementation and adaptation. Organizational
members cannot develop a realistic and implementable plan for change, unless all impediments are taken into account. Only when they are can all components of the organizational system be made to "fit," particularly structural or technical solutions and management behavior. This means that issues that are normally hidden because they are threatening or embarrassing must be surfaced (Argyris, 1990).

3. The change process should develop a partnership among all relevant stakeholders. It is only through mutual influence that the delicate adjustments in roles and responsibilities needed to enact a new strategy can take place between key stakeholders—higher and lower levels, marketing and production, union and management, a domestic product division and a foreign country organization. In effect, members of the organization must "self-design" their organization (Mohrman & Cummings, 1989).

These principles, however, despite their plausibility and their research support, are rarely reflected in actual intervention practice.

For example, the first principle, that change should be systemic, suggests that interventions need to integrate hard and soft aspects of the organization. Unfortunately, interventions that focus on harder elements of structure and systems typically do not develop the softer elements of skill, values, and leadership. Human resource interventions that focus on the softer elements of skill, values, leadership, and behavior are typically seen as normative, irrelevant, and unconnected to the business (Beer, Eisenstat, & Spector, 1990; Schaffer, 1988). Even when human resource programs are successful in changing individual attitudes, skills, and motivation, these cannot be sustained if the organizational context remains unchanged (Fleishman, Harris, & Burtt, 1955). Indeed, individual learning and organizational change/learning cannot be separated when the intervention requires development of managerial behavior and values (Beer, Eisenstat, & Spector, 1990). One of the major objectives of the work described in this paper is to integrate all aspects of strategic alignment—strategy and organization, hard and soft, structure and behavior.

Principle two calls for the open discussion of all barriers to change. Short of crisis, however, strategic change is typically resisted in organizations due to politics and defensive routines (Argyris, 1990; Pettigrew, 1975a). Ideas that challenge accepted assumptions, values, and norms regarding business strategy and management practice cannot be discussed openly among key actors. Lacking the capacity for open discussion, top teams cannot arrive at a shared diagnosis. Lacking a shared diagnosis, they cannot craft a common vision of the future state or a coherent intervention.
strategy that successfully negotiates the difficult problems organizational change poses. In short, the low level of competence in most organizations in fashioning an inquiring dialogue inhibits identifying root causes and developing fundamental systemic solutions.

Principle three calls for a partnership of relevant stakeholders. Managers, however, frequently do not possess the predisposition or skills to lead an inquiry process that connects all parts and facets of the system. Moreover, their hierarchical assumptions about management, reinforced in the U.S. by the structure of capital markets, causes them to resist giving up control, and to focus most of their time and energy on managing content rather than context. By crafting a strategic alignment process (described below) that requires the top to work in partnership with lower levels, we hope to learn more about the difficulties such a process presents and the resistances, if any, it arouses.

The gap between intervention theory and practice is not just due to management resistance. A research-based social technology for developing organizations does not exist. Several researchers have pointed to the need for integrating strategy with organization design and behavioral change. Miles and Snow (1978) and Lawrence and Lorsch (1969) developed diagnostic frameworks that reflected this concern. These researchers did not, however, specify a process for engaging managers and employees in organizational diagnosis and change. Nor were they concerned with developing an ongoing process of organizational and personal learning. Moreover, little empirical data exists about the problems organizations face in implementing strategic realignment, though a good deal of knowledge exists about how various alternative designs fit different environments and strategies.

Argyris (1989) designed an educational experience that instructed management teams in competitive analysis and strategy formulation, as well as skills for discussing the undiscussible barriers to strategy implementation. While successful in producing discussions of personal and organizational barriers to implementation, the effort stopped short of producing a plan for organization development. Much of the OD literature provides information about how to manage change, but change is often not tied explicitly and rigorously to business strategy. Nor does most of the OD literature deal with the problem of institutionalizing a renewal process, with the exception of Blake and Mouton's development of the Managerial Grid approach to corporate development, and Pettigrew's research on the effectiveness and viability of OD groups (Blake & Mouton, 1968; Pettigrew, 1975b). Mohrman and Cummings (1989) provide the most comprehensive road map for engaging employees in designing an organization that is aligned with strategy and values. They did not, however, attempt to insti-
tutionalize their self-designing process in a single company. Nor did they collect empirical data on the effects of the process over time.

This article describes an action research project aimed at increasing one organization's institutionalized capacity to implement effectively its strategies and adapt to change. The project was undertaken by the authors in collaboration with the target organization, Alpha Technologies. The intervention, Strategic Human Resource Management Profiling (SHRM), was designed to incorporate all three of the principles described above. As such, it seeks to integrate theory and practice from the fields of strategy, organization design, human resource management, organization development, leadership, and interpersonal communication. It is not a traditional hypothesis testing study. Rather its aim is to more clearly define the technical specifications for an intervention process that successfully develops an organization's capabilities to implement strategy and learn. It also seeks to identify the dilemmas that must be managed to institutionalize such a process successfully.

Despite a long history, organization development and the other behavioral science fields on which this intervention is based have not been integrated into the day to day management process of firms. Most organization and management development is episodic and managers are not held accountable. Similarly, change initiatives like total quality management, strategy formulation, and reengineering do not actively integrate organization and management considerations. Moreover, most human resource functions are largely administrative and remain outside the core management processes of the firm. The research and development effort on which we report represents our effort and that of top management at Alpha Technologies to rectify this deficiency in management practice.

We begin by describing the target organization, Alpha Technologies, the intervention and our research methodology.

**RESEARCH SITE AND PROJECT HISTORY**

In 1988, Alpha Technologies was a $1.7 billion global technology company. It was organized into two sectors, each with several autonomous divisions. Many of the divisions were acquired in the 1970s. During the late 1970s and 1980s, the company rationalized its business through an extensive strategic planning process. Under the leadership of its CEO, who initially worked with the company as a strategy consultant before joining it in 1975, the company institutionalized a process oriented approach to strategy formulation called “Strategic Profiling.”

A strategic profile of a business is developed by the general manager and his staff, with the help of a profiler (an internal line or staff manager
from another unit acting as a consultant) whose role is to ensure that the group answers a series of questions about its competitors, markets, products, and customers. Acting as a facilitator and resource, not an expert, the profiler moves the group to consensus on strategy. In many ways, this process shares with organization development the assumptions that, to be implementable, ideas must be developed by line executives who will use them, not staff groups or consultants. The role of consultants is to help managers inquire and design their own solution, not provide expert knowledge and solutions (Schein, 1969; Beer, 1980).

Satisfied with the quality of its strategies, management became increasingly concerned about the capability of the corporation to implement its global strategy (Biggadieke, 1990). At the same time, the CEO and the Vice President of Strategy and Human Resources wanted to make the human resource function more relevant to the business. These forces led Alpha Technologies to ask us to develop a process that would complement Strategic Profiling. The process, ultimately called Strategic Human Resource Management (SHRM), was designed to enable a general manager and top team to examine their organization’s capability to implement strategy and continuously reformulate it.

**THE INTERVENTION**

Strategic Human Resource Management involves the following steps:

**Orientation and Planning**

A 1-day meeting led by profilers (internal or external consultants) introduces the top team to SHRM. At this meeting:

- The purpose and description of the process is presented by the profilers.
- The top team restates its strategy in terms of organizational tasks to be performed, and specifies requisite coordination, commitment, and competence.
- A task force of the unit’s most highly regarded employees, one or two levels below the top team, is appointed to collect data.

**Data Collection**

Members of an employee task force (ETF) are trained to conduct open ended interviews inside and outside the organization about specific management practices and organizational arrangements that help or hinder the
implementation of strategy. The profilers conduct interviews with members of the top team about their effectiveness.

Three-Day SHRM Profiling Meeting

A 3-day meeting is scheduled to enable the ETF to feed back the data it has collected. This is followed by an analysis of the organization's and top team's effectiveness, the development of a strategically aligned organizational vision, and development of a change plan. The Profiling Meeting is designed to promote personal and organizational learning.

Day 1. Seated in an outer circle, the top management team listens to the ETF seated in an inner circle discuss its findings. Guided by ground rules for nondefensive communication, the top team dialogues with the employee task force at the end of each theme the task force presents.

Following completion of feedback, the ETF departs. The profiler then feeds back to the top team results from interviews with them. If the interviews suggest that the role or style of any individual team member, including the general manager, is impeding top team effectiveness, these issues are discussed.

Day 2. The five box model in Fig. 1 is utilized to assess the consequences of deficiencies in organizational capabilities (box 1) surfaced by the task force and to assess their causes.

The diagnostic model is used to guide a discussion of four questions in the following order:

1. How have deficiencies in capabilities affected financial performance, customer satisfaction, and employee satisfaction to date (box 2)?
2. How will strengths and deficiencies in organization capabilities affect the organization's capacity to implement its strategy (box 3)?
3. Which aspects of the organization design (box 5) are causing deficiencies identified by the task force?
4. What contextual forces (box 4)—corporate policies and top management behavior (in the case of divisions of larger companies), competitive forces or labor markets—cause the problems identified by the task force?

Day 3. Using the five box model, the top team develops a broad model/vision of how the organization might be redesigned to implement strategy more effectively (Walton, 1987). Typically, the process results in plans to change the organization's design, information and control systems, human resources policies, and the top team's functioning (box 4), particularly roles, responsibilities, meetings, and decision making.
Review with Employee Task Force and Higher Management

Following the SHRM Profile, the top management team meets with the ETF to review what they heard and what they plan to do. Meeting separately, the task force evaluates the proposed changes and gives its reaction to management. How management reacts to the task force’s critique determines the extent to which a partnership develops, one of the objectives of the process.

When the top team has incorporated feedback from the ETF, the general manager meets with higher management to review the results of the SHRM profile. He or she shares feedback obtained from the task force, the top team’s diagnosis, and their plans for change. Corporate barriers to unit effectiveness (policies or top management behavior) are presented and
discussed. Higher management is expected to assess progress made in improving organizational effectiveness during normal business reviews.

**Ongoing Monitoring and Follow-ups**

The authors intended for the top management team of the unit profiled to develop a structure and process for ongoing management of organizational change. In particular, a continuing role for the employee task force was envisioned. This did not usually occur and the reasons will be discussed below.

**RESEARCH METHOD**

In the last 5 years, SHRM Profiles have been conducted in 20 organizational units and at the corporate level. Six Profiles were conducted by the authors, all others were conducted by key executives from Human Resources and Strategic Planning. These executives were trained through apprenticeships with the authors. Because there were no significant profiler-dependent differences in results, all findings are given for the change process overall.

Findings and conclusions in this paper are informed by the following source of data:

- The experience of internal and external profilers.
- Interviews with the top team and employee task force in five divisions by a researcher uninvolved in the intervention.
- A questionnaire survey of employees in ten units undergoing SHRM.
- An analysis of barriers to strategy implementation identified by employee task forces in the ten units studied.
- Survey feedback meetings with the top management teams and ETFs.

A case description of the history of the SHRM process in Alpha’s Beta division also will be used to illustrate and ground the analysis.

**FINDINGS AND DISCUSSION**

Survey findings and other sources of data were analyzed to assess the extent to which the SHRM process:

- Successfully incorporated the three principles described above—systemic change, openness, and partnership.
• Increased the target organization’s long-term capability to successfully implement strategy and learn.

Did SHRM Lead to Systemic Change?

We argued above that change processes that lead to effective strategy implementation and organizational learning must target all elements of the organizational system, including both harder elements of structure and systems, as well as the softer elements of skill, values, and leadership. The open ended interview format utilized by the employee task forces enabled them to identify issues in virtually all areas of the systems model reproduced in Fig. 1. Interviews in five divisions and observations by top management as well as internal and external profilers indicate that changes in all of these areas could also be attributed to SHRM.

For example, in Beta Division, which marketed a number of Alpha products, an initial SHRM profile revealed that, while the division as a whole was economically successful, management’s focus on its dominant product line had led to missed opportunities in other product areas and that today’s success did not ensure adequate response to potential future threats identified by management. The employee task force feedback, and the top team’s analysis during the profiling meeting, revealed that there were multiple causes for this problem:

• The top down style of the organization’s president meant that significant decisions in all product areas could not be made without his input.
• Ineffective top team meetings among the president and his immediate staff made it difficult to appropriately allocate resources across product lines.
• An undifferentiated functional organizational structure—there were no defined cross-functional teams of individuals with the responsibility and accountability for managing each of the division’s diverse product lines and product development initiatives.
• Poor vertical communication—individuals reported that they didn’t understand the division’s business strategy, and were afraid to share their concerns about the business with senior management for fear of retribution.
• A lack of cross-functional management development.
• Low employee morale.
• A sector president who managed the division extremely closely.

These factors were mutually reinforcing. The president’s style contributed to ineffective top team meetings, and made management development
more difficult. Conversely, his perception that his direct reports did not work well together, and they lacked a broad management perspective made him all the more reticent to delegate authority. The sector president’s top down style added impetus to these dynamics and reinforced them. The difficulties in providing accurate upward feedback meant that the general manager and key members of his staff were unaware or distanced from these problems and how they contributed to them. Difficulties in upward communication also made it difficult for them to deal with the sector president’s top down management.

This syndrome of issues was not unique to Beta division. An analysis of the issues discussed by the employee task forces in 10 profiles revealed six recurring barriers to strategy implementation. These were (numbers represent frequency of mention):

- Poor interfunctional/divisional coordination (7/10)
- Unclear or conflicting strategic priorities (7/10)
- Management style top down (7/10)
- Difficulties in how the top team works together (10/10)
- Poor vertical (up and down) communication (8/10)
- Deficiencies in career development and management competence (7/10)

These barriers have since been found in several other corporations. While each alone is not new, as a syndrome they make it virtually impossible to implement any strategies that demand coordination across organizational boundaries. Since improved coordination underlies most major strategic initiatives corporations are employing—reengineering, total quality management, product development, transnational management, for example—learning how to manage the barriers is becoming essential.

The resulting changes within Beta division were also quite representative.

- The president contracted with his direct reports to make specific changes in his behavior.
- The president and his staff established roles, norms, and procedures to improve their functioning as a senior management team.
- Cross-functional teams of middle managers were created for each of Beta’s product lines, to facilitate planning and implementation.
- The employee task force was retained as an ongoing organizational sensing mechanism.

In other Alpha Divisions, the changes resulting from SHRM included installation of cross-functional product development teams, changes in structure, improvement in the effectiveness of deficient functional organi-
zations, changes in roles of key executives including the CEO, changes in top team effectiveness, changes in management style, staffing changes, and improvements in interfunctional coordination. In other instances, the SHRM process revealed underlying disagreements about strategy either within the top team, or in the larger organization. This typically led management to engage in a Strategic Profile to develop a new strategic consensus.

**Did SHRM Surface Previously Hidden but Relevant Issues?**

There seems little doubt that important and relevant data were surfaced by SHRM profiling. Important issues are typically emotionally laden. Initially, task force members were extremely nervous about feeding these back to top management. The employee task force at Beta division joked about the “messenger being shot.” The top management team also exhibited nervousness. Two years after his division went through SHRM, the general manager of Beta said, “We didn’t know what we were getting into.” Yet the process was perceived to be relatively open. Survey responses showed that members of ETFs perceived that management listened and was open to influence. Task force members gave their highest mean rating on the survey to the item, “I felt I could be open in raising and discussing all significant issues during the profiling meeting.” Consider the following observation of a division manager:

SHRM allowed us to discuss the undiscussible; it got things on the table that would have taken me years. Getting feedback from the employees is indispensable, and putting it in a strategic context is important. We were there to discuss behaviors that were consequential; it wasn’t personal. We discovered things that would help us succeed or that were preventing us from succeeding. They were strategic issues, such as delivering the goods and services to our customers better than our competitors. Once we decided it was strategic, we had to fix it or suffer the consequences; no one is willing to suffer the consequences of gradual loss of competitive position.

**Did a Partnership Between Management and Lower Levels Develop?**

SHRM was designed to serve as a mechanism for giving voice to lower levels in redesigning the organization. Our interviews and observations suggest that these aspects of the intervention led to a high level of initial enthusiasm by employees for SHRM. Task force members reported their excitement about being involved in questions of strategy and organizational design, many for the first time. Those interviewed often talked more emotionally and longer than expected. At some sites employees not targeted for interviews insisted on being interviewed.
Partnership and employee ownership of SHRM results were generally not sustained, however. Despite consultant recommendations, the top team of most divisions avoided using the employee task force to help them in redesigning the organization or in assessing progress. This is not surprising given that top management and several division management teams told us during feedback of these findings that they did not believe in relinquishing decision rights about organizational and management matters; they did not see partnership as a valid objective for SHRM. Consider the following thoughts of a division manager, who had not yet participated in SHRM, during a discussion of the process.

I have two concerns about the process:

- A diffusion of accountability—now the team is accountable not the general manager.
- Delays in decision making, given the need to create consensus. When the chips are down, it is an individual that is responsible to the shareholders—one individual is responsible. Once you get this in place, it is a new religion. You can't take away that responsibility for results. It is religion that the group own it, and the group makes decisions.

While one of the purposes of SHRM was to change hierarchical assumptions and values when they conflict with strategy implementation, it appears the process is also limited by them. As we shall discuss later, this means that the greatest potential for SHRM like processes lies in the opportunity they offer management to learn from engaging difficult organizational barriers and the assumptions and values that give rise to them. Only continuous engagement over time can lead to deeper learning and fundamental cultural change.

Though changes resulted from SHRM (see above), because top teams in most divisions did not involve the ETF or other employees in redesigning the organization, employees did not connect these changes to the SHRM process. Not surprisingly, lower levels told us that SHRM had become “invisible.” Moreover, survey data and our observations suggest that inadequate communication and underutilization of the Profiler or the unit's human resource executive in follow-up also contributed to invisibility of SHRM.

The lack of involvement of lower levels in redesign and reassessment seems to be the cause of major differences among organizational levels in perceptions of the extent of change and of support for SHRM. In all but one division, top teams perceived more progress on strategic tasks, barriers to strategy implementation, and organizational revitalization, than did ETF members. Task force members, in turn, saw more change than did the employees they interviewed. In the division where all three levels surveyed saw the same amount of change, lower levels were involved in follow-on activities to SHRM. Not surprisingly, the general manager of this division
already had assumptions about management which were aligned with SHRM. Moreover, he saw SHRM as an active ingredient in helping him, a new general manager, and his organization deal with new competitive realities.

Support for SHRM was also perceived to be greater among top teams than among ETF members or those interviewed by the ETF. All three groups felt there was more consensus in support of SHRM among the top management teams than there was among other "key managers in the division." In addition, top team members were more positive in their ratings on all questions assessing support for SHRM than were either task force members or their interviewees. This was surprising, given that SHRM was designed to give voice to lower levels.

Did SHRM Increase the Target Organization's Long-Term Capability to Implement Strategy?

The results on this question are mixed. As discussed above, a number of substantive changes flowed from SHRM profiles. Overall survey results in 1993, however, showed only moderate improvement in the barriers the ETFs identified, and in accomplishing strategic tasks identified at the beginning of the SHRM profiling process. In response to a set of standardized items about the extent of "corporate revitalization," top management at Alpha Technologies perceived the amount of change since SHRM began as moderate (3.6 on a 5-point scale in which 1 = significant regression since change began, 3 = no change, and 5 = a complete transformation). This was the same amount of change perceived by an equivalent group of senior executives in the second and third most transformed corporations out of a sample of six companies studied by Beer, Eisenstat, and Spector (1990). When all employee responses were combined, the perception of amount of change dropped to 3.3, a change score equivalent to that observed in the fourth most changed company in the sample of six companies. Clearly top management perceived more impact from SHRM than did lower levels, an important finding to which we will return.

An examination of items most and least changed "since SHRM began" shows the most change in two core barriers—ineffective top team and poor cross-functional coordination. Since many SHRM Profiles surfaced these barriers, the results are encouraging and are consistent with observations and interviews. Little or no change occurred, however, in perceptions that: "people are promoted on the basis of skills in managing others, that employees can raise difficult issues with higher management, that Alpha Technologies' policies and practices encourage hard work, or that the company has an interest in the welfare and satisfaction of employees."
It is significant that employees perceived little or no change in issues relating to their welfare and motivation. This reflects both the character of the company and the character of the profiling process. The company's focus on strategy caused management and us to lose focus on human issues such as career development, the employment relationships, and values. Yet, unless employees perceive that the change is intended to increase their welfare, they do not support it (Beer, Eisenstat, & Spector, 1990).

Further insight into these findings can be gained by examining the long-term consequences of the SHRM process in Beta division. Interviews in Beta conducted 3 years after the division’s first SHRM profile suggested the division had made significant progress in realigning its management structures and systems so that they would more effectively support its multiple product lines. There was also general agreement that the division president had moderated his top down approach to management, and that working relationships among the top team had improved.

Beta’s president stated in his interview that:

- We are pleased we went through the SHRM process. We interact differently now. Our level of achievement is higher. We have more responsibility worldwide. We are now able to focus on the task at hand. For the third year in a row we are exceeding our profit goals and we are increasing our market shares. . . . We are pleased with the results, although it has been a long process. Since SHRM we have implemented many changes based on the team concept and have delegated more to mid-level managers. We see our own lives getting better.

These changes had not, however, come easily. Members of the president’s staff reported that when placed under stress, he tended to revert to his original style. The president himself, while generally quite positive about the SHRM process, felt that the original profile excessively focused on interpersonal rather than business issues, on negative aspects of the business rather than on the positive.

The cross-functional teams established after the first SHRM at Beta led to modest improvements in the quality of planning. The teams, however, were not given authority over implementation. In a follow-up assessment 1 year later, members of the senior team acknowledged that concerns for their own career security had been a significant reason for their unwillingness to delegate authority to their subordinates on the cross-functional teams. Most of these senior managers had been promoted because of their technical skills, and were concerned that their positions and status would be compromised if the team’s authority was enhanced. Ultimately, the senior staff decided to abolish some of the cross-functional teams and to “upgrade” the remaining teams by placing senior staff members as their heads. It was only at this point that the teams were given increased authority to manage Beta’s product lines.
The employee task force was kept in place. Beta's senior management team, however, chose not to use it for its originally stated purpose as an upward voice mechanism for employee concerns. Rather, they enlisted the aid of the task force in such matters as editing a division newsletter, and helping in the development of reward and recognition programs. The members of the task force were frustrated enough with the perceived downgrading of their role that they asked to be disbanded on at least one occasion, although this did not occur. All organizational units, save the division where SHRM was used actively (described above), experienced the same phenomenon. This reinforces our earlier conclusion that management was ambivalent about partnership with employees.

Did SHRM Increase the Target Organization's Long-Term Capability to Learn?

SHRM sought to improve Alpha's learning capacity through improving the organization's ability to openly discuss barriers to strategy implementation, as well as by forging a partnership that would motivate relevant stakeholders throughout the organization to sense, communicate, and address these barriers accurately. It is essential that the SHRM process involve as wide a circle of employees as possible, and that they understand how energy invested in the 3-day profiling meeting is connected to action in the organization. Without making that connection, SHRM will slowly lose its credibility and effectiveness as a tool for organization and management development.

Why did management fail to grasp that SHRM is a continuous improvement process? In part, day-to-day activities drove out organizational reinvention. In part, managers may have wanted to distance themselves and others in the organization from a process that caused pain. In part, management did not appreciate the need for dedicated resources. Mohrman and Cummings (1989) recommend that a project manager be appointed to coordinate a large-scale change process of the kind SHRM is designed to promote. Our experience suggests how important the commitment of this resource is, but also how difficult it is for management to accept the need for such a resource.

There is a more fundamental reason for the failure of SHRM to become a continuous organizational learning process. Surprisingly, survey respondents reported that their capacity to "raise with higher management difficult issues" had not changed materially. Though SHRM successfully opened a window for open dialogue, it apparently did not develop interpersonal and organizational capability to sustain that dialogue. Without that capability, lower levels cannot confront higher levels with inconsistenc-
cies between what they said they were going to change, and what in fact they are changing. Without the capacity to discuss difficult issues, the organization must wait for the next SHRM Profile to discover slippage. Unable to surface their growing cynicism, employees become more cynical about raising issues, and lose commitment to engage in improvement efforts. Thus, the organization cannot self-correct its self designing process in real time.

CONCLUSIONS

The history of SHRM at Alpha Technologies can be understood at two levels—as the implementation of a clearly defined social technology for organizational development with certain predictable organizational consequences, and as an ongoing three-way negotiation among managers, employees, and consultants about the meaning and use of this technology. We believe there are important lessons for future practice at each of these levels.

At the level of social technology, our experience with SHRM has allowed us to identify a number of elements of the intervention design that promote systemic change, increase organizational openness, and facilitate cross-level organizational partnerships. A systemic approach was facilitated by the data collection and analysis process utilized in SHRM. Task force members asked open-ended questions about the barriers to strategy implementation. This allowed respondents to highlight what they see as the critical elements of the organizational system. The data feedback process, in which task force members organize and then discuss their interview results around common themes, provided a rich and multifaceted view of organizational reality. The use of a systems framework for analyzing this data gave organizational members a useful way of organizing the data, and identified possible leverage points for action.

The design of the process also facilitated open and constructive dialogue in the SHRM meeting. Managers are asked to select their “best” employees. This raises the credibility of the feedback, and makes rejection of the data difficult. Those interviewed are guaranteed anonymity, and task force members interview outside of their functional areas, making it easier to surface difficult issues without putting individual employees at risk. The issues raised are perceived as more relevant because the task force asks about barriers to strategy implementation, not about general concerns employees have.

Finally, two elements of SHRM encouraged the development of a partnership or effective working relationship between senior management and the organization, at least in the initial phases of the process. First, the proc-
ness clearly specifies the behavioral expectations and ground rules for interaction for task force members, for the top team as well as for interviewees. This enables individuals to adopt quickly the behaviors required to allow the SHRM process to succeed. For example, task force members are given a detailed interview protocol or script that allows even inexperienced interviewers to collect valid data. Second, SHRM provides each party in the partnership with a clear motivation to engage in the process. Members of the top team are offered a methodology that allows them to identify quickly and accurately the barriers that stand in the way of accomplishing their strategic objectives, organizational members are offered an opportunity to influence senior management with virtually no personal risk, and task force members are given the opportunity to serve in a highly visible and prestigious position as the “honest brokers” between management and employees.

Limitations in SHRM as a social technology also partially explain the failure of the intervention to increase the ongoing level of openness at Alpha Technologies or to forge a continuing partnership of relevant stakeholders. In retrospect, it is clear that we underestimated the consulting assistance required to implement changes emerging from the SHRM profiles. We also underestimated the managerial skills required for SHRM’s success. For example, we had assumed in designing SHRM that Alpha’s senior management would systematically review the results of each profile, and hold managers accountable for making ongoing improvements in organizational and managerial effectiveness. These reviews often did not happen at all. When the reviews did occur, they tended not to go beyond information sharing. We discovered that an important reason for the failure to review SHRM results has been higher management’s own discomfort and lack of skill in discussing difficult issues with subordinate general managers. The discomfort may come from their inability to acknowledge deficiencies in key subordinates on whom they must rely to produce financial results for which they, top management, are held accountable. As a result of our research, management has committed itself to review SHRM results, and we are designing a meeting process and training to enable them to do it.

While it is important to understand and refine the technical elements of SHRM, deficiencies in the social technology are not sufficient to explain adequately the paradoxes that marked the introduction of the process to Alpha Technologies. For example, while SHRM was designed to provide voice to those at lower organizational levels, it has its greatest support among senior managers. Managers have resisted the SHRM process as overly personal and too negative. Yet when we challenged management about the wisdom of continuing with SHRM given only modest change scores, the CEO and other top managers responded angrily that we (the
researchers) did not understand how important SHRM had been in setting their agenda for change.

These paradoxes can only be understood if we consider the implicit three-way negotiations that have taken place about the meaning and purpose of SHRM among Alpha’s senior management, its employees, and the consultants. In our initial contracting with the management and employees of Alpha Technologies, we agreed that we were jointly developing a process to allow for the more effective “implementation and reformulation of strategy.” It is clear in retrospect, however, that all three parties had only partially overlapping understandings of what these words actually meant. There was agreement between senior management and the consultants that SHRM should primarily focus on organizational barriers to implementing strategy, but many employees probably felt that the process should also address policies and practices that affected their welfare, such as career development. There was agreement between the consultants and employees that SHRM required broad and ongoing employee participation, while Alpha’s top management believed they were primarily responsible and accountable for strategy formulation and implementation. Finally, while the consultants believed that raising and discussing difficult and embarrassing issues were vital, both management and employees shared concerns that the process should not be overly “negative” and “personal.” Neither management nor employees understood at the outset that barriers to strategy implementation could not avoid deeply held assumptions and values about management, while the consultants never made it explicit at the outset. Thus, employees expected immediate change in the barriers and did not see them while management regarded a definition of a management agenda as sufficient without realizing that they would be required to change their management behavior. Neither management nor employees realized that part of SHRM’s value lay not only in changed structure and systems, but in engaging in a learning agenda connected to the barriers and their underlying assumptions about management.

These differing expectations explain the ambivalence that has characterized the implementation of SHRM at Alpha Technologies. Employees have been excited about the implicit promise in SHRM of partnership, yet frustrated by the reality that the process has usually had little sustained impact on patterns of influence. This has led some at Alpha to talk about the “SHRM Swindle”—the process seems to promise more than it has delivered. The consultant’s emphasis in SHRM on “discussing the undiscussible” has also engendered some resistance from employees and managers who feel that they are being put unfairly at personal risk. This has led to the slang term within Alpha Technologies, “being Shrm’ed,”
which means being unfairly subjected to a public performance appraisal during an SHRM meeting.

An uncomfortable learning for us as consultants has been the extent to which we may have colluded with members of the client system in not explicitly confronting these differing assumptions and perceptions. This collusion was made possible by our episodic involvement with Alpha Technologies. While we played a strong role during data collection, as well as at the profiling meetings themselves, we had quite limited involvement during the implementation of SHRM results. Although we made our services available, we did not explicitly contract with client organizations to provide ongoing support. We justified this to ourselves as “allowing the client system to take ownership for implementation.” It was also consistent with the underlying structural reality that, as independent university-based consultants, there were limitations on the time we had available for consultation. An unintended consequence, however, was that both we and the clients avoided situations where we would have to engage each other directly on the disparity in our assumptions.

It might be argued that this collusion served a useful purpose early in the consultation. If we and the clients had been totally explicit about our assumptions, we might never have agreed to go forward with the SHRM. Yet we have also seen that over time these differences in assumptions have limited the effectiveness of SHRM.

It was only as a result of our research assessment that the differences in assumptions about SHRM among managers, employees, and consultants became apparent. As a result of this assessment, we have entered into a very different relationship with our clients at Alpha Technologies. The hierarchical assumptions we uncovered at Alpha exist in many companies, and often block the development of capabilities demanded by competition. The research process reported here, however, has provoked us to confront management’s and our own assumptions and caused these to be reconsidered. For example, we found that we had become co-opted by the culture of the company when we failed to recognize that the process became so focused on strategy, it missed engaging the organization in deeper issues of management philosophy and values. We did not push hard enough on the importance of developing interpersonal inquiry skills, because we sensed resistance from management.

A competitive world requires management processes and skill that have not yet been invented. Waiting for them to occur naturally so they can be studied by distanced researchers is not, we believe, the best or the fastest way to develop usable management knowledge. Collaboration between knowledgeable organizational researchers and managers is much more likely to yield superior interventions, particularly when those inter-
ventions require those involved to exercise interpersonal behavior regarded by many managers as too difficult and time consuming to learn. Action research enables the invention of processes that do not come naturally, given history and social context. Engaging management in a co-investigation provides the means for developing those specifications over time, and for a mutual adaptation process between these specifications and management's assumptions and values. That is precisely what is happening at Alpha Technologies.

One of the most difficult aspects of a developmental change process is the requirement to engage in a discussion of difficult and often painful issues. We argue that underlying the barriers identified by employee task forces is the inability of organizational members to engage in an open, fact-based inquiry into potentially threatening issues (Argyris, 1993; Argyris and Schön, 1978). Processes like “Work Out” at General Electric and SHRM at Alpha Technologies create a window for an open fact-based inquiry that leads to error correction. The strength of these interventions is that because they are highly structured and consultant led, they allow organizations composed of individuals who may not possess sophisticated inquiry skills to raise and address collectively difficult issues. These interventions also provide a structured environment for learning new skills and behaviors.

By themselves these processes are not sufficient to develop an organization capable of learning, however. We believe that for this to occur, open and fact-based inquiry must characterize not just the intervention methodology per se, but also the ongoing management process of the organization and the consultant-client relationship. This implies that the consulting relationship must be understood not just as a means for implementing new social technologies, but also as an action learning process in which clients and consultants serve as equal partners and co-investigators into deeper cultural issues. Our experience at Alpha Technologies suggests that developing these active partnerships will not be easy or without pain. It requires, among other things, learning how to receive feedback without loss of self esteem, how to collaborate without feeling out of control, and how to own up to weaknesses without feeling incompetent.

We do not think these skills can be taught in the classroom. They are learned by involvement in a process of co-investigation in which managers and consultants jointly confront hidden barriers to effectiveness and both learn how to become more effective as a by-product—managers in the practice of management and consultants in the practice of helping organizations how to learn. The SHRM process which seeks to develop organizations capable of learning requires these skills, and also proposes to develop them. That is one of its greatest promises, but also one of its biggest challenges.
Because they have come to understand this reality, Alpha Technologies’ management remains committed to SHRM.

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