

Five ways to transform a business

Change gurus argue over how to lead a business metamorphosis. Here's a guide to the five ways that have been shown to work – and to when each one makes sense.

By Osvald M. Bjelland and Robert Chapman Wood

Bjelland, O.M., and Robert Chapman Wood, “Five ways to transform a business,” Strategy and Leadership, May/June 2008

The original paper is [here](#).

Osvald M. Bjelland, executive chairman of Xyntéo Ltd., advises owners and senior executives of large corporations such as Gazprom, Shell, Telenor, Pacific Gas & Electric, General Motors, and Intel. He recently completed his doctorate at Leeds University Business School (omb@xynteo.com).

Robert Chapman Wood, professor of strategic management at San José State University, studies innovation and managed institutional change in large organizations and other human systems (wood_rc@cob.sjsu.edu).

For half a century, change gurus have offered leaders a standard model of how to transform organizations: First, unfreeze the firm by demonstrating that a crisis demands dramatic action. Next, develop a clear picture of the future and manage to make the picture a reality. Finally, change the organization's systems to ensure they support the new ways and prevent slipping back into the old.¹ Studies have shown that transformation doesn't always follow this standard script. But managers have had little guidance to help them decide which of the alternative ways of achieving transformational goals is right for them.

To fill this gap, we reviewed more than 50 well-documented transformations and compared them not only to the standard model but also to non-mainstream ideas about transformation. The result: We found strong evidence that five distinct, reproducible ways of radically altering organizations exist. Each has important strengths that make it appropriate for particular purposes. For example, the standard model has helped thousands of managers achieve once-and-for-all changes – refocusing maturing organizations on cost-control, for instance. But it isn't designed to produce a flexible organization. (An early articulation of the model was: “Unfreeze, change, refreeze.”²) Moreover, the standard model requires leaders to create a “picture of the future” early in the process, which in today's world of rapid, hard-to-understand change may be counterproductive. Alternative processes can begin without the picture of the future and can produce greater strategic flexibility.

But most advocates of alternative change processes tend to extol their own favorite processes without giving clear guidance on when those processes are appropriate and when they are not. Leaders' needs for understanding of the strengths and weaknesses of alternative solutions aren't being met. To help leaders manage change better, we offer a guide to the five transformation processes and hybrid forms. We also provide a set of simple questions that can give leaders a first-cut sense of which method (or hybrid approach) is right for them.³

Providing a guide to corporate transformation is a problematic undertaking. We could not review every case study of transformation, so we cannot say with certainty that our list of documented transformation methods is comprehensive. However, our survey gave us good reason to believe these are the five best-documented and therefore probably most reliable transformation processes. When a leader senses a need for major change, it's worthwhile for him or her to understand each of these five ways of transformation and to think carefully about which, or which combination, is most appropriate.

The five kinds of transformation

The five kinds of transformation are summarized in Exhibit 1. They are:

1. Holism--transformation following the standard model

In the approach that the standard theory prescribes, leaders develop a reasonably coherent understanding of what they want and make it happen by reorienting the whole organization. Exhibit 2 summarizes the steps.

We refer to this process as "holism." The process described in the standard model is the only documented one that involves leaders defining clearly what the organization should transform into and then changing the entire organization all at once.

According to numerous change-management books, the holistic-change process begins with a crisis. It can be an immediate and obvious upheaval, as for example, when Xerox faced disaster because Japanese firms were making better copiers at lower prices. Or the crisis could be one that the organization wouldn't have noticed if leaders had not forced people to pay attention to it, such as the case of the emerging lack of competitiveness in a seemingly prosperous hospital that was on the verge of losing its market position if it didn't become more cost-effective. The identification of a crisis, together with a campaign by senior managers to draw attention to it, "unfreezes" the organization. Because people believe they face disaster if things don't change, change becomes possible.

Then a coalition of top leaders forms to define what to do. The coalition produces a "blueprint" or "picture of the future" – a clear understanding of what the organization should become. Once a blueprint has been agreed to, the leaders communicate it, carrying out the reorientation by rewarding behavior consistent with the blueprint and suppressing behavior inconsistent with it. Says

Exhibit 1
Documented Ways to Transform a Business

<u>Change Process</u>	<u>Description</u>	<u>Descriptive Work</u>	<u>Examples</u>
Holism	The standard type of transformational change. A crisis unfreezes the organization, then the leaders decide how it should change, plan and manage the process of change, and change systems to ensure that the new ways are supported.	Kotter (1996)	Xerox refocusing on quality in the 1980s; hospitals reorganizing for cost effectiveness.
Ambidextrous form	Managers recognize new opportunities and create separate business units to pursue them while the existing business continues to exploit old opportunities. Often the new businesses grow far larger than the old, transforming the nature of the firm.	O'Reilly & Tushman (2004)	HP creating its printer business; Shell building a renewables business
Acquisition / restructuring	Leaders recognize seek alterations in the firm through buying new elements from others or separating out existing elements. After purchases and other legal restructurings, leaders nurse a new and different kind of organization into existence in the often-chaotic process of integration and re-launch.	Haspeslagh & Jemison (1991)	ABB creating a leader in engineering; Telenor creating a cell phone company for developing world
<u>Good to Great</u>	Leaders seeking dramatically better organizations spend years developing a group of managers to work with and determining how to focus their efforts, finally focusing on doing a core group of things really well.	Collins (2001)	Walgreen's developing the modern drug store; Kimberly-Clark creating a paper-based consumer products company
Improvisational transformation	In a crisis, leaders promote a strong but vague strategic intent and encourage improvisation to move the organization toward it. After initial successes, people in the organization seek to learn from them and the largely improvised innovation processes evolve into innovation routines.	Wood (2007)	GE learning to innovate in the 1980s; Apple re-learning innovation in recent years

References for Exhibit 1

- Collins, James C., *Good to Great*. (HarperBusiness, 2001).
- Haspeslagh, P. C., & Jemison, D. B., *Managing acquisitions: Creating value through corporate renewal*. (Free Press, 1991)..
- Kotter, J. P. , *Leading Change*. (Harvard Business School Press, 1996).
- O'Reilly, C. A., III, & M. L. Tushman, (2004, April). The ambidextrous organization. *Harvard Business Review*, 82(4), 74–82.
- Wood, R. C.. How strategic innovation really gets started. *Strategy & Leadership*, V.35, N.1 (2007, January).

David Nadler, a proponent of the standard model, “Organizational change, when you come right down to it, boils down to persuading massive numbers of people to stop doing what they’ve been doing for years and to start doing something they probably don’t want to do.”^{iv}

Finally, when the key elements of the blueprint have been largely implemented, leaders focus on fixing the systems that control and reward people so they support the behavior that the new way of working requires. This used to be called “refreezing” the organization. Today it’s unlikely that the organization wants to “freeze” completely in the new configuration, so remaking the organization’s systems is likely to be called “institutionalizing” the new way of working.^v

Some careful research indicates that the traditional model oversimplifies matters. Holistic transformations often involve long periods during which a sense of the problem develops and information is gathered, and without those periods, the actions of the crisis period could not happen.^{vi} In short, to describe crisis and then a single big decision about the solution as the first steps in transformation doesn’t do justice to what really happens. But the standard model really does capture the nature of many well documented change processes. Additional examples that epitomize the holistic process include Ford Motor’s transformation to modern management in the 1940s, Goodyear’s transformation to embrace radial tires in the 1970s, and Continental Airlines’ transformation to focus on customers in the 1990s.^{vii}

Exhibit 2
Holistic Transformation
(Transformation that Follows the Standard Model)



2. The ambidextrous form

For decades, management academics have examined “organizational forms,” that is, structural features and patterns in organizations that allow different kinds of activities and changes to take place in them. For almost as long, they have argued about whether some structural forms make large-scale innovation and thus transformation easier.

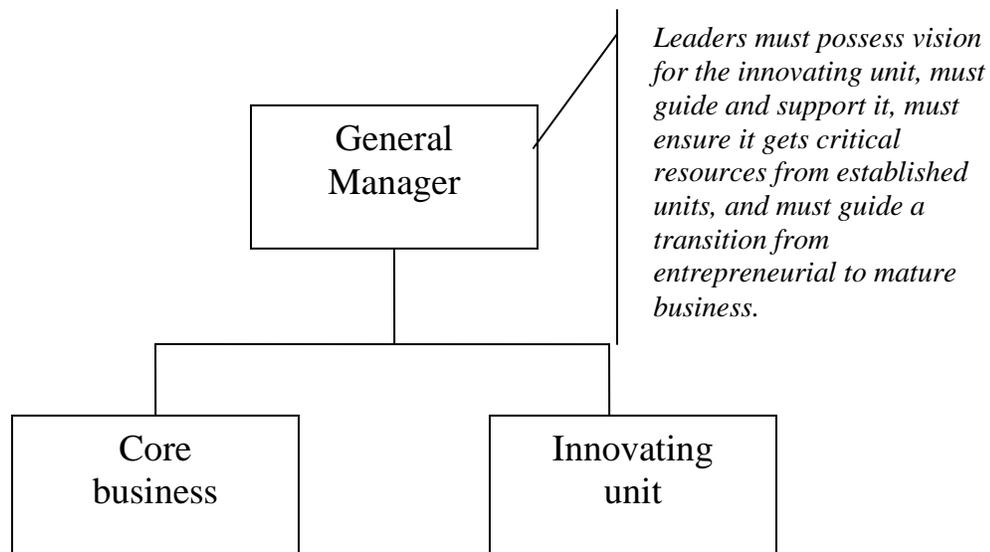
Recent research has shown that at least one organizational form does support large-scale innovation and can produce a transformation that does not follow the

holistic-reorientation process that the standard model demands. This form is called the “ambidextrous form” because it makes companies capable of two kinds of business (stable exploitation of an established activity and innovative exploration in a new area) in the same way that an ambidextrous person is capable of doing both left-handed and right-handed work.^{viii}

A transformation through the ambidextrous form involves creating one or more separate units within the organization to implement innovations that have large potential impact. Generally leaders don’t know which innovations (if any) will in fact transform the firm. For example, the scientific-equipment firm Hewlett-Packard produced numerous new businesses in the 1980s and 1990s. Two of them, first the printer business and later the personal-computer business, succeeded so well that they irrevocably altered the firm’s nature.

An ambidextrous organizational form involves two different kinds of units--one of them capable of exploiting a well established business, the other capable of exploring something radically new (Exhibit 3). But it requires much more than just the division of the firm into distinct exploiting and innovating units. The construction of innovating units is complex. It always requires dealing with ambiguity, and progress is far harder to evaluate than the progress of established businesses (for which sales and profitability are usually good measures). If leaders simply create distinct units, one exploiting an established business and others seeking to introduce something new, the established business will almost always seize far more than the appropriate share of the firm’s resources simply

Exhibit 3
The Ambidextrous Form



because they're in a position to explain their need for resources in a more "business-like" way than the innovators.

Thus an ambidextrous organizational form cannot be said to exist unless the firm has senior leaders with a vision for what the innovating units can accomplish and ability to guide and support them as they advance (and judge fairly if they are failing to do so). The form requires leaders who will identify the critical few resources the innovating business needs from established units and make sure they are supplied. And it requires leaders to guide the complex transition of the innovating unit from entrepreneurial organization to stable, profitable business.

Clearly many leaders who create ambidextrous forms are not attempting organizational transformations. Innovating units are often established simply to pursue an important new line of business that will complement an existing business model. However, a significant number of companies have achieved dramatic transformations this way. IBM created an ambidextrous form to shift from punched-card-sorting machines to electronic computers in the 1960s. Intel positioned itself for transformation through the ambidextrous structure accidentally, creating a microprocessor business that would become the firm's core business when foreign firms came to dominate the memory business on which it had been built.^{ix} And of course, using the ambidextrous form allows a company to make multiple bets on different possible futures. Today Shell is building businesses in hydrogen energy, solar power, and wind energy that may be able to drive the company's future success if and when the role of hydrocarbons declines.

3. Acquisitions / restructuring

Sometimes leaders can transform a firm for the better by changing its boundaries. They can radically improve it by buying new organizational units from others, then nursing a new and different kind of organization into existence in the often-chaotic process of integration and re-launch. Or (less frequently documented in the research we reviewed) they can radically improve a slow-moving, confused organization by selling pieces or breaking pieces away into new businesses.

Sometimes an acquirer manages an acquired company entirely separate from its new parent (but research suggests this approach typically does not maximize potential gains).^x In some other cases, leaders can successfully integrate the new resources into the new parent. But often the need to combine firms and/or reinvent a management system forces the kind of unfreezing that the standard model of transformation sees as necessarily occurring through a crisis.

Transformation is always dangerous, and research shows that transformation through acquisition is even more dangerous than transformation through other methods. Many studies indicate that acquisitions frequently fail to achieve their goals and often destroy value for the shareholders of the acquiring company. However, sometimes carefully managed acquisitions or other changes in organizational boundaries are the fastest and perhaps the only way to achieve desired change.

In the later part of the 20th century, for instance, leaders of Asea AB of Sweden and BBC Brown Boveri of Switzerland created a global leader in engineering and automation by combining not only their two firms but also dozens of firms acquired largely for their national market presences.^{xi} In recent years, Telenor of Norway has transformed itself from a national telephone company to a largely globalized firm that is one of the world's largest mobile-phone companies by investing in struggling mobile-phone firms in poor countries before most analysts realized that mobile-phone markets in countries like Hungary, Russia, and Bangladesh could be profitable.

A note on knowing (or not knowing) where you are going

The previous three ways of transformation require leaders to have a fairly clear idea of what they are trying to do before beginning the process. Proponents of the traditional model (holism) and of the transformation-by-acquisition approach warn leaders to think clearly about what they want to see happen and how they expect to make it occur. They acknowledge that surprises will be numerous, but a clear vision is still required.

The ambidextrous form requires somewhat less initial clarity of vision. Leaders can establish numerous units, each trying out different innovations. (IBM has at least 26 units charged with creating new or dramatically expanded businesses today.) But still, you can't set up an innovating unit without a clear idea of what innovation it will pursue.^{xii}

Because standard approaches to transformation require a clear vision, some writers argue that a leadership team that fails to establish a clear goal at the outset is mismanaging the transformation process. This may be true in many cases. However, recent research has shown that there exist approaches to transformation that do not require a clear picture of the future at the outset. Two other kinds of transformation—Good-to-Great and Improvisational Transformation—can make considerable progress without requiring total clarity of just what the organization is transforming into.

4. “Good to Great”

Jim Collins' research for his book *Good to Great* documented an important and previously neglected type of transformation. He set out to study processes that turned ordinary companies into “great” companies – firms that, after a transition point, achieved “cumulative returns at least three times the market over the next fifteen years.” He found that both leadership and the steps to transformation were strikingly unusual in these firms.

Collins' analysis of Good-to-Great leaders is dramatic. He says they “blend extreme personal humility with intense professional will.” They “channel their ego needs away from themselves and into the larger goal of building a great company.^{xiii}” This way of leading seems relevant to many situations. It might well help companies succeed with any of the five ways of transformation described here.

However, our focus here is on the more-or-less chronological steps in the transformation process Collins identified. We will show how the change system he identifies differs from those of other documented transformation processes, why it provides an alternative transformation method, and discuss which alternatives are suitable for differing situations.

Collins does not specifically summarize the Good-to-Great process as a series of transformation steps. The core of his analysis is built on seven concepts, each described in a chapter of his book. The first, “Level 5 Leadership,” seems a precondition for transformation. (No board of directors is reported to have deliberately sought out a Level 5-type leader – though seeking out such leaders might be an appropriate step in transformation processes devised in the future.) However, three of Collins’ chapters (“First Who ... Then What,” “Confront the Brutal Facts,” and “The Hedgehog Concept”) can be understood as describing steps that all the companies went through.

To help us compare the Good-to-Great process with the other ways of transformation, Exhibit 4 summarizes Collins’ process in five steps—three that are covered in chapters in the book and two more that we have extracted from chapters describing the overall process.^{xiv} These steps clearly differ from those in the other kinds of transformation.

The most obvious difference between Collins’ transformation process and that of the standard model is that Collins’ does not begin with a crisis. Collins’ transformations began because leaders felt their companies could be more than ordinary. Moreover, leaders and their teams did not develop a clear picture of what they were trying to do any time near the beginning of their transformation. Collins’ leaders first re-worked their management teams. He says they “did not first figure out where to drive the bus and then get people to take it there. No, they first got the right people on the bus (and the wrong people off the bus) and then figured out where to drive it. They said, in essence, ‘Look, I

Exhibit 4 The ‘Good-to-Great’ Transformation



don't really know where we should take this bus. But I know this much: if we get the right people on the bus ... we'll figure out how to take it someplace great."^{xv}

Collins's approach is highly unusual for several reasons. He suggests that leaders can begin working on transformation deliberately through a focus on personnel change without having a defined direction. Moreover, in his approach transformation can start regardless of whether or not any crisis exists.

Once they have the right people on the bus (and also while they're putting them there), the leader and the team "confront the brutal facts." This is the second step in Exhibit 4, during which the team thinks together with the leaders, often over a period of many years.

Through this process, the well developed management team develops a simple driving idea. Collins calls this the "Hedgehog Concept" after the spiny mammal that is successful because it knows it can protect itself by rolling into a spiky ball. The development of this idea is the third step.

The Hedgehog Concept must be implemented, a long, slow process. Collins summarizes it with the image of pushing on a flywheel with continual small changes that make the company better and better. The final stage of his transformation process is what Collins calls "breakthrough." The hard work finally makes the firm clearly better than its competitors. Sales and profits increase, and outsiders notice how great the company has become.

Examples in Collins' published research include Kimberly Clark's carefully thought through transition from a commodity paper maker to a consumer products giant and Walgreen's transformation of the drug store. Based on the success of such companies, Collins argues that the process can make a wide variety of organizations great.

But comparing his process with others, we find that it may not be best in every situation. Collins' process of selecting average companies that became 'great' seems to have pointed his study toward slow-moving industries. Firms with ordinary returns for one long period and then continuously above-average returns for a succeeding fifteen-year period are unlikely to be found in industries that are rapidly changing. Collins himself says of the "great" companies, "a dowdier group would be hard to find."

Companies that need to move faster and companies that face imminent crises may need one of the other transformation processes. But Collins' research has clearly identified an important and powerful transformation process that differs from the others we have examined.

5. Improvisational transformation

While a key aspect of the Good-to-Great transformation process is that it allows leaders to begin working on transformation without a clear picture of where the organization is going, Collins' descriptions suggest the firms that completed

Good-to-Great transformations remained limited in one respect: they had only modest ability to create repeated large-scale innovation in their strategies. The systems they built were tools for fairly stable activities such as paper-products marketing, drugstore management and steelmaking. None of Collins' firms were in high-technology fields or in industries known for rapid, fundamental change such as high fashion, corporate finance, or mobile phones.

Our research suggests that a significantly different, more improvisational process produces greater flexibility – creating companies better able to experiment and develop new core strategies.^{xvi} Surprisingly, transformations that produce a capacity for continual strategic innovation are the least studied and thus least well understood of the ways of transformation discussed in this article. But our data indicate that a transformation that creates a capability for continual strategic innovation can be summarized in the five steps diagrammed in Exhibit 5.

Like transformation through the standard holistic model, these more improvisational transformations begin with a crisis. The organizations went through periods when an improved ability to innovate seemed necessary for survival. But while the opening of the improvisational transformation process closely paralleled the opening of transformation in the standard model, the rest of the process differed substantially.

The second step in the traditional model, as summarized in Exhibit 2, is for leaders to respond to the crisis by creating a plan for change – a clear “blueprint.” By contrast, companies that got continual strategic innovation started began with goals that were notably vague (though emotionally appealing). At Monsanto, for instance, the stated goal in the agricultural unit during the time of crisis in the early 1990s was “abundant food and a healthy environment.” There was never any comprehensive map indicating on how the firm would deliver on this goal.

Once the blueprint has been drawn, the standard model calls for carefully reorienting people in each part of the organization to the new way of working. By contrast, the organizations we studied that got continual strategic innovation started (Monsanto, GE Capital, NiSource, and SSB Bank) took a more improvisational approach. They plunged into experiments in innovation without clear plans of where they were going (See Exhibit 5).

Exhibit 5
Improvisational Transformation



For example, after Jack Welch created a crisis at GE Capital by insisting on dramatic performance improvement, the first big innovations came in response to an accidental stimulus. First, GE Capital moved aggressively to take advantage of Reagan-era tax breaks that allowed highly profitable leasing deals. In itself, that was a minor innovation whose value would soon have disappeared as Congress cut back on tax-leasing benefits. However, in response to the cutbacks, GE Capital managers launched into an aggressive examination of opportunities in leasing that did not depend on tax rules. They discovered that by combining secured finance with special services for individual industries, they could leverage GE's excellent operational discipline to produce reliable sources of profitable growth. Similarly, improvisational efforts were important steps in getting innovation started in each of the other organizations.

The next step was learning from the largely improvisational processes that had produced success. At GE Capital, that meant setting up mechanisms – business-development units and changes in the organization's planning process – designed to replicate the successes in leasing.

Finally, the improvised processes and the efforts to learn from them evolve into new innovation routines. The routines that emerge involve combinations of deliberately created elements and ways of innovating that have evolved in a largely unplanned way from the improvisational processes that produced the initial successful major innovations.

Hybrid approaches to transformation

Many organizations change by employing several of the five ways of transformation. Wallenius-Wilhelmsen Lines, the leading independent transporter of automobiles for auto manufacturers, believes it needs to transform itself into a full-service logistics firm that can manage shipments not just from auto manufacturers to dealers but from auto manufacturers to final buyers. To do this, it is to a large extent following a standard holistic change process.

However, Wallenius-Wilhelmsen is obtaining many of the key resources it needs (logistic-management firms in local markets, Internet-development services) by acquiring existing companies. The overall transformation process is thus a hybrid of the traditional process (under which leaders create a picture of the future and reorient the whole organization to it) and transformation by acquisition.

Some leaders may use as many as three or four of the five transformation processes to renew the firm. For example, one firm we studied used an improvisational transformation to energize its senior management, carried out a standard holistic transformation to reinvent its core business, and used the ambidextrous form and small-scale acquisitions to explore opportunities that were emerging in its industry. As managers became confident in a new vision of the industry, it remade the entire business through large-scale acquisitions.

Choosing the right approach

It is possible to list four fairly simple questions that can sort out which of the five kinds of transformation are most likely to be appropriate for a particular firm at a particular time.^{xvii} (See Exhibit 6.)

When you can define the goal

1. Can you clearly define the change you seek? If you do have a clear picture of the changes you'd like to see – even a partial picture – it's worthwhile to consider three different ways of pursuing your goal:

- A holistic transformation following the standard model of planned organizational change
- Change through use of the ambidextrous form
- Transformation through acquisition.

2. Can you buy the competences you need? Often, as in Wallenius-Wilhelmsen's case, key elements of the transformed business can be acquired by purchasing existing businesses. Consider whether the benefits of adding the capabilities rapidly through acquisition outweigh the enormous difficulties of integrating people and systems from a different culture into yours. Sometimes, however, acquisition must be central to transformation. If acquisitions won't be driving your transformation, ask the third question

3. Must the whole organization be transformed, or will a core continue to exploit the old ways? The standard model – holistic transformation – is key to success when leaders know how the organization must change and know that the whole must be transformed.

However, if parts of the organization can and should continue to pursue the old ways of success, much of the radical disruption that a holistic transformation requires is unnecessary. Leaders can create an ambidextrous organizational form like Hewlett-Packard's, Shell's, and IBM's, with innovating units pursuing the needed new successes while the existing core business continues to operate.

When you cannot define the goal

But suppose that despite careful thought you cannot, at least initially, define what you want your organization to change into, or even define ideas that will move it in the desired direction through the ambidextrous organizational form. Or suppose you believe that trying to run transformation through the standard model, acquisition or the ambidextrous form relies too much on the willingness and ability of top management to make the changes. Then final key question then needs to be asked.

4. Is your industry stable enough that you should pursue a new but durable, long-term positioning, or is change so rapid that a capability for continuing strategic revolution is necessary?

Exhibit 6

What Kind of Transformation Do You Need?

<u>The first question:</u> Can you <u>define</u> the change you are seeking?				
<i>If you <u>can</u> define the desired change...</i>	<u>Ask:</u> Can you <u>buy</u> the competences you need?			
	<i>If you <u>can</u> buy the competences ...</i>	<i>Consider transformation through <u>acquisition</u>. (Haspeslagh & Jemison, 1991)</i>		
	<i>If you <u>won't</u> buy the competences ...</i>	<u>Ask:</u> Must the whole organization be transformed, or will a core continue to exploit the old ways?		
		<i>If the whole is to be transformed...</i>	<i>If a core will pursue old ways...</i>	
	<i>Use standard change models, practicing <u>holism</u> (Kotter, 1996; Nadler, 1998)</i>	<i>Use the <u>ambidextrous form</u>, creating different kinds of units for different jobs (O'Reilly & Tushman, 2004)</i>		
<i>If you <u>cannot</u> define the desired change clearly...</i>	<u>Ask:</u> Should you pursue a new but stable positioning or a capability for continuing strategic <u>revolution</u> ?			
	<i>If you seek a new, stable position...</i>	<i>If you need continuing revolution...</i>		
	<i>Follow Collins' <u>Good to Great</u> process (Collins, 2001)</i>	<i>Pursue <u>improvisational transformation</u>: <u>Improvise, then learn from what works</u> (Wood, 2007.)</i>		

If you're confident your industry will move fairly slowly, Collins' Good-to-Great process is likely to work well. However, many companies can't expect to succeed through a big one-time transformation because their industry moves too fast – or at least they have reason to fear that it may move too fast. Leaders can't wait till they've identified all the right people for their organization and carried out a comprehensive analysis of the "brutal facts." The most important "brutal fact" may be that if the organization doesn't start changing right away, it may disappear.

In that situation, leaders need to start down the path toward an improvisational transformation: First, develop an idea about the future that will probably be vague and yet exciting. Then leaders need to encourage people to innovate toward it in a way that is far more improvisational than any of the other approaches.

Our research has shown that not all firms that start out innovating this way wind up carrying out a full improvisational transformation like GE Capital and Monsanto. Some, including NiSource in the U.S. and SSB Bank in Norway, start improvisationally and gradually discover a stable positioning, moving from the improvisational track to the Good-to-Great track. This indicates that the answer to the question about the long-term stability of the industry doesn't have to be perfect. It just has to be good enough to get the organization started in transformation.

Regardless of which course is adopted, managing transformation requires alertness about whether the path chosen is the right one, and a non-dogmatic willingness to change. But understanding paths of business transformation provides an essential guide.

¹ A comprehensive review that documents the standard model and shows how little it has changed over the years is Weick, Karl E., & Robert E. Quinn (1999), "Organizational change and development," *Annual Review of Psychology*, 50, 361–386.

² Based on Lewin, Kurt. *Field Theory in Social Science*. New York: Harper & Brothers, 1951.

³ As part of our research we examined all books found with the keywords "corporate transformation" (41 books) in a major academic library. The 51 cases cited in the text each included data credibly describing the organization before the transformation, describing the process of transformation, and documenting success with relevant indicators for a period of approximately two or more years after transformation. Our survey documented that each of the five transformation processes have clearly worked in multiple organizations. On the other hand, we looked for published cases documenting well defined process and successful transformations for several other transformation methodologies described in the literature and did not find them. Thus these five seem the best-documented means of transformation today. Nonetheless, the research is not comprehensive. Thousands of reports of change processes have been published. Because of time limits we were unable, for instance, to review all the books in the library under

the key word “organizational change” (1,299 books). A complete listing of the cases used is available by emailing the second author (wood_rc@cob.sjsu.edu).

^{iv} Nadler, D. A. (1998). *Champions of change: How CEOs and their companies are mastering the skills of radical change*. (Mark B. Nadler, writer). San Francisco: Jossey-Bass.

^v Kotter, J. P. (1996). *Leading Change*. Boston: Harvard Business School Press. See also Nadler, D. A., & Tushman, M. L. (1989). “Organizational frame-bending: Principles for managing reorientation.” *Academy of Management Executive*, 3, 194–204.

^{vi} See Johnson, G. (1987). *Strategic change and the management process*. Oxford: Basil Blackwell.

^{vii} Collier, P., & Horowitz, D. (1987). *The Fords: An American epic*. New York: Summit Press.; O’Reilly, M. (1983). *The Goodyear story* (J. T. Keating, Ed.). Elmsford, NY: Benjamin.; Bethune, G., & Huler, S. (1998). *From worst to first: Behind the scenes of Continental’s remarkable comeback*. New York: John Wiley & Sons.

^{viii} O’Reilly, C. A., III, & Tushman, M. L. (2004, April). “The ambidextrous organization.” *Harvard Business Review*, 82(4), 74–82. Tushman, M., Smith, W., Wood, R. C., Westerman, G., & O’Reilly, C., 2007. *Organizational Designs and Innovation Streams*. Working paper, Harvard Business School, Boston.

^{ix} Watson, T.J., Jr. (1990). *Father, Son & Co.: My life at IBM and beyond*. New York: Bantam. Grove, A. (1996). *Only the paranoid survive*. New York: Currency/Doubleday.

^x Larsson, R., Brousseau, K. R., Driver, M. J., & Sweet, P. L. (2004). The secrets of merger and acquisition success: A co-competence and motivational approach to synergy realization. In A. L. Pablo & M. Javidan (eds), *Mergers and acquisitions: Creating integrative knowledge*. Malden, Mass.: Blackwell.+

^{xi} Barham, K., & Helmer, C. (1998). *ABB: The dancing giant*. Financial Times/Prentice Hall.

^{xii} Big investments in any of these transformation processes can actually increase the likelihood of corporate disaster. See Raynor, Michael E. (2007). “Solving the strategy paradox: how to reach for the fruit without going out on a limb.” *Strategy & Leadership* 35(4), pp. 4 ff.

^{xiii} Collins, J. C. (2001). *Good to Great*. New York: HarperBusiness. .

^{xiv} The steps are based on *Good to Great*, pp. 41-187.

^{xv} *Ibid.*, p. 41.

^{xvi} Wood, R. C. (2007, January). “How strategic innovation really gets started.” *Strategy & Leadership*, V.35, N.1.

^{xvii} The analysis in this section does not deal with the relatively rare but sometimes important case where a company can transform by divesting parts of its business. This typically occurs when the complexities of managing different kinds of businesses are producing an excessively bureaucratic management system. To consider this option, ask, “Do some managers believe their units might do better outside our firm?” If the answer is “Yes,” consider divesting. See Gaughan, P. A. (1999). *Mergers, acquisitions, and corporate restructurings*. New York: John Wiley, pp. 397-431.