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Talent & Organization Performance

Creating an agile organization

By Peter Cheese, Yaarit Silverstone and David Y. Smith

The new business environment will favor those companies able to execute strategy faster, with more flexibility and adaptability, and move their companies ahead briskly.

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The ability to innovate faster and in new ways will always be critical to achieving high performance. But given the new dynamics of a fast-changing and less predictable global economy, a number of competitive assumptions are changing. One of the most important changes: The new business environment will favor those companies able to execute innovations faster, and to move their organizations forward more nimbly.

Farsighted business leaders preparing their organizations for the eventual upturn have already recognized this. In a recent survey sponsored by The Conference Board, executives of global organizations reported that one of their most pressing current needs is the ability to execute strategy faster, with more flexibility and adaptability (see chart, page 4).

What these companies seek is greater organizational agility—that is, adaptability plus speed. In the new marketplace, the high performers will be those that do more than adapt to long-term trends; they will also respond quickly to short-term urgencies—or, even better, anticipate them so as to seize opportunities to be first to market.

Think about organizational agility in track-and-field terms. High performance for a sprinter depends on bursts of speed and strength. Long-distance runners, by contrast, require energy over a longer time, enabling them to keep going when others fatigue. Triathletes must have both attributes—and more: not only the endurance of the long-distance runner and the speed of the sprinter but also the ability to react quickly to the changing demands of running, swimming and cycling.

In an analogous way, agile organizations must excel across different kinds of activities. They must have the staying power to drive

their core businesses over the long run but also the ability to shift focus faster to multiple kinds of business portfolios and to execute quickly when the time is right to pull ahead of competitors.

So how does an organization imitate the multi-skilled triathlete? There is no single training regimen. Instead, improving a company's agility is a matter of focused initiatives based on what Accenture calls the three building blocks of high performance: market focus and position; distinctive capabilities; and performance anatomy. Within those building blocks are a number of critical components having to do with a company's human capital strategy, organizational operating model and talent management capabilities, as well as a series of integrated programs in areas such as leadership, learning, culture, analytics and the management of change.

While these initiatives and interactions do not exhaust the subject of what it means to be an agile organization—things like business portfolio management are also critical, as are “sense and respond” technologies and more adaptive processes—they do constitute many of the most challenging and underestimated keys to agility. They also are typically more difficult to define, manage and control.

We have focused on the most important of these organizational components, whose effective management can improve a company's responsiveness to market conditions, its ability to serve customers, and its capacity to change, innovate and grow.

Market focus and position

This building block of high performance is about how the enterprise understands and responds to its markets. Critical elements include management of the business portfolios and market insight, with the ability to sense market trends and changes and respond to them proactively.

When it comes to organizational capability, having an operating model that enables a company to change and innovate quickly is critical, together with having real understanding and strategic insight into the organization's talent and capabilities and how these need to develop to respond to market change and opportunity.

An adaptive operating model

The operating model and design of the agile organization seek the middle ground between the global and the local, or between centralized and decentralized structures. The bureaucracy that results from an overly centralized model can stifle innovation and result in delayed market responsiveness. On the other hand, an overly decentralized model can result in inconsistencies in response, slower product development, organizational redundancies and excessive costs.

The agile organization puts its “non-negotiables,” operationally speaking, in the center, while empowering the local units and geographies to be more responsive and adaptive to local markets, customers and trends. This creates the right mix of necessary bureaucracy with the nimbleness and speed of frontline innovators.

Companies must also be flexible in the way they design different kinds of businesses from a governance and decision-making point of view. Businesses in different time horizons or states of maturity may require different operating models and organizational structures. The structure appropriate for a core business may not be suitable for more speculative

endeavors, which may require more entrepreneurial behaviors and slightly looser leadership reins.

High-performance businesses develop unique designs and leadership structures that reinforce their chosen sources of competitive advantage, instead of following overly rigid or formulaic designs. Again, execution is critical. The distinctive edge in organization design is not about labels on a chart but about the ways that industry leaders are able to execute that design.

Strategic insight into human capital

Agile organizations are able to change ahead of the curve when it comes to planning and developing a workforce with the right competencies and in the right numbers. They have deeper strategic insight into their human capital, and can use that insight to proactively put in place the right workforces that can effectively respond to urgent marketplace needs.

Many companies turn their attention to the workforce too late in the process of strategic or technological change. Strategies are set in motion or new technologies are implemented, and only then are programs set up to help the workforce execute in that new environment. For high performers, by contrast, strategic planning always takes into account the workforce needed to execute rapidly.

Data-driven insights can bring rigor and predictability to the traditionally imprecise subject of human capital and HR strategy. High-performance businesses leverage analytics and diagnostic tools that move beyond strategic generalities into detailed analyses

The urgency of agility

Each year, The Conference Board asks CEOs to report on their most pressing business challenges. Three months after its 2008 survey, The Conference Board asked its CEO respondents how the global economic meltdown had affected their priorities. Issues regarding execution, flexibility and speed had risen to the top of the boardroom agenda.

Relative ranking		Challenges	Cite challenge as being of "greatest concern"	
July/August	October		July/August	October
1	1	Excellence in execution	46.0%	55.4%
3	2	Consistent execution of strategy by top management	41.9	47.0
7	3	Speed, flexibility, adaptability to change	24.5	46.6
16	4	Global economic performance	17.2	44.6
11	5	Financial risk, including liquidity, volatility and credit risk	20.8	43.8
2	6	Sustained and steady top-line growth	42.6	42.3
5	7	Customer loyalty/retention	31.0	40.1
9	8	Improving productivity	22.1	36.9
34	9	Business confidence	3.1	36.3
4	10	Profit growth	31.3	34.6

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of their internal human capital drivers of performance and into the future mix of capabilities needed to support effective workforce performance.

In many cases, creating an agile workforce requires steps to address current organizational inefficiencies caused by mergers or by decentralized growth that has created unevenness across a global organization. Perceptive executives scour their companies for organizational anomalies and incongruities, especially with an eye toward putting the capabilities and right-sized workforce in place to meet ongoing business needs.

This kind of workforce planning has been critical to improving the efficiency and agility of Piramal Healthcare Limited, a large, India-based pharmaceutical company. Piramal's growth strategy over the

past decade or so has been largely based on acquisitions. Because business was booming and growth was robust, the company had not taken the time to rationalize and plan for an optimally sized and skilled workforce.

Quantitatively, Piramal found itself with an employee-cost-to-total-cost ratio that was among the highest in its industry. Qualitatively, executives knew that the agility and productivity of its employees were being hindered by redundant roles and functions.

Piramal followed a comprehensive planning process that produced a blueprint for a phased right-sizing of the staff according to performance and strategic fit; it also created more efficient and effective processes and structures by which to harmonize the way the newly reshaped staff would perform.

The company carefully managed potentially negative effects on morale by redeploying employees to other areas of the company if their positions were eliminated by the restructuring.

According to N. Santhanam, Piramal's chief operating officer, "By making staff decisions based on performance, we improved our employees' commitment to execution.

All our employees now feel they are doing a job for which they are qualified, and that adds clear value to the company."

Piramal has reduced its staff costs substantially. However, even greater value has been produced by creating an organization more capable of meeting the rapidly changing demands of the pharmaceutical industry.

Distinctive capabilities

High-performance businesses recognize, nurture and develop their distinctive capabilities to stay ahead of their competitors. Much of this work focuses on the development of the company's people and knowledge capital. The ability to rapidly re-skill employees according to business need, to create opportunities for real-time collaboration, and to support the workforce with better analytics and systems are all important capabilities of an agile organization.

Nimble workforce redeployment through rapid re-skilling

The economic downturn and the global realignment of skills and workforces that is now taking place in a multi-polar world point to the need for companies to rapidly re-skill or up-skill workers to align to new needs and opportunities. In the United States, for example, more than 2 million job vacancies exist, in spite of the economic downturn and high unemployment rates—one indicator of a mismatch between the skills of available workers and the skills needed to succeed in a changing economy.

Because companies must have the capabilities in place to meet rapidly changing market needs, enterprise learning has now moved well beyond its former status as a support capability and has become central to any company's business strategy.

The new learning and knowledge management technologies that Accenture calls Learning 2.0 are

showing great promise in creating an approach to workforce enablement that is nimble enough to keep up with a rapidly changing business and workplace environment.

Learning 2.0 combines innovative approaches and technologies in Web 2.0 learning, knowledge management and real-time performance support. These capabilities and technologies help companies deliver learning at the point of need, when it's needed, and delivered in formats that can adapt to the requirements, working environment and learning styles of individual learners.

An example of a more nimble learning organization that brings together a number of Learning 2.0 principles is Microsoft's "Academy Mobile," which helps the company's salespeople get up to speed on a particular product or solution so they can capitalize faster on customer opportunities.

The Academy provides information that is always fresh—what other

Companies need a highly efficient HR organization and well-developed, flexible talent management processes that can support workers across the entire employee lifecycle.

salespeople are doing in the field that is producing successful results. Content comes from product experts and salespeople, and can also be harvested from conference calls, presentations and third-party vendors, then turned into short deliverables such as podcasts and vodcasts.

Microsoft has an internal user base of 22,000 for the Academy, which it has also opened up to 5,000 partners in its distribution network. This user base generates more than 500 podcasts per month, and these have significantly increased the sales force's knowledge about products, competitors and sales best practices. The Academy also gives the field a communications channel for immediate feedback to sales, product and learning leadership.

Another example of rapid learning development comes from the Health Care Service Corporation in Chicago, whose learning organization has become extremely adept at developing what the company calls "performance solutions"—10-minute, Web-based learning sessions that workers can attend at their desktops.

The company also employs learning development teams that go on location where important work is taking place, harvest those experiences and move them into a learning program within days. This has not only improved development times for the instructor-led classes but has also moved the entire process more deeply into the business.

Improved responsiveness through open collaboration
If the workforce, and the organization as a whole, is to perform at greater speed and with more nimbleness than before, knowledge and experience must be available—or, better, proactively delivered—to the right people at the right

time. In many cases, the innovation required to meet a new marketplace need exists somewhere in the organization; the challenge is finding it.

Companies must do whatever they can to overcome the structural deficiencies and organizational silos that prevent the ready flow of information around parts of the organization.

Creating a collaborative culture at all levels of the company is one part of the answer. UK-based GE Healthcare, for example, has been building strong collaborative customer and government relationships focused on reducing health care costs. The company is a central player in parent General Electric Co.'s ambitious "healthy-magination" initiative—a \$6 billion commitment to launching at least 100 innovations by 2015 to reduce health care costs, increase access to care for more people around the world and improve overall quality of service.

One of the project's primary enablers is what the company calls "boundaryless" collaboration. Take GEHC's "in-country, for-country" global initiative, which responds to local market and customer needs through local technology development. For example, GEHC's engineers in India developed a durable, portable electrocardiogram machine that is transforming how doctors care for heart patients in rural India, while driving revenue growth in other parts of the world seeking miniaturized, portable technology.

According to Bob Cancalosi, chief learning officer for GE Healthcare, "We're preparing ourselves for expansion so that when things start to turn around, we will gain global market share by acting with more agility across our organization."

(Continued on page 8)

Creating the leaders and culture right for the upturn

By Stacy Blanchard

Organizations in all industries will emerge from the economic recession facing different competitive conditions than existed before the crisis hit. Although the point seems obvious, it will inevitably prove difficult for some companies to adjust to the leadership styles and cultural components necessary to create organizations agile enough to compete in an economy operating under unfamiliar rules.

Recent Accenture research underscores this point. Over the past 20 years, we have been accumulating corporate data utilizing Accenture's Culture Value Analysis and leadership development assets, a suite of tools designed to help companies develop and better align culture and leadership elements with the organization's strategic objectives.

When we looked at our data in terms of the ability to be organizationally agile, some of the findings were somewhat expected. Characteristics such as adaptability, creativity and innovation, aggressiveness and risk taking scored high as qualities conducive to agility. In addition, the importance of leveraging technology, minimizing bureaucracy and managing talent with the long term in mind supports quality execution at speed.

On the other hand, looking at factors that were negatively correlated was instructive and even, occasionally, eye-opening. The item most negatively correlated, for example, was "financial fixation"—that is, the very preoccupation that has driven

most companies for the past year or so. This suggests a profound need to recognize that the focus and assumptions appropriate for the past 12 months will not be the ones needed to succeed over the next 12 months.

"Pressure and stress" came in as the second most negatively correlated element, which reminds all of us not to underestimate the existing strain on workforces and leadership teams today. Having objective insight into the organization's capacity to change and helping the organization manage the change journey will bring about the sustainability that will elude companies trying to squeeze more and more productivity from a workforce with depleted energy reserves.

Additional insights arose from our examination of specific leadership traits such as the ability to execute and to be an agent of change, correlated with organizational agility. Traits such as visionary thinking, dealing with resistance and taking initiative proved to be highly important. Other necessary traits—creating meaning and buy-in, open-mindedness and assertiveness—may be more challenging to executives operating under older sets of rules.

As organizations aim to change their corporate culture and create new generations of leadership development programs, they need to make sure they are developing the culture and leadership ready to take on the marketplace of the future, not of the past.

(Continued from page 6)

Flexible talent management systems and processes

Another distinctive capability of an agile organization involves integrated talent management processes and systems. Companies need a highly efficient HR organization and well-developed, flexible talent management processes that can support workers across the entire employee lifecycle—from recruiting to development to performance management and rewards.

These practices and processes enable and support the development and maintenance of a high-performance workforce—people who have the right skills and capabilities but are also motivated and engaged, who understand their role in achieving the outcomes and objectives of the business, and who

feel recognized and rewarded for the contributions they make.

One company that has learned this lesson effectively is SK Group, the South Korean telecommunications and energy conglomerate. Once the company decided to pursue growth beyond its dominant position at home by expanding into global markets, it needed to improve its human resources systems and processes so that the workforce and culture could support the transformation.

Armed with the results of an objective and benchmarked measure of its talent base, its HR capabilities and its leadership's commitment to globalization, SK is building HR capabilities to support expansion of its global operations and revenue growth outside of South Korea while aggressively increasing the quantity and quality of its global talent.

Performance anatomy

The mindsets that comprise the third building block of high performance—performance anatomy—involve some of the most interesting characteristics of the agile organization. These characteristics, however, are also those most challenging to manage.

Leaders as drivers of change

The mindset and attitudes about change that are adopted by a company's executive team are an important backdrop to the issue of developing greater organizational agility. The accepted wisdom about human resistance to change has been repeated so often in the business management literature that it may have become something of a self-fulfilling prophecy. We have found, by contrast, that successful companies know how to leverage people's natural inclination to learn and grow.

In fact, the greatest resistance to change may come from leadership

teams rather than the workforce at large. Ed Catmull, cofounder of Pixar Animation Studios and the president of Pixar and Disney Animation Studios, has written recently about the particular mindset that enables his company to take chances on opportunities that are not accepted or obvious. "We as executives have to resist our natural tendency to avoid or minimize risks," Catmull noted. "This instinct leads executives to choose to copy successes rather than try to create something brand-new. . . . If you want to be original, you have to accept the uncertainty, even when it's uncomfortable, and have the capability to recover when

your organization takes a big risk and fails.”

Agile organizations, therefore, adopt leadership mindsets based on an assumption that people are, in many cases, eager for change. These companies and leaders make the experience of change something that is not traumatic but is a natural parallel to the pattern of change that people seek out in other parts of their lives.

These kinds of counterintuitive insights into leadership will become increasingly essential as companies learn to adjust to a new post-recession business environment (see sidebar, page 7).

Managing change as a core capability

Critical to any agile organization is the capability to execute strategy quickly and manage change effectively. This involves developing a number of important elements and disciplines throughout an organization as well as having a center of competence for change management.

Change programs are generally implemented through discrete projects, whether large and transformational or small and focused. So the ability to manage those projects effectively, and to build project management as a core competence throughout the organization, translates directly into a more general capacity to be agile.

In this regard, vital skills include the ability to coordinate and manage multiple projects and change initiatives, ensure their coherence and ongoing alignment to what may be a changing business environment and evolving strategy, and have a strong communications capability. Too often, organizations suffer from too many change projects and initiatives that, because they don't fully align, cause confusion and create resistance.

The ability to manage large-scale change is also essential. Failure rates for major change programs are well known; one generally accepted statistic is that roughly half of companies attempting transformational change fail to achieve significant and sustained results. To succeed, companies must effectively manage a broad set of management, leadership, culture and enablement components to deliver measurable business benefits from a transformation program.

High-performance businesses have developed centers of excellence within their organizations that include methods, tools and internal practitioners with expertise in the practices and processes of change management. A leadership development and learning manager for a major resources organization told us, “Because of the extent of change in our industry, and indeed our leadership’s commitment to driving that change, executive conversations are now taking place about building up an internal change capability, led by our learning and development function.”

Analytics to create insight and understanding

Agile organizations use analytics to gain understanding across all the critical dimensions of their business, as well as insight into their customers, markets and suppliers. This becomes part of their organizational DNA and the way they make judgments and decisions. However, some of the most challenging areas to measure and analyze are the organizational and human capital dimensions we have focused on.

A new generation of organizational and HR analytics can help companies become agile by more reliably identifying the organizational capabilities they need the most,

(Continued on page 11)

Predicting the ability to change

The workforce of today's global organization may be distributed across hundreds of locations around the world. Acceptance of organizational change by these varied cultures and business units may occur at a different pace. Predicting where resistance to change may occur—and proactively addressing that resistance—can improve a company's ability to be agile (see story).

For example, a public-sector organization—with more than 250 locations in over 150 countries—had implemented a new system to support its complex operations that required moving people and supplies all over the world.

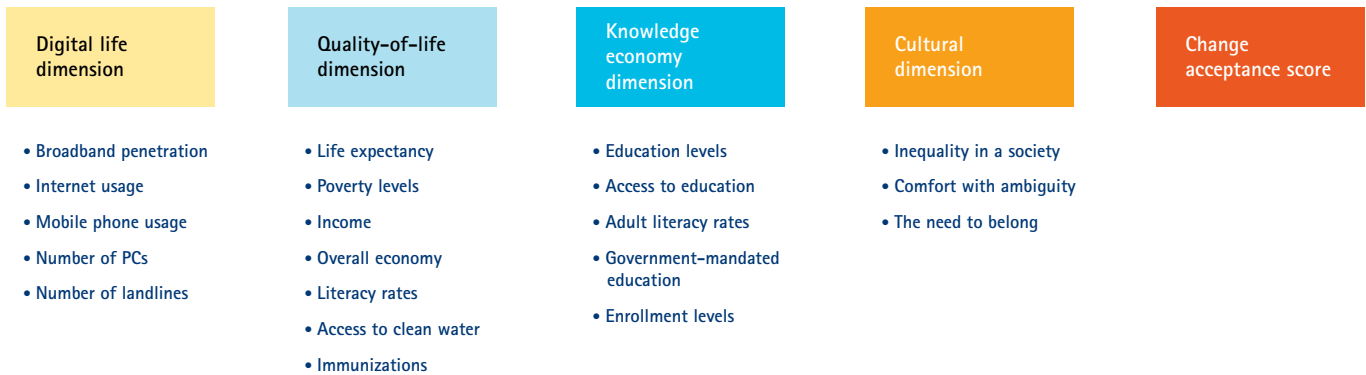
After the initial implementation, the organization found that the new system was not being embraced uniformly across all locations. Some areas were able to adapt while others pushed back. The organization sought to understand these variances and then to find a way to achieve deployment success regardless of location or culture.

Leaders followed a multidimensional approach that took into account the various ways people think about and accept

change. The approach uses data collected by the United Nations, the World Bank, the International Telecommunication Union and academic research. The team used the information to create a predictive model of change adoption by country.

The model measures economic, social, cultural and technological readiness across societies, and weights those dimensions based on empirical and academic research. The result for this organization was a change acceptance score for each of the countries in which it operates, helping decision makers design learning and communications programs unique to the needs of each region (see below).

Being able to predict how well different workforces can execute rapid change has had several benefits. For example, by identifying locations that were more agile, the organization could eliminate extensive travel to areas that were already in good shape and deploy its limited resources elsewhere. Locations where quick wins could be achieved helped build momentum for the overall change program. The program's risks could also be mitigated more readily.



Source: Accenture analysis

By adopting a mindset of continuous renewal, an organization helps to create a culture that supports and motivates the kinds of behaviors required to be more agile.

(Continued from page 9)

instead of just helping them understand what happened in the past.

New measurement tools are being developed that improve a company's ability to measure the adoption of complex efforts such as the large-scale change programs just discussed. With these tools, companies can be much more scientific in the way they track their progress toward developing an agile culture.

ChangeTracking®, for example, is a tool that arms companies with a statistically validated model and benchmarks to make change progress more predictable and to support better decision making along the way.

Another assessment methodology is Accenture's Change Acceptance Predictive Model, which enables companies to better predict how workforces in different geographies will embrace the kinds of changes needed to be more agile (see sidebar, page 10).

This kind of predictive capability can deliver a competitive edge when it comes to workforce talent. One interesting example comes from the world of professional basketball. In 2005, the National Basketball Association's Houston Rockets were looking for a talented player to add to their roster. The usual scouting reports and analyses delivered a list of names. Some of them were unavailable or too expensive, and others did not seem like the right fit for the team.

Then, using advanced analytics capabilities, the Rockets' general manager identified a player named Shane Battier as the one the team most needed.

Not everyone was convinced. By most conventional measures—points

scored, rebounds, blocked shots—Battier was simply an average player. But Houston's analysis went one step further. The organization was able to measure how other team members performed whenever Battier was on the court. By that standard, Battier stood above his peers. Whenever he was on the court, no matter where he was playing, his teammates got better and his opponents got worse. Battier has gone on to be a star with Houston.

An adaptive culture

In many ways, the organizational culture looms as the biggest challenge in creating an agile company. Previous Accenture research has found that top performers foster a condition of continuous renewal in their everyday operations. These companies develop a culture that accepts change as constant. They institutionalize what Accenture has called "creative discomfort"—the sense that what should be encouraged and rewarded is not only doing traditional things well but driving toward new things too.

By adopting a mindset of continuous renewal, an organization helps to create a culture that supports and motivates the kinds of behaviors required to be more agile: seeing opportunities instead of barriers, and looking beyond the way things are done to the way things should be done.

Although many elements go into the ability to create an adaptive culture, several are particularly important. Adaptive organizations promote continuous learning among the workforce, using methods that emphasize active learning over passive, classroom-based approaches. They rapidly harvest current, front-line experience through advanced knowledge management tools, moving it into learning programs and knowledge bases that quickly get the best knowledge and experience

to the entire organization. For these kinds of enterprises, collaboration is standard operating procedure.

Structurally, an agile company actively works to break down silos that might impede the ability of different parts of the organization to adapt and move in sync toward common goals. One way this is accomplished is by moving top-performing managers around different parts of the organization, so they understand more deeply the way things really work, not just the

official or theoretical sense of governance and organizational workflows.

Finally, leaders of agile organizations demonstrate the behaviors themselves they wish to see in their culture. They, too, embrace continuous learning and an inclusive, collaborative form of leadership. The traditional command-and-control style of leadership cannot easily support an agile culture because the workforce of such an organization is focused on meeting expectations, not exceeding them.

Organizational agility is important not as an end in itself but for its ability to enable a set of factors that, together, can lead to high performance. For example, although innovation is readily acknowledged to be essential to long-term competitive advantage, companies consistently struggle to make the organizational changes needed to operationalize innovation. Operational agility can be the key to unlock the value of a company unable to properly direct innovation toward business goals.

The issue of agility also relentlessly forces executives to look at their companies' ability to execute, not just to strategize. You don't judge a car's agility, for example, by the size of its engine, the quality of its internal components or the sleekness of its styling. You judge it by how it handles on the road.

In much the same way, organizational agility is ultimately a matter of how the organizational components discussed here are managed in a way that creates a company better able to execute at speed.

For further reading

"The new talent equation," *Outlook*, June 2009

"The missing link: How employee mindsets can be assessed to improve business performance," *Outlook*, May 2007

"Leadership: How to create a culture of high performance," *Outlook*, January 2007

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