Vision by design: a reflexive approach to enterprise regeneration

Sydney Finkelstein, Charles Harvey and Thomas Lawton

A Harley-Davidson (HD) motorcycle is for many the ultimate symbol of American individualism and few would deny the company’s special place in US cultural history. Yet little more than 20 years ago Harley-Davidson almost went out of business. The company had retained its iconic status, but by the early 1980s found its market share slipping and product quality deteriorating. It was not long before the company became a laggard in an industry it had helped found.

What caused such a dramatic decline in the fortunes of one of America’s great companies? Many specific errors and oversights can be pinpointed, but underlying all was one dominant problem: HD had lost touch with the needs and aspirations of its customers. Through a series of strategically coordinated initiatives, HD subsequently revolutionized its product offering and forged a new identity as a lifestyle company. In the process, it revitalized its vision and re-directed its energies, improving quality, productivity and employee relations. By extending its brand into related businesses, HD was propelled from industry laggard to leader. By pursuing a vision that excited its customers and employees, the company re-established itself as one of the USA’s most dynamic corporations.

How did this come about? How did HD regenerate itself to win back market share and recapture the high ground within the industry? The answer is that the company put vision at the heart of its strategy process, creating the momentum needed to overcome the limitations of the past. As we illustrate through the HD case, visioning, when employed strategically to break free from the restrictions of the past, can be the source of transformational change.

Visioning is not, as so often assumed, a magical process removed from business realities. In our own work with organizations large and small, private and public, conducted over the last decade, we have found that visioning works best when grounded in the knowledge and understanding of existing leadership teams. The single most important insight we have gained through the facilitation of numerous strategic conversations is that the power of visioning, whatever the process employed, stems from reflexive engagement of business leaders in past-present-future thinking. Reflexivity is the practice of self-consciously distancing oneself from the immediate to consider fundamental questions and generate, through discourse, alternative answers[1]. Visioning works because it stimulates reflexivity, opening up the conversational space needed to challenge existing assumptions and introduce fresh possibilities. We have found repeatedly that visioning empowers strategic teams to conceive a better future, in a grounded and realistic way, by building on that which is good while seeking to overcome shortcomings and failings.

We have three objectives in this article. First, to illustrate that vision is a practical management tool that is fundamental to strategy making. Second, to demonstrate how visioning, when employed reflexively, works to improve the quality of strategic decisions. Third, to argue that it is essential for strategic leaders to develop a 360° vision which is both grounded in the present and directed at the future. The power of visioning stems from its...
enabling organizations to break free from existing business constraints by channeling time, energies and resources into transformational activities and initiatives. To demonstrate the essentials of what is involved, we present a four-dimensional visioning model that facilitates exploration of both the internal and external contexts of the business. The advantage of the approach lies in breaking down vision into its component parts, lending simplicity and structure to the visioning process.

We argue that companies are best served by an inclusive and responsive vision that inspires stakeholders and guides the enterprise through turbulent times. To illustrate the power of visioning, we look at the regeneration of HD and its repositioning as a socially ambitious lifestyle business. But first, what exactly is vision?

What vision means

Despite its widespread use, the term vision remains ill-defined and inconsistently applied. It has been conceived variously as a form of charismatic leadership, an approach to scenario planning, a set of organizational values, a logic underlying action, and a projected business image. But perhaps the most commonly held view is that vision encapsulates the ideology or guiding philosophy of a business; expressing values, purpose and direction through a mission statement and set of corporate objectives. Core values and purpose are held to remain constant, whilst all else may change. The essential principle is that the vision should be both constant and adaptive.

We endorse this approach. But in most writings on the subject, little is said about how a vision might be formed, communicated and applied. The methods proposed are unsystematic at best and arbitrary at worst. The general tendency is to suggest ways of projecting more widely the goals and aspirations of the present leader. There is a reluctance to apply visioning more deeply as a means of conducting strategic conversations. Indeed, many executives equate visionary with impractical, a source of lofty ideals and unattainable goals. Before vision can be taken seriously as a tool of strategic management, it must be released from the grip of negative perceptions. We believe that the best way to do this is to demonstrate how visioning works in practice and what it is capable of delivering.

We recommend a 360° grounded approach to visioning. A vision is an output from a deliberate strategy process. Visioning is the conversational technique used to create a vision. To serve its function, of setting an organizational development agenda and laying the foundations for more detailed strategy work, a vision must satisfy three essential conditions. First, it must be comprehensive, touching all aspects of the business. An incomplete vision is likely to result in problems going unrecognized or unchallenged. Second, it must be inclusive, reaching both inside and outside the organization, engaging the agendas of all key stakeholders. A vision invariably is a call for action, and all those involved in creating a better future need to know what is expected of them. Third, a vision must establish a dynamic, a trajectory for change. This in effect requires two visions: a static vision of the enterprise (where it is now and will remain if nothing is done), and a dynamic vision that captures what the enterprise might become if the right moves are made.

It is challenging to generate a comprehensive, inclusive and dynamic vision. But the challenge of “doing vision” is one that confronts all organizations. Some fail to do it effectively until a transformational leader, such as Toyota’s Katsuaki Watanabe, arrives on the scene, or re-arrives, as in the case of Steve Job’s triumphant return to Apple. These leaders...
know that putting their enterprise on a high growth trajectory requires active engagement with stakeholders – especially customers, employees and business partners – through a vision that inspires the company to do better.

Vision and reflexivity

As with so much in business and management, this is easier said than done. How many leaders are practiced in the art of creating a vision statement? Not only that, how can you be assured your vision is comprehensive, inclusive and dynamic? In our work as facilitators, we achieve this through the employment of a process we call vision by design. This involves critical reflection on each of the four main dimensions of the enterprise – organization, culture, markets, and relationships. These are depicted in Figure 1, which proposes that any true vision should be both inward looking (organization and culture) and outward looking (markets and relationships). To simplify matters further, each dimension of the vision is defined by a set of three generic attributes.

The aim of vision by design is to create a grounded vision systematically by elaborating this in terms of the constituent parts. So, for instance, the culture of an enterprise is defined in terms of its values (the articles of faith that shape its interaction with the outside world); management style (the dispositions and regular behaviors of the leadership team); and, employee relations (the quality of interactions between management and employees). By examining each in turn, we identify the essential features that must be reflected in the overall vision. For example, the limited hierarchy and team philosophy of budget airlines such as Southwest and easyJet are fundamental to their vision, as are values like sustainable development and non-use of animals in product testing to The Body Shop. The vision by design process ensures that both the company’s internal and external contexts are thoroughly considered. When taken together, the 12 attributes of vision form a picture of what the organization realistically might become a few years down the line.

We use vision by design to facilitate first stage strategic conversations. Members of a leadership team are invited to reflect critically on each dimension of the model one-by-one. We ask with respect to each of the defining attributes, where is the organization now and where does it intend to be in the future, say three years hence? This seemingly simple process invariably leads to the expression of a multiplicity of views, and intense debate as participants struggle to identify what is good and bad in the present and how things might be

![Figure 1: The vision by design model](image-url)
improved in the future. In reflecting upon a series of “what”, “why”, “when”, “where”, “who” and “how” questions, problems are identified, assumptions challenged, and aspirations are raised. The process in effect liberates the participants from the conventionalities of here-and-now (static) thinking in favor of a more dynamic past-present-future change orientation. Reflexivity is heightened and fresh ideas emerge. Attention focuses on internal and external business drivers and on changes that could make a big difference to performance. Previously hidden possibilities for improvement and growth are revealed. In this way, the structure imposed by the visioning process paradoxically serves to increase levels of creativity within the leadership team.

From being an imprecise idea that is difficult to actualize, visioning is thus used as a practical strategy tool to specify a set of static to dynamic state transitions. The visioning team is asked to complete a series of worksheets, one for each of the four dimensions of vision, depicting the present state of the business and the desired future state. For example, at HD the static vision was of a business engaged in heavy end motorcycle manufacturing, whereas the dynamic vision was to become a prestigious lifestyle company. In this case, the catalyst for change was increasingly fierce competition from low-cost motorcycle manufacturers, which highlighted the need for brand renewal and a focus on the more lucrative parts of the value chain. This renewed sense of purpose was later encapsulated in a simple yet masterful vision statement:

“We fulfill dreams through the experience of motorcycling by providing to motorcyclists and to the general public an expanding line of motorcycles, branded products and services in selected market segments.”

Despite big changes to its value proposition, HD did not deviate from its defining associations with freedom, distinctiveness, passion, independence and toughness. This identity, coupled with the company’s external image as an American icon, resonated with customers and was a driving force in the company’s regeneration.

Renewing Harley-Davidson’s vision

Today the HD brand is frequently cited in marketing books, top 100 lists, cult brand polls and enthusiast charts for its ability to generate exceptional loyalty and healthy profits. It has enabled HD to capture market share and mind share, extracting a premium from each. How did this come about?

The answer is straightforward when we understand the transformational power of a 360° vision: the resurgence of HD was driven by a customer-responsive, partnership-driven vision that looked anew at what the enterprise was about and where it should be going. The revival began in many people’s minds when the company formed the Harley Owners Group (HOG) to promote customer loyalty and involvement. It quickly became, and still is, the world’s largest motorcycle club with chapters all over the world and close to one million members. Factory sponsored rides, gatherings, parades, and charity events create a highly visible presence, serving both marketing and customer service functions. The HOG fosters the camaraderie for which HD is world-renowned, positioning the brand as a lifestyle choice, not just the name of a motorcycle. Over one million people participated in 100th anniversary events held worldwide in 2003.

A second key component of the revival was the emphasis on lifestyle through the introduction of a range of complementary products. Brand extension embraced upgrades
and accessories, including prestige items such as chrome oil pan covers and performance engine components. General merchandise spans riding attire, non-riding attire, household goods, and a multitude of lesser emblems of distinction for aficionados. By 2006, sales of parts and accessories had grown to $862 million and general merchandise accounted for a further $277.5 million (out of total sales of $5.8 billion).

At the same time, HD began to diversify into related fields. The purchase of Eaglemark (renamed Harley-Davidson Financial Services) enabled the company to underwrite motorcycle insurance and extend credit to retail and wholesale customers. HD Financial Services has grown at double-digit pace and contributes an increasingly large part of the company’s operating income – more than $210 million in 2006. Customers can now learn to ride at a HD dealership or take an extended test ride by renting a motorcycle. Promotional activities emphasize style, quality and pride in the US way of life, from the sponsorship of motorcycle racing to the provision of police escort vehicles for Presidential inaugurations.

The result has been a much more responsive and innovative set of relationships between HD and its customers. How was this achieved? Vision, we suggest, was critical to regeneration, as can be demonstrated through the application of vision by design retrospectively, as a tool of analysis. Tables I-IV illustrate how HD transformed its vision and its business, with a view to meeting the needs and aspirations of each of its key stakeholders.

---

**Table I** State transition for Harley-Davidson: organization

<table>
<thead>
<tr>
<th>Static vision</th>
<th>Dynamic vision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structure</strong></td>
<td>Multi-layered and fragmented</td>
</tr>
<tr>
<td>De-layer management and establish synergies between divisions</td>
<td></td>
</tr>
<tr>
<td><strong>Systems</strong></td>
<td>Top-down; lack of feedback loops or bottom-up input</td>
</tr>
<tr>
<td>Empower middle managers and encourage them to feed information upwards as well as downwards</td>
<td></td>
</tr>
<tr>
<td><strong>Processes</strong></td>
<td>Bureaucratic</td>
</tr>
<tr>
<td>Cut the red tape; reduce the number of approvals needed for minor decisions</td>
<td></td>
</tr>
</tbody>
</table>

---

**Table II** State transition for Harley-Davidson: culture

<table>
<thead>
<tr>
<th>Static vision</th>
<th>Dynamic vision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Values</strong></td>
<td>Tell the truth, be fair, keep your promises, respect the individual, encourage intellectual curiosity</td>
</tr>
<tr>
<td>Continue these values</td>
<td></td>
</tr>
<tr>
<td><strong>Management style</strong></td>
<td>Top down, focused on short-term returns, slow to adapt to change</td>
</tr>
<tr>
<td>Proactive and positive, concerned with continuous improvement, flat-style</td>
<td></td>
</tr>
<tr>
<td><strong>Employee relations</strong></td>
<td>Passive participation in company decisions and actions</td>
</tr>
<tr>
<td>Create self-autonomous workgroups (established “Harley-Davidson Learning Center”); greater involvement of employees; engage with trade unions</td>
<td></td>
</tr>
</tbody>
</table>

---

**Table III** State transition for Harley-Davidson: relationships

<table>
<thead>
<tr>
<th>Static vision</th>
<th>Dynamic vision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulators</strong></td>
<td>Protective (tariff on Japanese large motorcycles)</td>
</tr>
<tr>
<td>Aiming to be free from the protection of the regulators</td>
<td></td>
</tr>
<tr>
<td><strong>Supply chain</strong></td>
<td>No strong connections</td>
</tr>
<tr>
<td>Introduce just-in-time system to reduce inventory, with the full cooperation of suppliers</td>
<td></td>
</tr>
<tr>
<td><strong>Competitors</strong></td>
<td>Relatively poor relationship management and development</td>
</tr>
<tr>
<td>More extensive, creative and better managed relationships</td>
<td></td>
</tr>
</tbody>
</table>

---

PAGE 8 | JOURNAL OF BUSINESS STRATEGY | VOL. 29 NO. 2 2008
The HD organization was for long the multi-layered, command and control type, with an overly bureaucratic approach to routines and procedures. Decisions made at the top were passed down the line for implementation, with little or no input from the lower ranks or from middle management. Critical to the transformation of HD was the adoption of a flatter, more integrated structure, less bureaucratic systems, and more flexible and inclusive practices and procedures.

The HD culture likewise was in need of renewal. Not everything needed to change – the values of truth, fairness, integrity and respect for the individual had served the company well and continued to do so. But the management style needed improvement, as Table II indicates. In particular, the prevailing fixation on short-term performance and management by command was phased out in favor of continuous improvement and encouraging employees to become involved in raising quality standards and productivity levels. Employees were invited to take a more active role in product and service innovation and trade unions became partners rather than antagonists.

As Table III illustrates, HD had significant room for improvement when it came to relationships. Since the early 1980s, it had fostered a protectionist relationship with government regulators, using its *de facto* national champion status to build tariff walls that increased import costs for foreign competitors. Twenty years later, the world had changed, as the public panic over Japanese imports had largely receded, making it more difficult to justify protectionism. On top of that, the World Trade Organization had phased out the majority of such tariffs. It was in the company's best interest to embrace free and fair competition and to break free from the stifling arms of the regulators. This required the imposition of higher quality standards across the value chain. To reduce costs and improve responsiveness, it was necessary to introduce a just-in-time system, working cooperatively with supply chain partners. Meanwhile, out-and-out antagonism towards competitors gave way to the recognition that cooperation might at times be mutually advantageous.

Finally, it was acknowledged with respect to markets that the company's traditional customer was too narrow, consisting mainly of American men between their late 30s and late 50s. In launching the HOG, HD was able to widen its appeal and reach out to women and younger generations. This went hand in hand with the product line extension – branded toiletries, clothes and other merchandise – to reach out to younger people. At the same time, HD finally began to break free from the exclusively US image of the past, investing heavily to reach a more global audience.

How was all this done? It is not an easy task to change an enterprise's culture or to alter the behavior of employees, especially when the people do not accept that a business is in poor shape. This was the situation at HD in the early 1980s and it took many years of persistent effort to turn things around. Pivotal to regeneration was Richard Teerlink, appointed CFO in 1981, COO and President in 1987, and CEO in 1989. Teerlink had no choice at first but to engage in firefighting, keeping the company afloat from one financial crisis to the next. As he did so, he began to grasp what was wrong in organization, culture, markets and relationships, but as with many companies in deep trouble, the problems that beset HD were tightly knotted and hard to disentangle. It took vision to reveal complex interrelationships, establish direction, and fix corporate energies on attainable goals.
Teerlink came to recognize that the Gordian knot of problems afflicting HD could only be cut if everyone in the company was working to the same end. Costs had to be controlled, quality improved and the confidence of customers and investors won back, but none of this could happen without cooperation between managers and employees or the company and its suppliers. The time had come to abandon the old command-and-control culture and leadership style of previous years[7]. Teerlink believed passionately that people were a company’s most important asset and he sought to ensure that every employee played a part in leading the company through their ideas and actions. Supported by organizational development consultant Lee Ozley, he established a change process based on this radical premise of cooperative leadership, driven by what later became dubbed the “joint visioning process”. The essence of this process – based on the work of psychologist Abraham Maslow – was that employees could be persuaded to take ownership of the vision if they helped create it. This meant that the old approach of simply issuing instructions to employees had to be replaced by a new approach of asking for their advice and participation in finding solutions. Compliance had to be replaced by commitment if the new method was to work.

The joint visioning process did not come naturally to a company like HD, long used to strict hierarchal dealings and adversarial employee relations. But Teerlink persevered, reaching out to bridge the traditional management-union divide. Formal partnership agreements were reached with the International Association of Machinists (IAM) and Paper Allied-Industrial Chemical and Energy Workers (PACE). The management team emphasized effective communication, which including reviving old “town hall” formats, giving those at plant level direct access to corporate leaders. A further element of the joint visioning process was the introduction of lifelong learning programs for HD employees and dealers to encourage intellectual curiosity in every part of the corporation and throughout its value chain.

The joint visioning process ensured the input of previously excluded employees, like plant workers who were close to the product and had a practical sense of what was needed to revive the fortunes of the company. Even so, the process was not an instant success. It took time and persistence to break down old barriers and for the new culture to emerge. But managers gradually found that the team-based structures greatly improved employee motivation and accelerated innovation and learning. To embed this, the leadership team cut out layers of management to provide easy access to senior management. The success of these efforts soon became apparent in rising employee commitment and impressive gains in productivity and product quality. Systems, processes and working practices were all improved. By degrees, the joint visioning process took hold and created a stakeholder-led vision that put HD firmly back on track to market leadership in its chosen markets.

The impact of HD’s revived and more inclusive vision was considerable. By the early 2000s, the company’s annual growth rate was averaging 15 percent. In 2003, when HD celebrated its 100th anniversary, consolidated revenue for the business was $4.62 billion, a 13 percent increase over 2002. The company shipped 291,147 motorcycles in 2003, a 10.4 percent increase over 2002, and nearly double the 150,818 motorcycles produced just five years previously. HD Financial Services, Inc. (HDFS) recorded impressive gains in 2003, with operating income increasing by 61 percent to $167.9 million (Datamonitor, 2004).

HD had firmly re-established itself as a leading producer of heavyweight motorcycles, with a 25 percent global market share and a 50 percent share in the USA. In financial services, the company rapidly captured over 40 percent of the securitized loans market for new bikes sold

“... at HD the static vision was of a business engaged in heavy end motor cycle manufacturing, whereas the dynamic vision was to become a prestigious lifestyle company.”
at retail. By 2005, its two main divisions – Motorcycles and Related Products and Financial Services – were outperforming almost all other S&P 500 automobile and components companies[8]. Despite occasional slowdowns and setbacks, growth remained strong across the company. Particular success was evident in international motorbike sales and motorbike sales to women – proving that the more inclusive HD vision was working. By 2006, almost 22 percent of total bike sales were international, up from 20 percent the year before and single digit figures a decade earlier. Growth remains double digit in Europe and the company retains market leadership for large motorcycles in Japan. HD now has its sights fixed firmly on the emerging markets of China and India. Here the HD brand is highly regarded and the one-stop-shop, lifestyle vision is appealing to aspirational middle class motorbike enthusiasts. This vision, lubricated by an enviable cash flow, is driving the enterprise forward to conquer and consolidate global markets. Not bad for a company most thought dead in the water just over 20 years ago.

Conclusion

The HD case is illustrative of the crucial roles of vision and visioning in enterprise regeneration. Vision lent direction and a renewed sense of purpose. Customers, employees and other stakeholders were inspired and their confidence in the business restored. The vision of a modern, stylish and efficient lifestyle company, with its roots in a glorious past and at the hub of a worldwide biker community, was the bedrock for numerous strategic initiatives. It served to unite and make sense of the whole. The process of visioning addressed the individual and collective interests of all stakeholders. Strategic conversations took place that would otherwise have been suppressed, truncated or confined to oblivion. It is hard to imagine that without a renewed vision, HD could have bounced back from near bankruptcy in the mid-1980s to become the corporate force it is today.

What happened at HD is far from unique. It is, however, a superb example of how to get the most out of vision and the visioning process. Three things stand out. First, the vision to emerge at HD was entirely realistic and grounded in the history and present circumstances of the business. The company was not in a position to embark on wild new ventures; it had to make the most of its legacy and apply vision in a context of practical coping to escape a life-threatening situation. Far from being ‘‘impractical’’, vision and visioning were ‘‘practical necessities’’. Second, the visioning process at HD was transformational because it ignited a strategic conversation that went beyond the boardroom to include employees, customers, partners and financiers. The emergent vision was from the start bought into by all parties; an auspicious beginning that turned over time into a virtuous circle of enterprise regeneration. Third, HD recognized the need for a 360° vision that was comprehensive, inclusive and dynamic. In doing so, it set an agenda for organizational improvement that covered all bases, creating a platform for sustained growth in output, income and returns.

Visioning is the handmaiden of strategy. As a practical organizational development tool, its power stems from bringing leadership teams to think reflexively. It raises fundamental questions about organization, culture, markets and relationships that can only be answered by engaging in past-present-future thinking. This enlivens strategic conversations and stimulates the search for alternative ways of seeing. The upshot is a deeper understanding of problems and prospects. Fresh solutions and more ambitious goals emerge naturally from the process.

There are many ways of visioning. We have found in our own practice that vision by design, as a method, has particular advantages. In simplifying the process and focusing on a series
of state transitions, the emerging vision is rooted squarely in business realities and is resistant to wasteful diversions. Priorities fall out naturally because equal consideration is given to inherent strengths and current weaknesses. As the picture of a regenerated enterprise is built up, both internal and external contexts are scrutinized, ensuring that the future vision is consistent and complete, attractive externally and deliverable internally. In this way, vision by design results in simple yet ambitious statements of corporate purpose that have appeal to all stakeholders, establishing a direct connection between stakeholder visioning and shareholder value. As the HD case illustrates, a comprehensive, inclusive and dynamic vision can help lift an enterprise to a superior competitive position, avoiding in extremis the threat of corporate failure.

**Keywords:**
Management strategy, Stakeholder analysis, Turnarounds, Motorcycles

**Notes**

1. A useful overview of the concept of reflexivity and its application is provided by Holland (1999).
2. Sources for these varying definitions include Mendall and Gerjuoy (1984); Hunsicker (1986); Isenberg (1987); Westley and Mintzberg (1989); Larwood et al. (1995); Morden (1997); Morris (1987); Christensen and Walker (2004).
5. Our thanks to Dora Fang, Takashi Kimura, Jamesa Rogers and Kiyoshi Saito, Tuck 05, for their input on this case study.
7. For further details of this process, see Teerlink and Ozley (2000).
8. Harley-Davidson Inc.’s corporate governance quotient as of July 1, 2005 was better than 86.3 percent of S&P 500 automobile and components companies (Yahoo!, 2005).

**References**


**Corresponding author**

Sydney Finkelstein can be contacted at: sydney.finkelstein@dartmouth.edu

---

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints