Cracking the Vitality Code

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Large companies are losing their dynamism.
Here's what leaders must do to change that.

Promise and Peril

It's a cliche, but nonetheless true: Ours is an age of upheaval, and as such, an unforgiving test of institutional dynamism.

Institutions large and small are facing disruptive technologies, wrenching changes in public policy, cyberthreats, climate risks, de-globalization, and profound demographic shifts. It's an age in which the very notion of what's true, real or human is up for grabs.

Yet the age of upheaval is also the age of limitless horizons. Advances in artificial intelligence, quantum computing, robotics, augmented reality, and synthetic biology are rapidly collapsing the space between what can be imagined and what can be built.

As always, change brings both promise and peril, but not in equal proportions for every organization. Change rewards the valiant and punishes the timid. It is a pitiless sorting mechanism that separates the pacesetters from the plodders.

So what does it take, in a complex and chaotic world, for an organization to be the captain of its own destiny? What's the fundamental difference between thriving and surviving? In a word, vitality.

The Case for Vitality

The Oxford English Dictionary defines vitality as an "active force or power, vigor, activity, animation [and] liveliness." The word connotes more than mere physical health. It's shorthand for the restless, ardent spirit that propels human beings forward, that gives individuals the power to take command of their own life and change the world around them.

What is true for individuals is true for institutions: vitality matters. Like human vitality, corporate vitality can't be directly observed, but is evidenced by a pioneering spirit, timely pivots, bubbling creativity, and boundless enthusiasm. These are the qualities that imbue an organization with a capacity for continuous, trauma-free renewal; that allow it to flourish whatever the future brings.

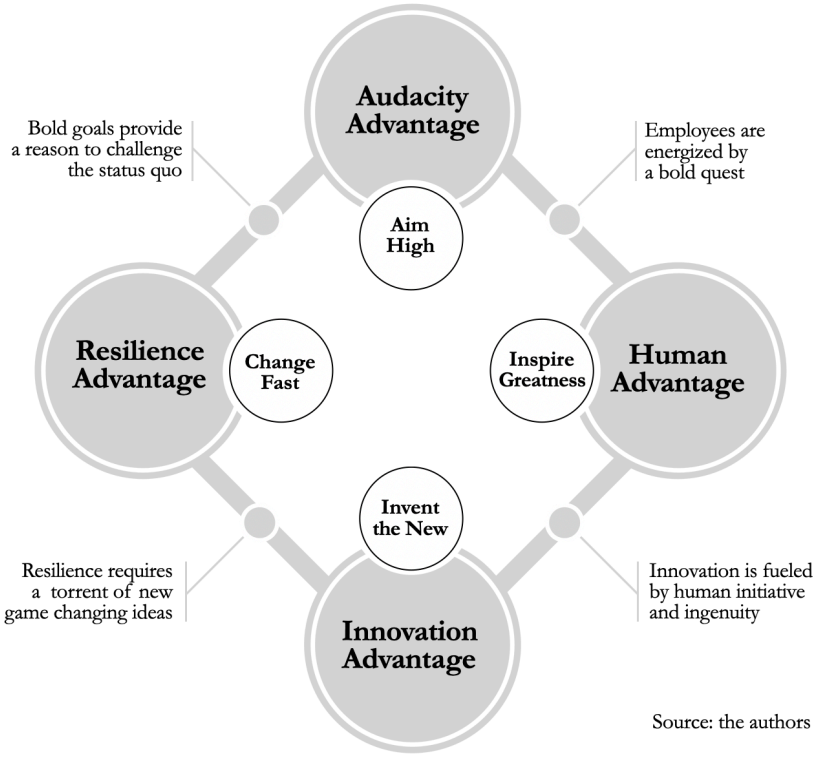
Vitality rests on four cornerstone advantages:

1. An **audacity** advantage—the courage to venture beyond the known
2. A **resilience** advantage—the flexibility to capitalize on change
3. An **innovation** advantage—the creativity to invent the future
4. A **human** advantage—the initiative and ingenuity to redefine what's possible

These advantages are interdependent (see figure 1). Noble aspirations spur proactive change. Resilience is fueled by a cataract of new ideas. Innovation comes from energized employees who are free to exercise their initiative and ingenuity. And bold goals bolster engagement.

Figure 1

The Building Blocks of Vitality



Source: the authors

Creeping Calcification

In many large organizations, vitality is on the wane. In recent years, roughly half of America's 100 largest companies have failed to grow as fast as US GDP. In the early 2000s only a quarter of large companies failed to meet this mark.[1] The situation's no

[1]Between 2014 and 2024, 51 of the top 100 grew more slowly than GDP, and 32 experienced inflation-adjusted revenue declines. The laggards included Cisco, AT&T, Verizon, Procter & Gamble, Intel, Coca-Cola, Boeing, IBM, Caterpillar, General Motors, Wells Fargo, Ford, Pfizer, and Exxon.

better in Europe, where over the past decade, nearly 60 percent of the continent's top 100 companies failed to grow as fast as European GDP.

It's not just the flatliners that have been losing their mojo. A study by Thomas Philippon and Germán Gutiérrez found that since 2000, the productivity advantage of America's "superstar" firms—defined as the top 20 firms by market value in any given year, plus the top 4 within each industry—has fallen by 40 percent. The decline, the authors argue, is the result of increasing industry concentration. Less competition reduces the incentives for large companies to invest and innovate. It's notable that over the past three decades, America's 100 largest companies have accounted for a steadily shrinking share of capital investment and R&D spending.

The dwindling dynamism of America's corporate giants would be less worrying if these companies weren't so dominant. At present, the 100 largest US companies by revenue account for 55 percent of stock market value. The top 1 percent of corporations control 97 percent of all business assets[2] and account for more than half of all private sector employment.[3]

The loss of vigor might have received more attention but for an unprecedented run-up in corporate profits. Between 1990 and 2024, US after-tax corporate profits grew at a compounded rate of 4.9 percent per year, more than double the 2 percent growth rate achieved between 1960 and 1990. (See figure 2). The profit surge wasn't the result of better leadership, more innovation or improved agility. Instead, it was the product of lower borrowing costs, a steep reduction in the effective corporate tax rate, attenuated wage growth, the margin-enhancing benefits of industry consolidation, and record government spending. These profit boosters concealed the slow erosion of corporate vitality. In their absence, profit growth since 1990 would have been lower than it was in the three previous decades.

Tailwinds are great, but eventually the wind shifts. Looking out to 2035, Goldman Sachs predicts annual returns of just 3 percent for the S&P 500[4], a fraction of the 13 percent average annual returns achieved over the past decade. While forecasts are notoriously unreliable, now seems a good time for leaders to get serious about revitalizing their organizations.

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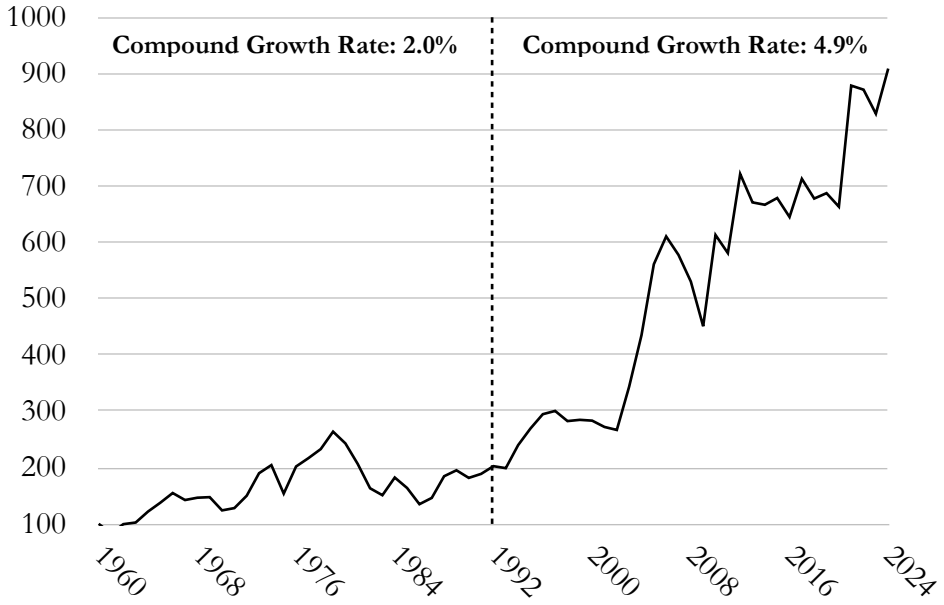
[2] Kwon, Spencer Y., Yueran Ma, and Kaspar Zimmermann. (2024) "100 Years of Rising Corporate Concentration," *American Economic Review* 114(7): 2111–2140 https://doi.org/10.1257/aer.20220621

[3] US Census Bureau. (2025) *Statistics of US Businesses*.

[4] https://www.gspublishing.com/content/research/en/reports/2024/10/18/29e68989-0d2c-4960-bd4b-010a101f711e.html

Figure 2
Growth in US Corporate Profits
(1960=100)



Systemic Disabilities

Aim high, change fast, invent the new, inspire greatness. The recipe for institutional vitality isn't particularly complicated, so why is vitality so rare? In our careers, we've been inside more than 100 of the world's largest, most complex organizations. Each of these organizations was competently managed. Many had multi-billion-dollar R&D budgets and venerable brands. Some had been in business for more than a century. Yet in our conversations with senior leaders, they repeatedly voiced the same frustrations: Why do we keep getting outmaneuvered by smaller, more ambitious rivals? Why does it seem we're so often on the back foot? Why aren't we generating more game-changing ideas and getting them to market faster? And why do we struggle to attract and retain great people?

The exasperation and bafflement weren't limited to a particular industry or geography—it was universal. The dismay points to something deep and powerful that is thwarting the best efforts of smart, well-intentioned executives. What could that be? What, we asked ourselves, do all these organizations have in common? The answer, hiding in plain sight, is a shared inheritance of industrial era management structures, systems and beliefs.

"Modern management," so called, has its roots in the 19th century. At the time most employees were illiterate and needed better educated superiors to oversee their work. Administrative skills were rare, and managing was something of an art. Information was difficult to gather and share, and relied heavily on face-to-face communication. This dictated a narrow span of control, and hence, a highly stratified organization. Lines of communication ran vertically, not horizontally, with silos and fiefdoms the inevitable result. Decision rights were concentrated at the top, since only senior leaders had a complete (though highly compressed) view of the enterprise. It was an age in which efficiency was the paramount advantage, and rigid control over human beings the essential tool for achieving it.

Today, most employees are well educated. Administrative competence is a commodity. Information is easy to collect and disseminate. And while scale and efficiency are still important, they are mere table stakes in most industries.

Yet at their core, most of today's organizations are little changed from their industrial forebears. One still finds a half dozen or more management layers, a large and ever-growing cadre of administrators, jealously guarded internal fiefdoms, and a mass of tightly corralled employees who have few if any decision rights.

Architecturally, 21st-century organizations are still modeled on military command structures. Ideologically, they still esteem control above all else. That's why vitality is rare.

In an organization that values prudence over audacity, there will be no moonshots.

In an organization with six or seven management layers, there will be long lags between sense and respond.

In an organization composed of large functional or divisional blocs, internal boundaries will make it hard to realign resources as circumstances change.

In an organization where every deviation from the norm is seen as a threat to alignment and efficiency, breakthrough innovation will be rare.

In an organization that treats human beings as resources, exceptional performance will be elusive.

Timidity, inertia, incrementalism and disengagement: these are the core *in*competencies of large organizations—but they are not inevitable. A small but growing cadre of vanguard organizations have reaped substantial returns by challenging management-as-usual. Collectively, they show us what vitality looks like in practice.

Vitality for Real

Audacity Advantage: SpaceX and Haier

In just over two decades, SpaceX has become the world's leading space contractor. In 2025, the company launched 165 orbital missions, and accounted for more than 80 percent of all material sent into space. Since 2023, SpaceX has conducted eleven test launches of its Starship spacecraft, the largest space vehicle ever built.

SpaceX's extraordinary accomplishments are the product of a bold, perhaps fantastical, aspiration: to make human beings "a spacefaring civilization." This quest has spurred hundreds of breakthroughs including reusable boosters, seaborne landing barges, a methane-powered rocket engine, friction-stir welding, cryo-treated stainless steel, and advanced flight control software. These and other innovations have allowed SpaceX to cut the per-kilo cost of space cargo by more than 70 percent.

When leaders have the courage to aim high, they inspire audacity in others. In the summer of 2021, crews at Starbase, SpaceX's south Texas launch facility, were struggling to move a 370-ton piece of equipment into place to support the first static test of the Starship booster. The launch ring, aka "Stage Zero," had to be precisely aligned with twenty connection points on the launch mount. When the timeline threatened to slip, a SpaceX employee rallied the crane operators: "What would you do if there were an asteroid heading to this planet in eight days?" With the stakes raised, the ring was in place within eleven hours. As SpaceX's former VP for Human Resources Brian Bjelde put it, "We try not to limit our thinking except by the limits imposed by physics. If someone says something can't be done, whether it's a business decision or an engineering one, they better have Einstein and Newton backing them up."

Audacity is a resource multiplier. During its first five years of existence, SpaceX received $192 million in venture funding and government contracts. Over the same period, Boeing's cumulative revenue was $345 billion, and Lockheed Martin's, $229 billion—a resource differential of more than 1,000-to-1. Size can be an advantage, but vitality is less about resources than resourcefulness. That's why a lofty aspiration is central to vitality. It creates a gap between goals and resources, and thus challenges individuals to do more with less. As any successful entrepreneur will tell you, innovation is the product or poverty, not plentitude.

A noble goal—one that instills a sense of urgency—creates a healthy intolerance of bureaucracy. It's not surprising thatSpaceX has just four levels between the factory floor, and that its President and COO, Gwynne Shotwell. She describes SpaceX as an idea meritocracy: "Anyone gets to talk to anyone, and the best idea wins—even if it

comes from an intern." Elon Musk, SpaceX's founder, chair, and CEO, encourages team members to resist bureaucratic encroachments. As he explained to biographer Walter Isaacson, "You should never accept a requirement that came from a department, such as the 'legal department,' or the 'safety department.' You need to know the name of the real person who made the requirement. Then you should question it, no matter how smart that person is."

Another approach to raising aspirations is to build stretch into unit-level performance targets. Each year, Haier, the Qingdao-based appliance maker, sets "leading targets" for all of its roughly 4,000 business units. The targets are calculated by an internal research unit that collects data on relevant market and competitor growth rates. Every business is expected to grow revenue and earnings three to ten times faster than the industry average, depending on the unit's competitive position.

Teams that exceed external benchmarks earn a substantial bonus that can amount to more than 100 percent of their base pay. Employees understand that it's impossible to out-perform the average with me-too strategies and products. Leading targets thus create a powerful incentive for continuous, break-through innovation.

Resilience Advantage: Vinci and Roche

Based in Paris, with more than 280,000 employees and $84 billion in annual revenue, Vinci is a world leader in infrastructure-related businesses. The company operates energy facilities, highways, and airports in more than 120 countries, and its construction business takes on hundreds of thousands of projects each year. One of the most challenging was constructing a 36,000-ton dome to entomb the radioactive remains of Chernobyl nuclear reactor number 4.

Over the past decade, Vinci's stock price has grown twenty percentage points faster than its European peers. Between 2010 and 2025, revenue from Vinci Energies, the group responsible for energy and communication projects, surged from $9.4 billion to $25.4 billion. Vinci's airport concessions business grew even faster—from $430 million in 2013 to $5.7 billion in 2025.

CEO Xavier Huillard attributes Vinci's peer-beating performance to the company's disaggregated organizational structure. Large, monolithic businesses are viewed as a liability, and modularity as an asset. Vinci is thus divided into more than three and a half thousand individual businesses. The average micro-business has just over forty team members and revenues of $8 million. Typical is a business based in Nantes that makes industrial equipment for pet food manufacturers. Each operating unit has its own P&L, and is responsible for developing a business plan and acquiring the resources to execute it. Cost allocations from headquarters are minimal—no more

than 10 percent of expenses, primarily for shared services like finance, human resources, and IT.

Vinci's atomized structure is designed to maximize entrepreneurship. Consider the company's entry into the airport business. A decade ago, Vinci was about to sell off two Cambodian airports that had been acquired as part of a larger deal. Nicolas Notebaert, then a business development director working in France, thought the airports could be the nucleus of a new business. After lobbying successfully to keep the airports, he moved to Asia to run them. The experiment validated the opportunity and today Vinci employs 18,000 airport staff and serves more than 300 million passengers a year. At Vinci, ambitious young leaders can become entrepreneurs without having to set up in a garage.

Unlike many executive teams, Vinci's leaders have resisted the siren call of centralization. Says Huillard, "Consultants regularly advise us to pool our support functions between business units. I am convinced that the savings would be negligible compared to the value created when each business unit manager acts as if he or she is an entrepreneur."[5]

A Lego-like organizational model makes it comparatively easy for Vinci to recombine knowledge and resources as new opportunities present themselves. Each year, Vinci takes on hundreds of projects that require cross-unit collaboration—like building an undersea tunnel between Germany and Denmark, or erecting mega-solar plants in Brazil, Spain and the US.

Vinci relies on peer-to-peer communities, rather than top-down standards and mandates, to capture the advantages of scale and scope. In a typical example, the Building Solutions division of Vinci Energies orchestrated a joint effort to develop generative AI tools for optimizing engineering designs. There are also hundreds of self-organizing "clubs" that bring operating units together around specific issues or opportunities. One, a robotics club convened by French units with expertise in this area, helped businesses in Germany and the Netherlands advance their automation capabilities and avoid common pitfalls. Vinci's organization may be disaggregated, but it's not splintered.

Resilience depends not only on a capacity to reconfigure capabilities, but equally on an ability to reallocate money and talent. In the typical budgeting process, resources are divvied up between businesses and functions, each of which has a strong incentive to spend everything it's been allocated. Managers guard their allotments, and there's no

[5] Private conversation with the authors.

easy way of redirecting resources as circumstances change. This reduces the marginal return on capital and talent, and contributes to organizational inertia.

Recognizing these impediments, Roche Pharmaceuticals, a division of Swiss-based F. Hoffmann-La Roche, and the world's second largest drug company, dumped its conventional budgeting process for a more flexible approach, dubbed "Signals and Sources." Each month, the division's business heads, known as squad leaders, meet to share detailed business updates, market intelligence, and near-term projections. Based on these "signals," the squad leaders update a rolling list of Roche Pharma's top priorities. While there can be differences of opinion over the ranking, the conversations are amicable since everyone has access to the same unit-level performance data and shares the same patient-centered sense of mission. Once priorities are settled, it's relatively easy to see which teams have surplus riches—the "sources"—and which are underfunded. Every squad leader is expected to support high-priority projects, and anyone caching resources gets called out. It helps that bonuses are tied to the results of the division rather than individual drugs.

Signals and Sources gives Roche Pharma a speed advantage in responding to marketplace shifts, and has also instilled greater spending discipline. Says one insider, "Signals and Sources, changed the incentive from 'how much can I get' to 'how prudently can I spend?' Previously, instead of being rewarded for underspending, you got punished." Put like that, the change sounds obvious, but few organizations can claim to have done anything remotely similar.

Innovation Advantage: Amazon and Intuit

Economists have long recognized that innovation is the indispensable engine of economic growth. That's why we celebrate entrepreneurs. Yet as start-ups mature, there's typically a power shift. Control moves from a founding band of engineers and programmers, to a growing phalanx of managers and administrators. Slowly the entrepreneurial mindset gives way to the managerial mindset. Innovation is seen as just another activity to be managed, rather than the company's heart and soul. Not so at Amazon, the retailing juggernaut that today accounts for roughly 40 percent of US e-commerce sales.

Amazon's success is the product of relentless innovation: Amazon Marketplace, Amazon Fulfillment, Amazon Basics, Amazon Fresh, Amazon Locker, Kindle, Amazon Prime, and Amazons Service (the $130 billion cloud computing leader). Now, at 32-years old, Amazon is still innovating like a start-up. In the last thirty-six months the company has launched Rufus, an AI shopping assistant trained on Amazon's entire product catalog and millions of customer reviews; Blue Jay, a system of robotic arms that speeds the flow of merchandise through Amazon's fulfillment centers; and Ama-

zon Bedrock, an AWS service that helps developers build and scale generative AI applications.

The company's pace of innovation owes much to Amazon's senior team, which has worked hard to sustain Amazon's entrepreneurial spirit. Founder and Executive Chair Jeff Bezos is famous for challenging employees to treat every day as "Day 1"—to mimic the urgency and creativity of a newly founded company.

Andy Jassy, who in 2021 took over from Bezos as President and CEO, is no less innovation obsessed. The goal, he tells employees, is for Amazon to "operate like the world's biggest start-up." Said Jassy in a letter to shareholders, "We spend enormous energy thinking about how to empower builders … people who like to invent." Given the importance of innovation to corporate vitality, every leadership team should ask itself, "Can the same be said for us?"

Amazon's commitment to innovation has spawned a host of supportive structures and practices including small, autonomous "two pizza" teams, a modular IT architecture that encourages fast-paced experimentation, and a "working backwards" methodology that anchors innovation to customer needs.

Intuit, the financial software provider, is another company that has worked hard to make innovation a systemic capability. Intuit's flagship products, QuickBooks, TurboTax and ProConnect, are category leaders, and are used by more than 100 million individuals and es, and more than 100,000 tax and accounting firms.

Founded in 1983 by Scott Cook, Intuit has always prioritized innovation. And yet, as the company entered its third decade, Cook found himself worrying that Intuit was losing its innovation mojo. Early in his career, Cook had worked at Procter & Gamble, where he was often frustrated by what he regarded as a risk-phobic culture. At Intuit, first as chairman and CEO, and later as chair of the board's Executive Committee, Cook had championed innovation. But now, as he looked around, he saw signs of bureaucratic torpor.

Intuit had hired dozens of managers with razor-sharp analytic skills, but few seemed eager to venture off the beaten path. Every executive opinion was backed by a dense slide deck. Cook sensed that the ratio of talking-to-doing was climbing higher, and that a surfeit of caution was undermining entrepreneurship. Finally, in 2007, in the midst of yet another mind-numbing planning session, Cook had had enough. "Henceforth," he declared, "there would be no more decision by bureaucracy, no more decision by PowerPoint, persuasion, position, [or] power." Instead, it would be "decision by experiment."

Cook ordered his colleagues to get out in the field, identify latent needs, develop hypotheses on how to address them, build prototypes, and then test them with real customers. Realizing that exhortation alone wouldn't be enough, he challenged his senior team to create "the systems and culture" that would "make it easy and fast and cheap for [everyone] to run an experiment." What ensued was a multiyear effort to make innovation a core competence.

The foundation stones include:

Innovation training. At Intuit, every new hire goes through a weeklong innovation training program, Design for Delight (D4D), that builds skills in customer empathy, idea development and rapid prototyping.

Insight development. Under the banner of "Follow Me Home," employee teams regularly visit customers to observe how they interact with Intuit's products. Brad Smith, who served a ten-year stint as Intuit's CEO, dedicated sixty hours a year to this practice.

Time for innovation. All associates are encouraged to spend 10 percent of their time working on a passion project. Jeff Zias, an innovation leader at Intuit, reckons that over the last decade, this unstructured time has spawned five hundred projects that eventually shipped products or services.

Discovery teams. When an idea shows promise, Intuit assembles a small "discovery team" to push it forward. Teams operate outside the chain of command and are matched with executive sponsors who provide coaching, remove bottlenecks, and help secure resources.

Dedicated funding. Every department has a budget for experimentation. Innovators also compete for funds in periodic hackathons and can seek support from the CEO Fund, a discretionary pool Cook established to ensure that outlier ideas aren't starved of resources.

Enabling functions. Intuit's internal functions are charged with facilitating experimentation. The IT department, for example, cut the time it takes to set up an online test from two months to two hours, while the legal department developed protocols on how to run an experiment without the need for a legal sign-off.

Today, more than forty years since its founding, Intuit is more innovative than ever. A recent breakthrough is Intuit Assist, an AI-powered platform that gives users tailored recommendations on tax preparation and financial planning. The company's innovation engine has turbocharged growth and shareholder returns. Over the past ten years, Intuit's revenue more than tripled to $21 billion, and its share price grew

four times faster than the Dow Jones Industrial Average. That's the payoff from making innovation a core competence.

Human Advantage: Nucor and Ingersoll Rand

To be self-renewing, an organization needs great quantities of initiative—employees who don't wait to be asked and aren't constrained by their job descriptions. Equally, it needs team members who are inventive—who are able to reframe problems and generate novel solutions. Finally, and most critically, it needs employees who are passionate, who see their work as a way to make a positive difference in the world, and are thus inclined to be brave and tenacious.

It's telling that in their personal lives, most people are proactive, creative and passionate. And yet at work, these same individuals are often acquiescent, unadventurous and detached. It doesn't have to be this way.

Nucor is America's largest and most profitable steelmaker. The company is organized into 75 divisions—typically, a single plant—each of which operates as an independent business. Nucor's head office comprises roughly 100 staffers, and within the plants, there is just one manager for every 140 employees. Overall, Nucor operates with a third the number of managers per capita as its peers.

Nucor's lean management structure is possible in part because the company trains every team member to think like a businessperson. New hires participate in a simulation, "Dollars and Tons," where five-person teams run a fictional Nucor division. Teams make decisions on how much scrap to buy at what price, on how many people to hire, and when to invest in new equipment. At the end of the simulation, teams are assessed on profitability, return on assets, working capital management, and balance sheet strength.

Compensation at Nucor is tied to efficiency: when a team's productivity goes up, so do its wages. This incentive spawns thousands of improvement initiatives each year. The experience of a blue collar team at Nucor's plant in Blytheville, Arkansas is a typical example of frontline problem-solving. The plant's furnace crew realized it was time to replace the aging furnace shell, a towering vessel used to turn scrap metal into molten steel. As is typical at Nucor, it was up to the team, rather than technical experts or a central procurement function, to solicit bids from potential suppliers. Unimpressed by the proposals they received—the lowest bid was $30 million—the crew opted to design the shell themselves and have it assembled by an external fabricator. The total cost: $3 million.

As this example illustrates, Nucor's employees have a degree of agency that is unprecedented in the steel industry. Teams take the lead in setting production targets,

assigning tasks, pursuing safety and quality goals, and solving production snags. Even significant scheduling changes—such as moving from a five-day, eight-hour shifts to four-day, twelve-hour shifts—are left to production teams. Perhaps most impressively, every team member can spend up to $50,000 without a manager's sign off.

Insiders describe Nucor as a "chain of trust" where managers serve rather than preside. As one plant manager put it to us, "We value every single job, every single position, and every single person, but being a manager is the least noble job." In his book, *Plain Talk*, the late Ken Iverson, Nucor's pioneering CEO, explained the logic behind the company's inverted pyramid: "We built Nucor under the assumption that most of the genius in our organization would be found among the people doing the work."

Over the decades, Nucor has reaped extraordinary rewards from giving its employees the incentives and freedom to build a better business. In a recent five-year span, its return on capital was 1.6 times that of its peers, and net income per employee 1.7 times the industry average.

Any organization eager to achieve a similar performance advantage would do well to heed Iverson's advice: "If your success relies on innovation and flexibility, you should make a conscious effort to push decision-making power down." Few companies have taken that counsel as seriously as Ingersoll Rand, a 150-year-old manufacturing company, that has turned its employees into a league of owners.

The story begins in 2013 when KKR, the world's largest private equity firm, acquired a struggling manufacturing company, Gardner Denver, which was subsequently merged with the industrial division of Ingersoll-Rand, a leader in air compression products. Pete Stavros, the KKR partner who organized the merger, viewed the newly created $4 billion company, which took the Ingersoll-Rand name, as a laboratory for testing his belief that building a culture of shared ownership was the surest way to create enduring value. Vicente Reynal, appointed CEO in 2016, shared this conviction.

In a bold move, Stavros issued share grants worth $250 million to Ingersoll Rand's non-managerial employees. The awards amounted to roughly 40 percent of the recipients' average salary. This was the largest employee ownership distribution ever by a US industrial company.

The goal, said Stavros, "was to encourage everyone to adopt an owner's mindset, and give them the tools and skills necessary to act in that capacity." To that end, Reynal collapsed the company's pyramidal structure from ten layers to four, and decomposed large businesses into small operating units, each with its own P&L. The result: a 30

percent reduction in managerial roles and a much-accelerated pace of decision-making.

There was also a concerted effort to raise the financial literacy of hourly employees. Initially, the focus was on managing net working capital. Complex financial issues were made simple through a training program that likened the challenge to managing a household budget. Within twelve months, net working capital dropped six points as a percentage of sales.

Frontline teams were also trained to think strategically—to be alert to shifting customer needs, emerging technologies, and geopolitical trends—and were charged with defining new strategic initiatives. Each project is led by a "board of directors"—a small, cross-functional team with the authority and resources to push forward. At present, there are more than 400 boards involving 7,000 associates. Goals and results for every board are shared on the company intranet, and any employee can join board meetings.

Ingersoll-Rand's investment in the financial and strategic skills of its employees, along with radical decentralization, has paid off big. Stavros and Reynal reckon that shared ownership has unlocked nearly $3 billion in value. Since the initial grants, revenue growth has averaged 17 percent per year, earnings have increased by 20 percent per annum, and the company's share price is up more than 300 percent—exceptional results for an industrial company competing in a mature industry.

The human impact has been equally remarkable: Ingersoll Rand has vaulted from the 19th to the 90th percentile in Gallup's engagement rankings. Says Reynal, "When you couple ownership with the competence and authority to change the business for the better, the potential is almost limitless."

The Vitality Code

From the examples above, we can identify the basic components needed to turn bureaucracy-induced deficits into pro-vitality advantages.

Overcoming timidity.

1. Set stretch goals that merit commitment and demand fresh thinking.
2. Encourage employees to question anything that constrains bold thinking.
3. Expect peer-beating performance from everyone—and reward it.

Battling inertia.

4. Actively resist centralization: delayer and reduce administrative bloat.

5. Divide the organization into small, entrepreneurial units that are responsible for a genuine P&L.
6. Build strong lateral linkages that make it easy to reconfigure resources and reallocate money and talent.

Escaping incrementalism.

7. Ensure leaders are ferociously focused on the importance of innovation.
8. Give employees the skills, time and support to innovate.
9. Require staff groups to facilitate rather than frustrate innovation, and hold every leader accountable for mentoring innovation.

Engaging the disengaged.

10. Encourage everyone to think and act like an owner by giving them a stake in the success of their team and the enterprise.
11. Invest in the financial and strategic literacy of every employee.
12. Enlarge the decision rights of those closest to customers.

This is the source code for vitality, and any "transformation" initiative that doesn't encompass these elements is likely to be transformational in name only.

The Path to Vitality

So what does it take to revitalize an institution? Where do you start?

First: Admit Your Organization is Stuck

There can be no genuine progress until we acknowledge that our organizations need a root-and-branch overhaul. It was that admission that spawned Roche's Signals and Sources, part of a broader, multi-year makeover of the company's management model. Much of that effort was led by Bill Anderson, initially in his role as CEO of Genentech, Roche's US subsidiary, and later as CEO of the company's global pharma business. Anderson knew that by conventional standards, Roche was a well-run company, but equally, that there was nothing conventional about the challenges facing the industry—which included aging populations, unsustainable cost inflation, and a legion of biotech start-ups. As he watched Roche struggle to adjust to these new realities, he realized many of the company's well-honed management practices were fast becoming liabilities. As Anderson would later recount, "I was forced to confront that something was wrong with the whole system."[6]

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[6] Internal memo, shared with the authors.

Most "transformation" programs don't live up to the name. Not so at Roche. Critical changes included cutting the number of management layers in half, reassigning hundreds of central staffers to customer-facing teams, replacing silos with collaborative communities, eliminating top-down budgeting, abandoning the yearly planning cycle for 90-day sprints, and making every employee accountable to physicians and patients. Five years on, Roche Pharmaceuticals was delivering thirty percent more revenue with thirty percent fewer resources—a remarkable feat given that the company's three best-selling drugs had come off patent during the transformation.

Second: Crowdsource Change

Systemic change is too vast and complex a task to be architected, start-to-finish, by the senior team. Moreover, those at the top are often not the best placed to understand the limits of the current system, nor to imagine radical yet workable alternatives. That's why the pursuit of vitality must be widely syndicated.

Experience suggests most employees are eager to pitch in. They know which processes are helpful and which are infuriating; which rules are indispensable and which are infantilizing. Inanities that are invisible at the top are all too apparent to those in the trenches.

At Roche, the work of revivifying the organization was doled out to nine diagonal-slice "design teams" that were charged with finding ways to operationalize four vitality-focused principles: ownership, accountability, collaboration, and freedom.

Each team was promised that its recommendations, however bold, would be implemented. Anyone could volunteer to serve on a team and hundreds raised their hands to do so. A particular emphasis was placed on engaging employees who had physician- or patient-facing roles. In the course of their work, teams solicited ideas from across the organization, ran company-wide polls, and sought feedback on proposed changes. "It was," said one long-tenured employee, "the most transparent change process I've ever seen." The commitment to openness ensured that unorthodox ideas got a hearing, and minimized the risk of vetoes by those with a stake in the status quo.

Third: Experiment and Iterate

Radical change carries the risk of unintended consequences and operational meltdowns. That's why it's important to experiment with new approaches before scaling them up. In an initiative led by Gary's colleagues at the London Business School, a group of rule-weary managers proposed eliminating all travel policies. Employees should be free, they argued, to travel for business whenever and however

they wanted. That was a radical suggestion, one likely to panic the finance staff. To keep a lid on costs, they proposed that all travel expenses be posted online. The hypothesis: transparency is a better way of controlling costs than a straitjacket of rules. Rather than arguing for a company-wide policy change, the protagonists proposed a 30-day trial involving two cohorts of 100 employees each. The treatment group would be relieved of all travel restrictions while the control group would continue under the old regime. The test got a green light, and a month later the results were in. Travel costs dropped by thirty percent for the treatment group, and remained unchanged for the control group.

This sort of experimentation is standard practice when developing new products or digital services, but rarely applied to management processes. That needs to change. Building a vitality advantage is like climbing a mountain: It takes guts, but also a great many careful steps. Every organization must find its own path—but the rate of ascent depends on the pace of experimentation.

Fourth: Persevere

The pioneering management models one sees at Haier and Nucor have been decades in the making, and are still evolving. In 2025, Haier celebrated the 20th anniversary of its campaign to create an organization with "zero distance" between employees and customers. Nucor's journey began in the late 1960s, when Iverson vowed to build an organization where "employees show management the way to goals that once seemed unreachable."

Like quality, or customer satisfaction, institutional vitality is a quest, not a project: no single initiative will turn a systemic disability into a systemic strength. Yet in getting started, it's important for leaders to know that even small wins can yield big dividends. In September 2025, Andy Jassy sent every Amazon employee a "no bureaucracy" email, and invited them to identify low-value processes and rules. Within six months, 1,000 messages had flooded in. Jassy read them all, and the torrent of suggestions produced 375 process changes.

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As with all great quests, the pursuit of vitality advances one step at a time. It doesn't require billion-dollar investments, or faith in some far distant payoff. What it does require are leaders who have the grit to make a start; leaders who know in their bones that more of the same isn't an option; who understand that no society is more capable than its institutions, and our institutions aren't capable enough. To tackle the immense challenges facing humanity—income inequality, chronic disease, failing schools, climate change, social polarization, unaffordable health care, AI job displacement,

collapsing trust, and more—humanity needs organizations that are dramatically more daring, resilient, creative, and inspiring than is currently the case. There are pathbreakers that point us in the right direction, but it's up to all of us who work in and around large institutions to commit ourselves to the work of revitalization, to spare no effort in creating the sort of organizations humanity needs and deserves.