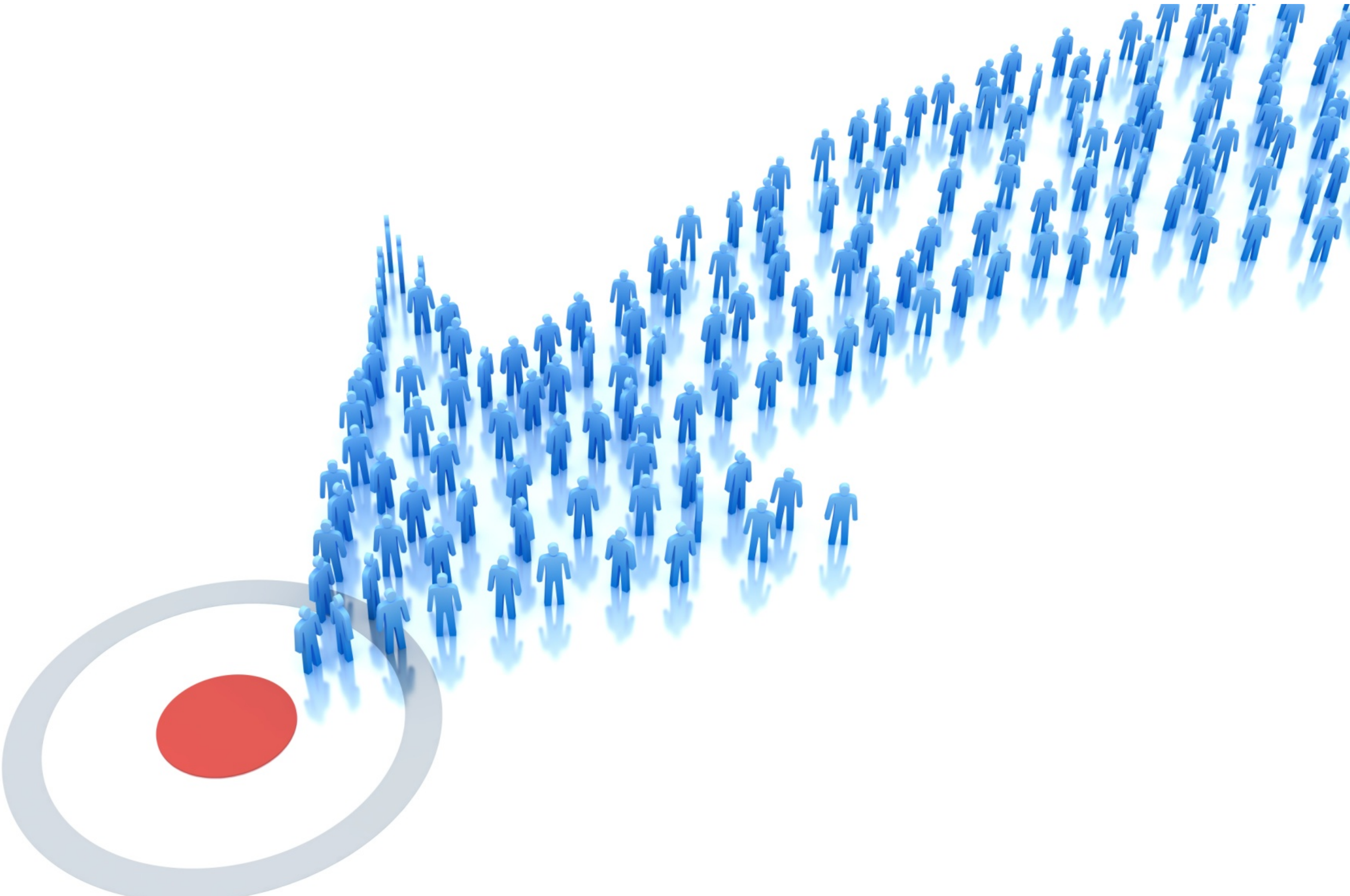
Red Zone Gameplan for Changing Culture



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Overview

In this Red Zone Gameplan chapter we will discuss one of the most difficult and least understood of the Red Zone maneuvers. While there is a great deal of talk about changing an organization's culture, there seems to be very little agreement on how to do it. Suffice it to say that many managers talk about the desirability of changing culture but few are willing to bite the bullet and go after a full-fledged culture change. One manager even said that changing a culture is like moving a graveyard; you can't count on much help from the residents. This chapter will begin with a high-level primer on the subject of culture change and will end with a discussion of the Red Zone principles as they apply to this fuzzy situation.

The Primer on Culture Change

A Definition of Culture Change

Online surveys are efficient. They provide quick turnaround compared to other forms of Everybody has at least one loved one who's historically hard to buy gifts for. My wife is one of those people. When birthdays and anniversaries roll around, I'm often roaming the aisles at local department and jewelry stores. The salesperson inevitably asks, "What are you looking for today?" At that moment, it's just not something I can easily put into words. So I respond, "I can't explain it exactly, but I'll know it when I see it." Organizational culture is not unlike that, hard to describe but important none the less.

In a 1998 article on "The Integration Challenge" in Management Review, Tom Davenport defines culture as "the DNA of an organization, invisible to the naked eye, but critical in shaping the character of the workplace. It controls the form and function of what the organization ends up being." In an observation that appeared in "Irreconcilable Differences" in the April 1999 issue of HR Magazine, Mitchell Lee Marks, author of Joining Forces: Making One Plus One Equal Three in Mergers, Acquisitions and Alliances, suggests that on a very practical level culture is "a lot like breathing. You don't think about it, you just do it. But, if I covered your mouth with my hand, you'd be thinking about breathing."

"Official" cultures in most organizations evolve from a set of principles developed and promulgated by the founders and passed on by subsequent leaders. These principles acquire shades of meaning over time as the firm meets challenges and launches major projects, a sort of corporate genealogy replete with personalities and corporate folklore. Organizations have unwritten rules for how employees, without any direction, would automatically act under varying conditions. These unwritten rules are based on and reinforced by acts, thoughts and perceptions and passed along among rank and file workers over time. When employees behave in conformance with the rules and customs, they are accepted by the organization. When they don't, they receive some form of social sanction ranging from disinclusion and direct feedback to a lower (or no) raise or bonus, lack of promotion or termination.

Our firm's very simple working definition of culture over the years has been "how we do things around here." Culture is the day-to-day way employees approach the work of the company and deal with each other. Culture is the result of how the organization has reinforced behavior in the past and the predictable path of action for the foreseeable future.

How Does Culture Impact Organizational Performance?

As we've discussed, there are dozens of different and equally valid definitions of culture. Let's simply say that culture is an organizing concept encompassing how work is done and how people are selected, developed, managed, led and rewarded. To support the organization's goals and strategies, culture too must be aligned with structure, work processes and human resource systems.

Culture does indeed have direct impact on the bottom line according to some scholars. In their book Corporate Culture and Performance, John Kotter and James Heskett suggest that companies that have their cultures aligned with organization direction and work processes have a significantly better chance of growing their revenues and even their stock prices. That sounds like enough promise to put many managers into the mood to try the Red Zone culture change maneuver.

David Pottruck, co-CEO of Charles Schwab & Co., credits Schwab's corporate culture as the single most important critical success factor in the firm's transition to an e- brokerage powerhouse. According to a review of Clicks and Mortar: Passion Driven Growth in an Internet Driven World that appeared in the July-August 2000 issue of Financial Services Marketing, Pottruck and co-author Terry Pearce describe Schwab as "a company built around a fine, ethical chairman whose main mission is helping people reach their financial goals." Supporting the leader is a cadre of committed executives who truly believe and act with the same fundamental sense of mission and zeal. And, to ensure those values aren't diluted as they're transmitted down the line, there must be a mechanism to make sure every message is on target with the company's fundamental values. The executives and their messages must be 100 percent in sync 100 percent of the time.

Six Sigma, Culture Change and Organizational Performance

Six Sigma, the zero-defect or "near-perfection" concept developed by Motorola, produces a corporate cultural shift toward highest quality expectation and total customer focus that permeates throughout the organization. The concept grew out of various quality initiatives at

Motorola, sparked by competition from abroad. A consultant for Motorola University explains its significance in a November 2000 article, “It’s Not Difficult to Change Company Culture,” in Supervision, “If a company were to have the attitude ‘Why bother?’, I would ask them what they would do if they woke up tomorrow morning and their No. 1 competitor announced they had improved efficiency 10 times, improved quality 10 times and are committed to delivering a better product with better service in half the time – all at the same price? Sound familiar? It happened to Motorola, General Motors and others in the 1970s, courtesy of Japan.”

A decision to introduce Six Sigma is a decision to alter an organization’s culture and requires more than an investment of dollars. Craig Erwin, quality engineering manager at Motorola Semiconductor Products, notes in the Supervision article that “Achieving Six Sigma takes some vision. You have to have a plan, necessary resources, the commitment of everyone and uncompromising matrices [to identify improvement rates]. Then you set aggressive goals along the path and hold people accountable.” That’s Red Zone talk.

Some companies have tried to use Six Sigma as a cultural change tool, with mixed success. Noel Tichy, author of The Leadership Engine: How Winning Companies Build Leaders at Every Level, explains in a June 8, 1998 Computerworld article on “GE’s Quality Gamble” that at GE, legendary CEO Jack Welch changed the culture first. “He cleaned up his portfolio, got the business focused, got good players in place, did Work Out [a company- wide initiative to eliminate bureaucratic obstacles and encourage best practices], changed all the management processes, then came along with Six Sigma on top of that.”

Much has been written about GE’s Six Sigma success. Welch and his team launched their initiative in late 1995. The results for GE company-wide have been stunning – a gross annual savings of up to $6.6 billion or 5.5 percent of sales. One of the first companies to adopt Six Sigma was GE Plastics. CEO Gary Rogers highlighted their journey in his October 2000 article,“GE Plastics Adopts a New Profit Center,” in Modern Plastics, pointing out the depth of change it brings: “When you live Six Sigma as we have since 1996, it’s hard to remember when it wasn’t part of our company DNA. Back then, we didn’t know where the initiative would lead, but it was clear that this was going to be the most challenging and important initiative in the history of our company.”

Rogers credits Six Sigma for his company’s industry- leading success in e-business. “We used Six Sigma to revamp customers systems at [distributor] GE Polymerland, and the drive for on-time delivery has given us the fulfillment capability needed in a transparent e-world. Six Sigma has truly become the way we work. It has also opened a wealth of new opportunities. We are now well over $20 million per week in Internet orders – and none of our new services such as Vendor Managed Inventory, Colorxpress and Visualfx would have been possible without it.”

M & As, Culture Change and Organizational Performance

Nowhere is culture more evident than during and after mergers and acquisitions. According to a Hewitt Associates survey of 218 major U.S. organizations, integrating culture was the top challenge for 69 percent of the surveyed companies. In a 1992 then Coopers & Lybrand study of 100 companies with failed or troubled mergers, 85 percent of the executives indicated that differences in management style and practices were the major problem. Tom Davenport explains in the April 1999 issue of HR Magazine, “There are two ways to screw up a merger. One is to pay too much; the other is to integrate so slowly or badly that you destroy value, rather than creating it. And misapprehending culture is the No. 1 culprit in screwing up integration.”

When organizations start to mesh workplace cultures, productivity in the acquired company can drop as much as 50 percent. Even if the merger or acquisition ends up being a success, it can take from three months to three years for the new joint organization to recover from the culture shock. In the meantime, the clock is ticking – the marketplace still demands products and services to certain standards, and the market is measuring the potential for success of the new entity.

- Price Club, whose employees have been described as having a “real-estate strip-mall mentality,” merged with Costco Wholesale, whose employees have been described as “committed lifers” because so many had risen through the ranks. Although both firms were discount retailers, they couldn’t work together, and the merger was dissolved in less than a year.
- The 1993 merger between Mellon Bank and money-management wizard Boston Co. looked great on paper. Offended by Mellon’s cost-centered management style, a key executive of Boston Co. left and over the course of the next three months had taken 30 of his co-workers along with $3.5 billion in assets and many of the firm’s clients.

Drivers for Changing Corporate Culture

In his latest book, The Corporate Culture Survival Guide, Edgar Schein points out that “as companies age, if they do not evolve, adapt and change elements of their culture, they grow increasingly maladapted and the culture becomes a serious constraint on learning and change. The organization clings to whatever made it a success. The very culture that created the success makes it difficult for members of the organization to perceive changes in the environment that require new responses. Culture becomes a constraint on strategy.”

One example of this paralysis is Digital Equipment Corp. (DEC). From an early point in its history, DEC had a demonstrable cultural bias against marketing and a noted arrogance toward end users of its products. During the glory days of mainframe computing, these attitudes may not have had great impact on its competitiveness. But they surely hurt the company when businesses began switching to PCs and client-service systems, and DEC failed to read the market, adapt and respond.

The key areas to address to bring about effective culture change follow the Red Zone litany from our other chapters:

- Mobilization of leadership to take ownership of the change,
- Creation of roles and work processes that are aligned with the strategic and structural changes, and
- Development of human resource strategies to support the culture change, including performance management processes as well as training and development support. A sound set of reward plans (tangible and intangible) must support the business goals and strategy, roles and responsibilities in business processes and the culture change.

Schein says, “There is no right or wrong culture, no better or worse culture, except in relationship to what the organization is trying to do and what the environment in which it is operating allows.” It is better to build on existing strengths than to focus only on weak elements. Schein concludes, “Never start with the idea of changing culture. Always start with the issues the organization faces. Only when those business issues are clear should you ask yourself whether the culture aids or hinders resolving those issues.”

I can’t emphasize enough the importance of using an organizationally-significant business problem or opportunity as the driver for culture change. Organizational significance means that:

1. leadership is in complete agreement about the dire consequences of not fixing the problem or the immense value of seizing the opportunity;
2. the problem or opportunity can be clearly translated and made viscerally relevant to employees;
3. multiple business processes are involved; and
4. multiple layers of people are directly impacted.

How Organizations Approach Culture Change

As both Lenin and Mao are credited with saying about the challenges in implementing their respective “cultural” revolutions, it’s often two steps forward and one step backward...or even worse, one step forward and two back. Implementing initiatives to change organizational culture are often no different, as we’ll see in the following examples of culture changes in progress. For the most part, the organizations and culture changes covered are massive in scope, like works in progress. We’ve selected these cases to illustrate different points along a relative degrees-of-success continuum.

CSX: Getting Back on Track

Business culture in rail transport is more than a century old and, like other industries from that era, is based on a command and control management structure. Concerned, and rightfully so, about safety, senior management at CSX imposed rules and regulations they thought would improve performance. This was done without a great deal of input from front line employees. From their perspective, line employees reporting unsafe conditions said they were either ignored or harassed. To no surprise, fewer and fewer reports were made. Over time, the disconnect between labor and management increased, both in communication and in results. Accidents and injuries rose. Pressure from labor unions and federal regulators grew. In 1997 a scathing audit from the Federal Railroad Administration (FRA) found numerous track and signal defects, overworked employees and a management culture that emphasized on-time performance over safety.

Clearly, major change was in order. At the beginning of 1997, CSX officials took the extraordinary step of entrusting their safety and employee-disciplinary programs to their 28,000 rank-and-file workers. Given its violence-prone history, this approach represented an extraordinary switch for the rail industry. Management would be partnering with two of its biggest adversaries, the Brotherhood of Locomotive Engineers and the United Transportation Union, which represented about half of CSX's workforce. To incorporate the regulatory perspective, Jim Schultz, a former senior official with the Federal Railroad Administration (FRA), was hired as CSX's chief safety officer and charged with implementing the changes.

The program contained two fundamental changes in approach to safety and decision making, designed to eliminate the threat of intimidation and to encourage more frequent and accurate reporting of unsafe conditions and incidents so that root cause analyses could be done:

- Employees would now select their own safety committee at each terminal hub, rather than selection by management.
- The new disciplinary process would be the responsibility of employees. With the empowerment program, employees with those infractions sit down in neutral territory and discuss these events with peer groups. If no serious injuries have occurred, they would most likely return to work unpunished. Only the most serious violations warranted a formal hearing. When the new program was kicked off, previous discipline was forgiven, and employees started with a clean slate.

An article in April 7, 1999 edition of The Wall Street Journal, "CSX Unit Breaks Tradition to Overhaul Safety Rules," describes the highs and lows of the implementation. To sell the program to employees, CSX enlisted Curtis Wall, a train conductor and local leader for the United Transportation Union, to be a full-time labor liaison, probably the first job of its kind in the firm's history. CSX introduced its culture change initiative at company headquarters and at its Montgomery, AL terminal. "I've never seen anything like this in my 20 years," said Robert Cobb, a train conductor and union leader for 250 employees at the Montgomery facility. The empowerment program was then applied throughout Florida and the Southeast. During 1999, it was piloted in the Midwest and Northeast service lanes. CSX was proceeding full speed ahead in employee empowerment while other rail carriers moved more cautiously. “The language being used by CSX and other railroads is similar, but the difference is CSX is applying it,” says James Brunkenhoefer, national legislative director for the United Transportation Union.

When the program went into effect in 1998, reported accidents and injuries increased for several months. These results were likely related to employees’ willingness to at least test the program and report incidents. What was actually some good news insofar as initial program participation was concerned caused some unsettling moments for executives who were eager to demonstrate progress on safety to both regulators and shareholders. Despite these somewhat discouraging results, CSX executives stood firm and resisted drastic actions to drop the new program.

Perseverance paid off. After the initial increase, results started to look more encouraging. Despite continued skepticism based on decades of mistrust, local union leaders seemed to warm to their new broader responsibilities. (A large portion of line employees started in the 1960s and harbored long institutional memories of poor management and labor relations.) Wall commented, “This hasn’t been an easy sell, but we have to make people believers. Our credibility is on the line.” There were some early victories. The March 1999 employee injury rate was the lowest for any March in the decade, and train accidents were down 20 percent compared to 1998. And suspensions and dismissals were down compared to 1998.

Executives were now challenged with balancing simultaneously an increasing number of requests for safety improvements and bottom line profits. Industry watchers reserved judgment on the change effort, citing lack of substance and failure of other short-lived joint labor- management initiatives. Still, regulators were encouraging. FRA administrator Jolene Molitoris credits CSX leaders for their commitment to change even though accident and injury rates climbed initially and internal resistance was high. “I don’t think there is any railroad that has done more than CSX at tackling this culture change,” she said.

To facilitate continuous improvement in labor- management relations, Carpenter’s executive team and chief labor negotiator Ken Peifer constructed a “social compact” with employees. Included were bi-weekly conference calls between national and state labor leaders and CSXT officers. As related in “Hear Their Rising Voices,” in the January 2000 issue of Railway Age, “We talk of the state of our railroad and the railroad industry in open terms,” said Peifer, crediting the regular and open dialogue as the reason for frequent unanimous agreement on matters of fatigue and quality of life issues – matters of fierce contention at other carriers. “The objective is flexibility in new business opportunities,” said Peifer, which translates to increased profits, more secure union jobs and more dues paying union members. “By solving each other’s problems we’re moving in the direction we all want to go.”

With the groundbreaking labor-management agreement in 1998, Carpenter had laid a good foundation for culture change. In July 1999 Carpenter became vice chairman of CSX Corp. and was replaced as CEO of CSXT by Ronald Conway, one of several Conrail senior managers who joined CSXT as COO following the Conrail acquisition. Conway had earned high marks from customers and Wall Street as Conrail's operations chief. At the time of his appointment, Wall Street hailed Conway's new role as an answer to improving CSX's performance record. As part of his performance improvement program, Conway initiated LAM (Local Area Management), a decentralized regional structure he had developed at Conrail, with accountability for asset utilization and customer service at the regional level. Pushing management decisions down the chain of command had improved Conrail's car cycle times by 20 percent and saved Conrail around $100 million over two years in increased productivity and reduced rolling-stock expenditure. What Conway promised not to upset was the emerging culture of trust handcrafted by Carpenter and Schultz. Substituting compassionate coaching and peer leadership for punishment "paid big benefits in the Conrail integration," said Conway in a September 1999 Railway Age article, "Can Ron Conway Rebuild CSXT to Customer Specs?'. "It's the right thing to do. It has differentiated us from other railroads."

We could have a happy ending if we stopped the story here. But time and troubles marched on. In March 2000, the FRA released a safety audit of CSX's track conditions (like the one in 1997 that sparked the new safety initiatives). The new audit found deteriorating track conditions, especially track widening, which had contributed to recent minor derailments. According to an April 28, 2000 Business Journal article, "CEO Vows Turnaround for Troubled CSX," John Snow, CEO of CSX Corp., responded that the company "has repaired or is in the process of repairing all of the defects identified in the report" and that he will personally head an internal company review of all track maintenance and improvement programs to make sure these efforts are fully effective.

In April 2000, Snow removed Ronald Conway as president of CSX and said that he was taking personal control of the company's rail unit – a unit Snow had headed from 1985 to 1989 before becoming president and CEO of the parent company. Continued service and safety problems arising from the Conrail breakup and integration, coupled with falling stock prices, proved a deadly career combination for Conway.

Snow commented in an April 11, 2000 article, "CSX President Fired Over Service, Safety, Money Problems," in The Philadelphia Inquirer that "an awful lot of what he [Conway] brought to CSX will continue." Snow added that he would be visiting all major points on the 23,400-mile, 23-state rail network, launching a period of hands-on management, that had CSX well on the road to recovery by July 1. "For the time being," Snow said, "the CSX headquarters will be on an airplane. Three months from now, you are going to see a fundamentally different railroad. You're going to see increased velocity and the number of cars on line go down. You're going to see a bias in favor of action on our problems. We're going to get back to the fundamentals, back to Railroading 101."

A few updates, in chronological order, at press time: (1) Share price was gradually increasing, with third quarter results improved if not spectacular. (2) James Schultz, the CSX chief of safety and culture change, announced his resignation, ending a three-year term with the railroad. He left to take a similar, yet "lucrative" position with Houston-based Waste management Inc. Citing his value to the carrier in a Nov. 9, 2000 article in The Florida Times-Union, "Chief of Safety Leaves CSX Transportation," Michael Ward, CSXT executive vice president for operations, said, "The course that Jim Schultz has set for us over the last three years to change the culture of our company has had a profound effect on our labor management relationships and has become a model for other companies to follow." (3) Within days of making that comment, Snow, in a Nov. 29, 2000 company press release, named Ward as president of CSXT, crediting Ward with the company's recent improvement, "Since moving to operations in April, Michael and his team have turned things around dramatically. Today we are delivering a much higher, much more consistent level of service to our customers. The railroad is now running fluidly and reliably, and our 35,000 employees are pulling together to increase efficiency in all areas to grow our business."

The Red Zone Moral to the Story:

Two steps forward, one step backward. You may not be able to change a century of culture in a year or two but you can make dents that begin to genuinely reshape culture. If you believe in the program, stay the course.

OSRAM Sylvania: A Light at the End of the Culture Change Tunnel

OSRAM Sylvania is a $1.8 billion manufacturer and marketer of general lighting products, automotive light sources and assemblies, and specialty materials, chemicals and electronic components based in Massachusetts.
The firm employs about 13,000 people and operates 22 factories in North America. For more than 30 years, Sylvania had adopted work practices and cultural norms from its telecommunications parent, GTE. In 1993 Sylvania was purchased by OSRAM, a Siemens company. Most of the company was reorganized along functional lines, reflecting the structure of its new German parent – a traditional MBO performance management program, job-based hierarchies from function to function and a compensation process based on narrow grades, salary ranges and control points. These practices were targeted on meeting annual business plans and ensuring equity throughout the workforce. Little emphasis was placed on defining, identifying and rewarding individual performance excellence.

Siemens AG, as well known in Europe as GE is in the U.S., is daunting in the size and diversity of companies within the organization, from medical engineering to design of public communication networks and high-speed microprocessors. According to an Oct. 14, 1997 article, "Time for an

Image Change," published in Computing Canada, almost 70 percent of the company's products are based on technologies that are less than five years old. Dr. Heinrich von Pierer, president and CEO, recognized that Siemens itself would need to boost earnings and reshape the organization's corporate culture. In the 1996 annual report, he discussed profound changes and challenges to Siemens' business, including technology changes, changes in purchasing processes as a result of deregulation, and the demand for customized solutions. He wrote, "We too, must change to meet these challenges." But sheer size and diversity of the organization make the size of the challenges proportionately bigger. Still, positive changes can happen at local levels.

Within the OSRAM organization, a variety of subcultures developed, shaped in large part by the management styles of several strong leaders and the relationship between business units and their biggest customers. For instance, the culture at the automotive lighting division had been influenced by Ford and Chrysler, where the emphasis was on systematic quality assurance and fast response to problems. On the other hand, the precision materials group had been strongly influenced by the operations orientation of prior leaders who had emphasized business unit latitude combined with strict accountability for results.

During this transition to implement Siemens management practices, a new vice president of human resources was named. Geoff Hunt had been a successful general manager of the company's 1,200-employee glass manufacturing division. Hunt thought that work culture was a potential tool to help drive or at least track changes in the attitudes and behaviors of the workforce.

He approached the culture change project from his operations perspective. Recognizing the varying and potentially conflicting cultural crosscurrents, Hunt started the project by looking for ways to define the company's current and desired work cultures within the framework of a changing environment: (1) globalization of automotive lighting; (2) consolidation in the retail customer base for consumer lighting products; and (3) continuing development of new light sources. Hunt and his fellow executive management team members understood that the highly proceduralized work culture, that had worked well in stable times, would need to change in order to compete effectively in times of rapid, significant change.

The Executive Committee and senior management, using The Hay Group's Targeted Cultural ModelingTM process, agreed in general on cultural priorities. They identified seven key behaviors that would be more rewarded, encouraged, and supported in order to move toward the desired work culture and six behaviors that should not be rewarded or encouraged.

Key Behaviors To Be Encouraged and Rewarded

1. Increasing decision making speed
2. Delivering reliably on commitments to customers
3. Providing employees with resources to satisfy costumers

4. Being flexible and adaptive in thinking and approach
5. Continuously improving operations
6. Significantly decreasing cycle times
7. Encouraging teamwork

Key Behaviors To Be Discouraged and Unrewarded

1. Respecting the chain of command
2. Promoting one's point of view strongly
3. Limiting the downside risk strongly
4. Being highly organized
5. Using proven methods to serve existing markets
6. Supporting the decisions of one's boss.

Several key initiatives were launched to support the firm's business goals and culture change objectives. The projects had good synergy and payoffs. Hunt launched a redesign of the firm's Performance Management Process (PMP). The major objective was to move from an entitlement-based culture to a performance-based culture. Performance would be redefined as a combination of critical elements: results achieved on job objectives, behaviors shown in specific competency areas, and demonstrated technical and other skills. The competency areas were defined on a company-wide and on a role- specific basis to correlate most closely with the desired process-based and time-based work cultures.

The new PMP drove the commitment of more managerial and employee time toward performance management training, mid-year performance reviews, employee development planning, and action planning for poor performers. It also required salaried employees to be evaluated on the four core competencies of (1) commitment to continuous improvement, (2) customer service orientation, (3) change management, and (4) collaboration in addition to their role-specific competencies.

The general lighting business unit launched a 30-month initiative to reduce cycle times based on a methodology developed by the Thomas Group, a consulting firm. The reengineering program involved process improvement projects in manufacturing, customer support, logistics, distribution, and product development.

Results from a 1997 progress measurement check-up indicated that OSRAM Sylvania had made progress in its journey toward a process culture. However, the firm had not made much progress toward a time-based culture. In response, the company put into place a number of practices to address the lack of results in this area, based around the principle that customer problems and opportunities should be handled at the most efficient level of the company.

The Red Zone Moral to the Story:

The overarching RZ moral is a testament to the ongoing nature of culture change. Organizations do not have to be perfect every time as long as overall progress toward goals is made and decisions in response to challenges are directionally correct. The change programs were developed with the intent to change work culture and based on addressing business challenges. The programs were supported by and worked by top management, and progress was measured.

<u>Principles</u>

And now for the Red Zone principles that should apply to the culture change maneuver. The goal in this chapter is not to duplicate the Principles of Chapter Four; instead we want to show variations and distinctions on those principles for this particular Red Zone maneuver.

Red Zone Principle One: Declare the Company in a Red Zone

The culture change maneuver is all about changing selected organization-wide work behaviors in order to better meet company long-term objectives. While we want to let the company know that the culture change will be tough and time consuming with a lot of confusion, trials and errors, it seems best to focus the Red Zone announcement on the conditions that the company is trying to impact with the culture change. For example, if the organization has a culture of slow delivery time to customers with low concern for customer feelings, the company might best characterize its Red Zone maneuver as a customer satisfaction or customer retention move. Top executives can describe this Red Zone maneuver in terms of the potential gains that can come to both the organization and the customer as well as the potential loss that might accrue if the change in customer service is done poorly. Rather than focusing the declaration on the phrase “culture change”, we recommend focusing on the business condition to be corrected by that change.

Red Zone Principle Two: Put the Best Players in the Game

“Do as I say and not as I do” clearly does not apply in culture change. If there is any Red Zone maneuver that depends on top management modeling, it is this one. Both the top management of the Red Zone company and all the known and respected strong employees will be looked at by the organization for instruction and reinforcement of any targeted culture change.

Leadership for culture change starts at the top and flows down to managers throughout the organization. The entire executive team must share the same vision and commitment to change. They must agree on the desired culture change as well as on the business focal points for making that change happen. While consensus on vision is a critical first step, this alone will not drive change. Roles and behaviors of the leaders must also change. Entrenched culture and in many cases the long tenure of leaders makes such a leadership transformation a tall order. But the organization cannot change its culture until and unless its leadership changes and models the desired behaviors.

Red Zone Duties of the Chief Executive Officer (CEO)

- Chief advocate of the culture change to the organization. The CEO is the one with the message, the fire in their gut, and the actions that match. The CEO who does not personify the culture change kills it.
- Chief instructor to the board and to investors on the purpose and methods of culture change. The CEO's goal should be to keep the Board of Directors informed, involved, and supportive of the culture change.
- Chief customer advocate who ensures that the culture change really does add value from the customers' point of view.
- Chief Communications Officer to the firm on the business reasons for the culture change, the specific business goals that are to be reached, as well as the continuing status of the change.
- The CEO is the master architect of the culture change, ensuring that the blueprint of the new organization will include the new, desired ways of doing business. The CEO, working directly with the COO, must select the specific business situation that will be used to define, work through, and reinforce the desired changes in how the organization does things.
- The CEO will be the master program manager, insisting that mechanical changes necessary for the culture change get made on target, on time, and on budget. The CEO must be relentless in ensuring that all of the detailed mechanical changes necessary for the culture change get identified and handled.
- Major provider of resources and internal obstacle remover. In addition, the CEO must keep the ultimate time clock on the culture change and the business objectives associated with it.

Red Zone Duties of the Chief Operating Officer (COO)

- Intimately involved in the design of the culture change blueprint since the business operations affected by the change belong to them.
- Chief executor of the culture change blueprint. The COO and their direct reports will be the folks responsible for meeting the business objectives associated with the culture change and ensuring that the desired organization behaviors are used to meet those goals.
- Day-to-day owner of the customer scorecard since the COO owns those parts of the new organization that touch the customer.
- Works with the CEO and their program manager to understand, identify, and schedule all the mechanical changes that will be needed to meet the business objectives that are the stalking horses for the culture change.

- Personally models the desired behaviors of the culture change initiative.

Red Zone Duties of the Chief Sales Officer

- Key focus is on customer relationships during the culture change. Responsible for key customer interaction, market impact, and prevention of customer loss.
- Works directly with the CEO and the CHRO to identify desired behavioral changes and the direct impacts those changes will have on the customer scorecard.
- Responsible for keeping the CEO and the executive team in sync with the marketplace during and after the culture change, continuing to place market impact high on the priority list of the executive team.
- Chief communicator to customers to explain how the culture change will serve the customer better.
- Responsible for keeping the organization informed about the impacts the culture change is having on customers and the marketplace.
- Personally models the desired behaviors of the culture change initiative.

Red Zone Duties of the Chief Financial Officer

- Leader in getting business metrics in place to measure the results of the culture change initiative, including measurements that allow visibility of progress on the specific business goals associated with the culture change.
- Assisting the CEO with the resourcing needed to get the culture change initiative completed.
- Works with the CEO and Human Resources Officer to ensure that monetary incentives are in place to adequately motivate key organization members for culture change success.
- Personally models the desired behaviors of the culture change initiative.

Red Zone Duties of the Chief Informational Officer (CIO)

- Works directly with the CEO and CFO to ensure that the company metrics and scorecards for measuring culture change results are in place. Working directly with top management and IT resources to ensure real-time information is available for progress reporting.
- Personally models the desired behaviors of the culture change initiative.

Red Zone Duties of the Chief Human Resources Officer (CHRO)

- Works directly with the CEO, CFO, and Chief Sales Officer to identify the desired behaviors associated with the culture change.
- Leader in identifying the current behaviors that need to be changed or eliminated in order for desired behaviors to become the normal way the organization does things.

- Works with the CEO to support the communication of the culture change including the desired and undesired behaviors that are the focus for the change.
- Leader in altering the performance management system of the company to be effective and efficient in rewarding the desired behaviors and unrewarding the undesirable behaviors.
- Leader in identifying the worker competencies needed for the culture change and in providing the training employees will need to develop those competencies.
- Works directly with the COO to ensure that all people impacts of the culture change are identified and worked through.
- Assists the COO in dealing with performance issues associated with workers who are unwilling and/or unable to align with the culture change. In a culture change, it is quite common to find individual workers who for whatever reason absolutely refuse to change behaviors. In these cases, the CHRO works to support the transfer or termination of such workers.
- Personally models the desired behaviors of the culture change initiative.

The new executive team must be absolutely together for a successful change of culture. Not only must each individual on the executive team personally model the desired new behaviors, she must work to reinforce and encourage other team members in the new behaviors. An executive team with chinks in its armor makes a powerful visual case that the culture change is really not the new law of the land.

Red Zone Principle Three: Focus on the Customer

The key to launching an effective culture change maneuver is to link the change to the customer. In fact, a good test of the soundness of a desired culture change is to look at the direct value that would be added to the customer. The way the organization would work with the customer is a good test of the usefulness of the culture change. In short, if top management cannot look at the customer scorecard, like the one shown in Chapter Four, and see direct impacts of the culture change, then why do it?

We believe it is critical for the Chief Sales Officer of the organization undergoing the culture change to be in the thick of things, working with the executive team to translate any desired culture change into value dimensions for the customer. Such a move would be radically different from many culture changes in which the entire sales organization is either left out or “above it all” as the rest of the organization attempts to change behavior.

Frequent culture change targets of responsiveness, information sharing, speed, attention to detail, six sigma excellence can all be directly linked to the customer scorecard. And tying desired changes to concrete customer measures goes a long way toward making the culture change and its rationale understandable and concrete enough to work on.

Red Zone Principle Four: Set Clear Red Zone Goals

This principle calls for top management to translate their culture change ideas into concrete business goals that should be met if the culture were changed. Developing crisp goals that reflect the culture change in terms of the customer are preferred.

Using the sample culture change dimensions mentioned previously, Red Zone goals might be as follows:

- Customer responsiveness – all customers with complaints contacted personally within 24 hours
- Information sharing – customer records have all required information about completed customer transactions within one hour
- Speed – suggestions from customers routed to new product development within 24 hours of receipt.

Beyond these direct and close up goals, business goals can be set by customer segment, including market share and customer satisfaction goals that reflect anticipated results from increased responsiveness, information sharing, and speed. I cannot overemphasize the need to set good, clear, customer oriented goals as a part of any culture change maneuver. Culture change is too difficult to pull off without some translation into needed changes that workers can understand and relate to.

Red Zone Principle Five: Blueprint for Sucsess

The goal of this blueprint step is to generate a word picture of the organization as it will operate in the future with the new behaviors of the culture change in place. The blueprint must communicate to the company around several critical dimensions:

- Business with the customer using the desired behaviors to meet the goals set in the earlier step. The description here should be of the organization using desired behaviors to interact with customers in a way that adds value to the customers and brings improved results for the organization. In other words, the blueprint must show desired behavior in what amounts to new work processes.
- Behavior within the company between workers using the desired behaviors. The description here should show that the normal way the company does work embodies the behaviors that were targeted in the culture change.
- Actions of the managers of the company as they reinforce the desired behaviors. The description here would be of managers rewarding and reinforcing workers for using desired

behaviors to meet organizational goals and un-rewarding workers for using undesirable behaviors.

- Behavior of the managers of the company as they act out the new behaviors. The description here should be of the top managers of the company acting in ways that model the desired behaviors of the culture change.

While all of the maneuver blueprints that I have described so far show the company as it should be operating after the Red Zone, in this case it is useful to develop an anti- blueprint. This anti-blueprint is a description of how the organization should not be operating after the Red Zone maneuver, showing all the undesirable behaviors working together to produce an undesired effect on the customer and on the organization.

Don't Move! Don't stop the Red Zone design engine and go to execution principles until there is a clear picture of the organization as it will be operating after the culture change.

- How customer value will be enhanced with the new, organization-wide behaviors of the culture change,
- How the organization will be rewarding desired behaviors and un-rewarding undesired behaviors.

Red Zone Principles for Execution of a Culture Change The Red Zone execution principles for culture change are especially critical since the change will be both time consuming and frustrating to many workers. Strong leadership will be required to focus on those tangible parts of the culture change to ensure that desired results are slam dunked and that the organization is not allowed to escape from the onerous task of making changes in the way they may have been doing things for years.

Red Zone Principle Six: Focus on Mechanics

Successful execution of this Red Zone maneuver properly begins with the identification of the mechanical moves that must be made for culture change success. The mechanical moves for culture change fall into two categories: those associated with the business objectives that accompany the culture change and those moves focused on the company's performance management system.

The first challenge is to identify the mechanical moves that will be necessary to meet the business goals set for the culture change. Carrying on with the example I have been using for improved customer service, if business goals have been set for responsiveness and speed of service, work processes that impact those goals must be identified and targeted for alteration. For example, for responsiveness, the firm's work processes for taking and validating customer orders might be targeted for change to allow better steps to be taken more accurately and reliably. Once target processes have been identified, then specific mechanical adjustments can be named. Once again, those mechanicals are (1) work processes, (2) the plant, equipment, and tools needed to support those work processes, and (3) the performance systems that help focus employee behavior on achieving the business goals.

The second challenge is to identify the mechanical changes that will need to be made in the firm's performance management system to allow desired behaviors to be communicated, enabled, and reinforced with rewards. While the performance management system is important for management of all Red Zone maneuvers, it is especially critical for culture change. The performance management system is top management's tool for steering the organization toward desired behaviors.

Specific sub-processes in the firm's performance management system must be examined to ensure that they are capable of supporting the changes of work processes and behavior required in the culture change. The sub-processes are focused on the following:

- Identifying the kinds of specific behaviors and competencies needed in each organizational position to support altered work processes,
- Recruiting and hiring workers who have the needed skills and competencies for each position,
- Communicating the performance expectations of the company for the position to the job incumbent (including communicating the desired and undesired work behaviors targeted in the culture change),
- Training job incumbents to develop competencies underlying desired behavior in work processes,
- Providing real-time and periodic performance feed- back to employees to enable them to focus their job behavior on expectations,
- Compensating job performance to expectations, including desired behaviors, and un-rewarding behavior that does not match job requirements, and
- Coaching employees whose job performance does not meet expectations.

While these required changes are simple and logical, they become difficult because the performance management system is one of the most difficult processes to influence. Altering this basic organizational process will mean that managers will need to deal differently with employees around the subject of performance, a subject that many managers find highly difficult to deal with. While many managers find it relatively easy to give positive feedback at appraisal time, they find it difficult to give feedback about performance that does not meet job expectations.

Red Zone Principle Seven: Use Program and Project Management to Build to Print

The culture change maneuver belongs to the CEO. Nobody else has the stroke to make a culture change happen. We have found, however, that a program manager reporting directly to him can be of great assistance in ensuring that all needed work for culture change gets done.

The job of program management should be focused on managing the mixed bag of projects that get at the business results specified in the culture change goals as well as the project that focuses on strengthening the firm's performance management system. The projects that make up the culture change program are best organized around the business goals and the performance management system. Our firm's experience indicates that each of the business projects should be staffed by representatives of the organizations that participate in the processes. For example, if a business goal is to increase customer responsiveness defined as smoother order entry with fewer errors, the as- signed project team might have folks on it from customer service, sales, and accounting.

Program management must adopt a slam dunk attitude for Red Zone culture change success. The program manager can ensure that proper time and attention is devoted to the projects that go right after the business goals. These projects must not be allowed to fail since they are the stalking horses for the overall culture change.

The critical step in program management, however, cannot be taken by the program manager. That critical step is up to the CEO who must ensure that every reward cycle during the culture change validly evaluates and reinforces the desired behaviors that are at the heart of the culture change. Only the CEO has the horsepower to ensure and insist that top management religiously reward desired behavior and un-reward undesired behavior.

Red Zone Principle Eight: Focus on Speed

Speed of culture change is determined by the frequency of reward cycles. That is, behavior changes come about when the organization hears that some behaviors are now desirable and that others are not, followed by a reward cycle that reinforces the behavior change message. While some organization members will respond directly and quickly to the requested behavior change, other organization members will not, waiting instead to see and sometimes feel the results of a performance appraisal/salary review event that rewards their use of desired behaviors and negatively rewards their failure to change behavior. Some organization members even wait for a second cycle to be sure. I will leave the explanation of this phenomenon to behavioral scientists, settling instead for the practical rule of thumb for top managers that says, count on having to get two reward cycles under your belt before you see the entire organization pick up the desired culture change.

Because most companies reward performance on an annual basis, they can count on a two year period being required for an organization-wide culture change. I have seen some organizations speed up the reward cycle and provide mid-year incentive compensation for behavior in the desired direction, but that has been rare.

When I use the term reward cycles, I mean high integrity reward cycles in which top management is ruthless in the way it handles the rewards, making no exceptions to the idea of rewards for use of desired behaviors and un-re- wards for failure to use the desired behaviors. A reward cycle that has low integrity, with employees getting positive rewards when their behavior did not meet expectations, will actually slow down the culture change. The long and short of it is that workers need to hear the desired direction and see as well as feel the consequences of their behavior.

Red Zone Principle Nine: Meet Special Needs of Workers

Clarify the culture change behaviors for all employees. Too often culture change is talked about generally, without adequate explanation of just what the change is all about. While some employees will get the message of the culture change quickly, others will just plain have difficulty understanding exactly what is expected of them. Modeling by management seems to be the single best way to get the culture change message across.

Help workers make the change to the new culture. The kind of help that is needed by workers will vary from instruction and training in new competencies to stronger measures like an occasional kick in the pants to help people come to grips with required behaviors. While most culture changes our firm has worked in did not require new competencies that were beyond the reach of workers, some companies do require changes that are. In those cases, those workers who are unable to make the shift must be treated fairly but with integrity to the culture change. Keeping workers in place whose competencies do not match the culture change sends yet another signal that the culture change is desirable but not required. Top management might stick with the guideline of being patient, firm, and flexible, but not to the point of weakening the desired behaviors that are at the heart of the culture change maneuver.

Red Zone Principle Ten: Reward Management for Red Zone Performance

Provide real, substantial incentives for top management for bottom line culture results over at least three years. The idea of this Red Zone maneuver is to bring about a sea change of behavior in the organization that will better meet long-term goals. Top executives must be held ac- countable for and profit from such a successful change.

Additional incentives should be provided to meet the specific business goals associated with the culture change. For example, if a business goal associated with the culture change is to reduce the time to resolve customer com- plaints by half, the managers should be rewarded when that goal is reached. These incentives should be over and above the incentives for meeting year-to-year bottom line results. Changing the organization's culture to better meet business challenges builds the long-term franchise value of the company, and top management should be rewarded for doing just that.

Applying the Game Plan

Culture change is not easy, but if top management focuses on business reasons for the change, sticks with their promotion of desired behaviors, and uses high integrity reward cycles, culture change can work successfully.

Next Steps:

Let us help you achieve success with a Red Zone Gameplan for Changing Culture.

About Endeavor

Endeavor Management, is an international management consulting firm that collaboratively works with their clients to achieve greater value from their transformational business initiatives. Endeavor serves as a catalyst by providing pragmatic methodologies and industry expertise in Transformational Strategies, Operational Excellence, Organizational Effectiveness, and Transformational Leadership.

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