



# Executive *action*

series

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The Challenge of Change Management...

## Managing Paradoxes in Change: Six Steps for Building a Balanced Culture\*

by Gerry Schmidt and Lisa Jackson

Change in large companies has become an almost-daily onslaught of initiatives, strategies, and flavor-of-the-month programs to adapt to the accelerating pace of business. Rarely do these efforts link together, integrate, or sustain – and rarely do they address the most critical success factor in sustainable change:

### Altering people's behavior.

Research shows that 75% of large-scale change efforts fail to produce the expected results. Nobody understands this better than Mark Van Tine, CEO of Jeppesen Sanderson.

As the premiere provider of navigation tools for the aviation industry, Colorado-based Jeppesen Sanderson was facing a significant challenge: Make their products available electronically or become obsolete and go out of business.

Jeppesen had enjoyed a very significant leadership position in the marketplace for 70 years, strengthened by regulation which mandated the use of their product. Without real competition, the leadership team and employees went about their work enjoying their success; a culture without urgency became firmly and deeply rooted across the 1800-person organization.

Mark Van Tine, the new CEO came into his role with a vision: While the company was fundamentally paper-based, he knew the future was in digital information delivery. Although he understood that there was a limited window of opportunity to create the digital future that would keep Jeppesen ahead of an emerging breed of competitors, he faced several challenges. He needed to:

- Align a new senior leadership team around his vision,
- Convince 1800 people who had succeeded as a publishing company that their future was at risk,
- Get those same people to transform the company processes to digital technology,
- Build a culture that would move quickly enough to implement the plan.

All of this at a time of increasing industry pressure from airlines to lower costs, improve quality and service, and make products more user-friendly.

## The Paradox Phenomenon

Paradox: definition (n.) impossibility, inconsistency, absurdity.

The true test of leadership is successfully managing paradoxical opposites faced every day in business:

- Balance short-term and long-term focus.
- Increase quality and lower costs.
- Improve speed and accuracy.
- Be adaptable and be consistent.
- Secure individual engagement and hold fast to a larger company vision.
- Balance the competing needs of employees and customers and stockholders.

The secret to doing it well does not include the insanity of doing more of the same and expecting a different result. The most successful leaders have learned a **new and different** approach: **Build a balanced company culture.**

## The Role of Culture

It's not that these paradoxes leaders face are new, but the accelerated rate of change has made the tension between the two endpoints greater, and made balancing them harder.

An adaptable company culture can make bridging the gap and dealing with challenges totally manageable. Jeppesen CEO Mark Van Tine says,

*“It's not that we don't still have serious challenges; but because of the change work we are doing with our company culture, how we respond together as a team is very different now. We are so much better positioned to handle what arises. And we are faster in making the right decisions that move the company forward.”*

What exactly is “company culture”? Culture is the operating system – hard to change, pervasive, far-reaching – *and* critical to making the company's hardware (strategy) and software (values, beliefs and skills) actually work.

Simply put, culture is “how you get things done” in your organization, including how you:

- Execute and operationalize your vision and strategy
- Communicate internally (top down and bottom up) and externally
- Solve problems and make decisions
- Launch and support teams and run meetings
- Coordinate and collaborate across functions and geography
- Hire, fire, pay and promote people, and hold them accountable
- Respond to stress and handle conflict (a particularly visible way to assess culture)

Whether you know it or not, culture is either accelerating or dragging down your business performance. Because it is mostly unseen, culture is often misunderstood. But when leaders are educated to properly cultivate it, culture becomes the rocket booster of change, helping align, empower and develop people toward highly focused and adaptable behaviors.

It becomes the balancing point in the paradoxes faced by leaders and organizations. And it can be your greatest competitive advantage. Leaders who pioneer the territory of building a balanced culture will win first.

In Mark Van Tine's assessment, addressing company culture wasn't a choice: Transforming from a paper publisher to an information solutions-based company would never have worked without attending first to culture.

## Benchmarking Your Culture: The Denison Culture Assessment Tool

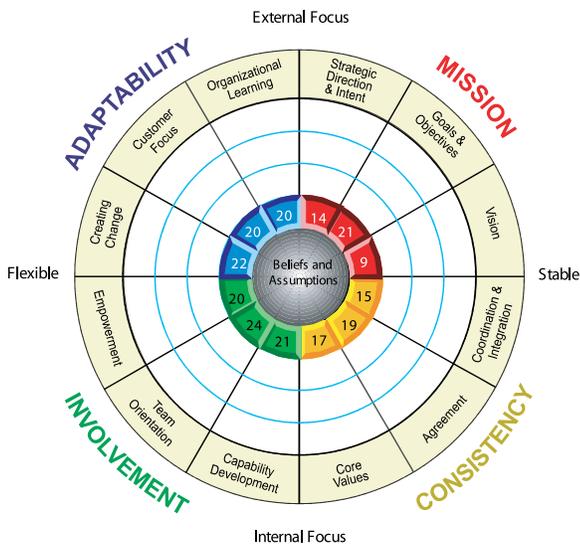
How does your company culture measure up?

The Denison culture assessment benchmarks company performance in terms of culture. It is a comparison of high performing and low performing organizations compiled in a database of 3000 companies spanning industry, size, age, geography. This is the tool used by Jeppesen to begin the journey of transforming their culture and their company.

The Model: Company culture is measured in terms of four key areas: Mission, Adaptability, Involvement, and Consistency. Companies with balance in all four quadrants have the highest performance measures:

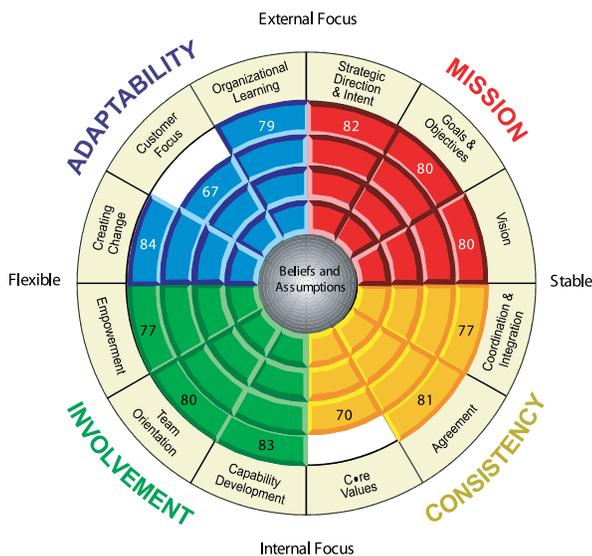
### Return on Shareholder Equity Comparison

Low Performing Culture



Average ROE = 6%

High Performing Culture



Average ROE = 21%

- Study of 161 publicly traded companies from a broad range of industries
- Average ROE for the organizations with the lowest culture scores is 6%, average ROE for organizations with high culture scores is 21%
- Highly similar results for return on total investment

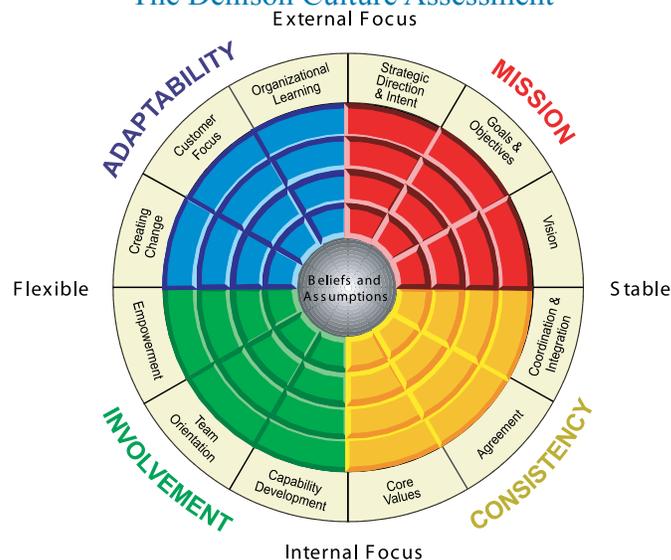
The key feature of the Denison is that it is based on *observable and measurable behaviors* that correlate to the strength of a company's culture. It also provides a powerful language and research-based model to explore paradoxes in business: Long and short-term focus. Adaptability and consistency. Mission from leadership and bottom-up involvement.

The major advantage of the Denison is that it links company culture to these measures of business performance:

- Profitability
- Quality
- Innovation
- Market share
- Sales growth
- Employee satisfaction
- Customer satisfaction

**Bottom Line:** If you want to get the biggest bang for your invested dollar and improve business performance . . . you need a process for improving your culture in the areas of Mission, Involvement, Adaptability and Consistency.

### The Denison Culture Assessment



## Assessing Culture: Balanced or Imbalanced?

Traditional performance measures can't determine balance in culture. That's because they are the culture's *results*. A culture that is out of balance does not reveal itself until the point when the traditional ways of changing are insufficient, much like a heart attack is too late for deciding to modify an unhealthy diet.

An astute leader can evaluate the state of their organization's culture by looking at these signs in this chart:

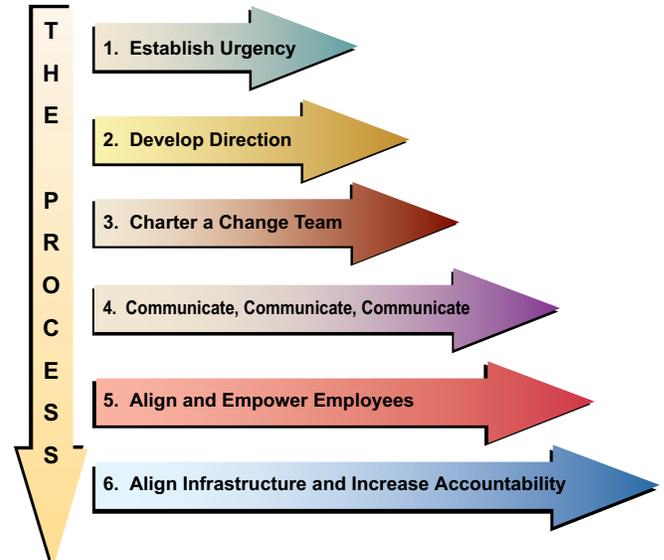
Activity	Imbalanced Culture	Balanced Culture
<b>Teamwork</b>	Sponsorship unclear; goals not linked to strategy or vision; unrealistic timelines; roles fuzzy.	Aligns with vision and strategy; cross-functional, members empowered and skilled to implement recommendations.
<b>Communication</b>	One-way "telling"; more information than meaning; reinforces boundaries (eg, function).	Clarifies direction, two-way feedback-driven; answers "why are we doing this" and "how does this support our vision?"
<b>Meetings</b>	Start late; vague agenda; wrong players; unclear action plans.	Start and end on time; clear goal <u>and</u> agenda; used for planning and problem solving; support action.
<b>Customer interface</b>	Requires customers to work hard, no coordination across business unit or functions (eg, sales to customer support).	One point of contact; employees responsive and align with unhappy customers; training is critical.
<b>Problem solving</b>	Analysis replaces action; often wrong problem or band-aid fix; minimal points of view considered.	Addresses root cause, predictive vs. reactive; multiple perspectives; bias for action.
<b>Feedback</b>	Blame-oriented; only given during performance reviews and mistakes; fear is the driver; no clear process.	Viewed as critical to success; constructive and common "lessons learned" process; focuses on coaching and mentoring.
<b>Handoffs</b>	Details "fall through the cracks", people think it's "someone else's job," rampant role confusion.	Seamless clarity about roles; clear accountability; widespread ownership for solutions and results.

## How to Build a Balanced Culture

So how do you begin, and, how will changing culture help balance the paradoxes inherent in business?

The six-step methodology detailed below was the process used by Jeppesen. It is based on decades of experience with hundreds of leaders undergoing change. It is not a "formula approach" – but a comprehensive framework to help you *define and develop* a unique approach for your situation. It is scaleable and effective for ANY change – regardless of the size of the organization or system.

Most importantly, it provides a template for guiding change and dealing with paradoxes.



Below is a brief description of what's important in each step.



### 1. Establish Urgency

#### Step 1. Establish Urgency

IMPORTANCE: Leaders must create the rationale for the change: Why change? Why now? You need to show how improving the business *requires* the change – and what's in it for them. ***This is where motivation is built.***



### 2. Develop Direction

#### Step 2. Develop Direction

IMPORTANCE: Create clear expectations, and a compelling story that engages early commitment and alignment among key leaders and stakeholders. Ensure it links to the business strategy. ***This is where the dream is built.***



### 3. Charter a Change Team

#### Step 3. Charter a Change Team

IMPORTANCE: Define and enroll strong champions of the change effort. ***This is where sponsorship is built.***



### 4. Communicate, Communicate, Communicate

#### Step 4. Communicate

IMPORTANCE: Communicate 100 times more than you think is necessary. Build a passionate story that compels behavioral change by evoking emotion *and* redirecting attention to something people have not seen or thought. ***This is where engagement, ownership, and empowerment are built.***



### 5. Align and Empower Employees

#### Step 5. Align and Empower Employees

IMPORTANCE: To overcome gravity and inertia you must engage and empower employees, *and* help them take ownership through *being* a model of what you want to see.

***This is where momentum is built.***



### 6. Align Infrastructure and Increase Accountability

#### Step 6. Align Infrastructure and Increase Accountability

IMPORTANCE: Creating lasting change requires changing how money gets invested, how power and authority are distributed, and how people are rewarded – realigning these key systems and processes with the new way of day-to-day working. If you don't deal both with intrinsic (say) and extrinsic (do) elements of culture, people will be confused.

***This is where true balance is built – the capacity to continuously reinvent your company.***

### Success Story: The Process in Action

To illustrate a part of this methodology in action, we turn back to the story of Jeppesen, where Jackson & Schmidt was engaged to design and architect their culture change process.

The President's challenge: The leadership team and most of the company believed they had a 10-15 year timeline before the paper-to-digital transition would really impact their core business. Van Tine felt the actual timeline was shorter and the window of opportunity for re-positioning the company was now.

The toughest challenge? Getting all 1800 employees to believe it too.

**Establishing Urgency:** The first step was creating a powerful “business case for change” that addressed five core questions.

- Why must we change and now?
- What happens if we don’t?
- What does change look like?
- What’s our plan to get there?
- What does it mean for you (the employees)?

Additionally, Jeppesen surveyed all employees with the Denison culture assessment. It contrasted their culture with high performing companies – showing precisely how short they fell. This “reality mirror” helped the senior leaders validate the need for change – but they still didn’t know what it meant or how they would get there!

**Developing Direction:** The next step toward alignment was for the 13-person executive team to become aligned among themselves about where to take the company. To begin, a series of interviews and off-site SLT meetings were conducted to map out a new vision and strategy – focusing on agreement and understanding about its tangibility. By the end of these meetings the SLT understood the new company was going to require a VERY different culture from the old one. In Van Tine’s words:

*“It was clear that we didn’t have a unified vision for the future – or even the present. Were we an aviation company? Software development? Technology? Transportation? We were missing the most fundamental definition of who and what we were – and needed to become together as a true team: Sharing trust, alignment, communication. Our first off-site retreat at Gold Lake was VERY transformational on both fronts. Things that came out of that experience are still with us today. TRUST being the single most important word.”*

Now the real work begins: “How do we get every employee to own this great vision we’ve created?”

**Communicating:** Then, a large-scale communication campaign was undertaken to deliver the Business Case for Change and the Denison results in 30 one-day sessions with all 1800 employees. 28 change agents were selected and trained to deliver the sessions – managers and front-line employees who were committed to change. Within three months the place was on fire! Ironically, so much energy and ownership was ignited at once that the process got a little ahead of itself. Appointment of a full-time Director of Change helped provide the needed new structure and systems.

**Aligning Employees:** The goal in effective change is to produce ownership among employees – where sustainable behavioral change occurs. Some of the communication vehicles used to create ownership included:

- Monthly forums in which employees were able to ask questions and get answers from senior leadership – doing this in person in small groups unleashed a huge amount of credibility – helping people believe “This change is real.”
- One VP modeled the development of the company-wide vision and strategy for his division. Allowing people to create the department vision in a way that was both visual and got their “fingerprints” on it ignited several hundred people to take ownership for change.
- The Senior Leadership Team implemented two levels of a 360 feedback process. The informal process was very powerful because it created open-ended dialogue – sadly missing in most 360 assessments.

In a recent conversation with Mark Van Tine, he describes the results Jeppesen has achieved in two years of using culture as the lever for change:

*“Every day I see the positive business results from our change initiative: The way people work together. The way they work in meetings. The way they present issues, problems and plans. The way we work with our customers. People are far more forward-focused in their thinking and in their actions. It is all much different from how it was, even just two years ago.”*

*Two years ago, the people worked in silos that competed with each other. When a problem occurred, the focus was on fault and blame. Now, trust is high, and our focus is on solving problems together: What's our objective? What is the real issue? What caused it? The same approach occurs in how we develop and execute our strategies. Simply put, the company functions better. There is more alignment. More unity. More action toward our vision. All of us can see a noticeable and measurable difference in the way we go about our business. It has taken a true commitment in energy, time and money to make this happen."*

## Results

*"Lisa and Gerry were instrumental in helping us transform our culture and that has resulted in both our revenues and earnings tripling (300% increase) over the last 5 years." (2009 update)*

*Mark Van Tine, President, Jeppesen*

At Jeppesen, culture change has become a way to manage the paradoxes in their business. It is not any easier to make tough calls, but now they have a systematic way to achieve the balance with:

- A clear vision, mission, values, and strategy that guide the leadership team, inspire the organization, give the parent company a reason to continue investing, and provide a story for the aviation community about what's coming;
- A solid business case for change that provides clear rationale for why they are changing;
- An organization-wide language that links culture with business performance, and targets only areas of change that will lead to their desired results.



Because Your Culture Matters

## Five to Failure: Common Mistakes in Culture Change

These are some common mistakes that leaders and companies make when undertaking the work of building a balanced culture.

- #1 Believing culture is the easy work. It's the hardest - but pays off big in employees who are motivated and engaged in your business.
- #2 Underestimating the senior leadership support required to create momentum. The top predictor of successful change is visible sponsorship throughout.
- #3 Attempting it with the same people who created the current reality. You have to change the people or change the people. The blind won't lead the blind.
- #4 Underestimating resistance. No one loves change - but they like it better if it's their idea. Even then, like cultivating great soil, culture change takes years of persistent and consistent effort.
- #5 Unwilling to change yourself. People will do what you do, not what you say.

It's not easy to lead change in today's world. When you speed up a car from 25 to 100 mph, the risks of any mistake are amplified, as is the timing for any correction.

Successful leaders understand that corporate culture is the key leverage point for navigating the highway of constant change - and for building an organization's strength and capacity to do it well.

Companies cannot afford to ignore culture as a critical component for success. It's your choice: Leave your culture to chance or make it perform for your business.

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### About the Authors:

Lisa Jackson and Gerry Schmidt are corporate culture experts and authors of the book "Transforming Corporate Culture: 9 Natural Truths for Being Fit to Compete." They offer a proven method to teach leaders how to evolve their corporate cultures to perform better, innovate faster, and show they truly care about people in an unprecedented era of rapid change and transformation.

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