EASY English

Learning from Real World Cases

Lessons in Changing Cultures

D. D. Warrick & Jens Mueller

RossiSmith Academic Publishing

Learning from Real World Cases

LESSONS IN CHANGING CULTURES

These cases are for Leaders, Students and Teachers

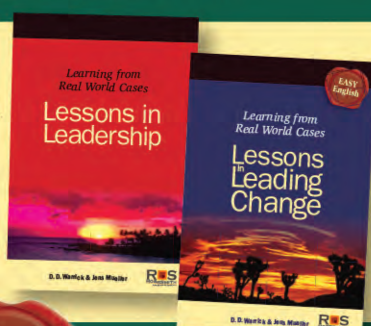
Our vision is to produce a Case Book series of practical, relevant, interesting to read books with short to medium length cases that can be used to develop the leadership skills of leaders and students and make learning a valuable and exciting experience. The books will be designed for a global audience with authors from across the globe, many of whom are internationally recognized experts, and many cases that address international issues.

- **Business Leaders:** The cases are designed to cover the essential areas of being a skilled, high impact leader and will produce a clear understanding of how the lessons can be applied.
- **Students:** Students will quickly grasp the methods that leaders use to achieve extraordinary results.
- **Teachers:** These cases are easy to communicate and get to the point quickly and will be understood immediately by most students. This material applies to under-graduate and graduate programs. Teachers can obtain the whole book or individual cases only.

With a wide spectrum of cases from across the world including cases from all types and sizes and organizations, there is material in this case book for everyone. **RossiSmith** leads the way in making learning enjoyable and connected to practical reality.

D. D. Warrick
University of Colorado, Colorado Springs, USA

Jens Mueller MNZM
Waikato Management School, Hamilton, New Zealand



RRP €49.95
9 780473 305024

EASY English

ROSSISMITH
ACADEMIC PUBLISHING
www.rossismith.com

Creating a culture of excellence is no small challenge.
It takes an understanding of the importance of culture,
setting an example, and self-less actions to do everything
you can to bring out the best in others.
This is essentially a description of my wife and partner
in everything I do, Anna. She is definitely a motivator,
sets an example that inspires excellence,
and is a joy to be around.
Therefore, it is my honor to dedicate this book to her.
– D. D. Warrick

National Library of New Zealand Cataloguing-in-Publication Data

Warrick, D. D.
Lessons in changing cultures : learn from cases / Don Warrick & Jens Mueller.
Includes index.
ISBN 978-0-473-30502-4
1. Leadership—Case studies. I. Mueller, Jens, 1956- II. Title.
658.4092—dc 22

Publisher: Triaxis Ltd., New Zeland,
www.publicationsales.com

Design and layout: TYPE+*grafik*, B Janitz

Learning from Real World Cases

LESSONS in CHANGING CULTURES

D. D. Warrick & Jens Mueller

RossiSmith
Academic Publishing

Warrick and Mueller have done it again! This case book is full of practical examples to enrich the thinking of students and leaders, build important competencies for their future, and prompt new ideas for leadership and organization development professionals about how to build and change cultures. Readers will find these cases practical and useful in changing culture….and that is the highest praise possible.

– **William J. Rothwell**, PhD, SPHE, CPLP Fellow, Professor at Penn State and President of Rothwell and Associates, an international consulting firm, and author or co-author of 68 books and 100s of articles.

What I appreciate most about the Warrick/Mueller volume is its principles grounded in case studies and its emphasis on how an organization's culture mirrors its leaders. A cardinal function of the book is assuring those intending to follow this realistic roadmap that they are neither crazy nor alone.

– **Marv Weisbord**, Co-Director of Future Search Network, author of *Productive Workplaces: Dignity, Meaning And Community In The 21st Century*, co-author of *Future Search: Getting The Whole System In The Room For Vision, Commitment, And Action.*

Today's increased interest in changing organization culture is testament to the power of values in organizations and their contribution to performance. Warrick and Mueller's collection of cases serves as an important reminder that organization development has much to offer, that organizations need to understand culture and how to change it, and that this knowledge can be leveraged for agility and change in organizations.

– **Chris Worley**, PhD, Senior Research Scientist, USC Center For Effective Organizations, Professor Of Management, Pepperdine University, International Consultant, and author or co-author of many books and articles including the top selling text on *Organization Development and Change.*

Trust me! Transforming enterprise-wide cultures is becoming the most significant challenge for the next epoch. Two Global Pundits, Warrick and Mueller, are pristine guiding lights in publishing the greatest ever, most practical, multi-national, multi-dimensional, helpful, and relevant book on changing cultures and managing change.

– **Roland Sullivan**, an original 100 Change Agent in the tradition of Lewin, international consultant, and author of a number of books and articles on *Organization Development and Change.*

The book Lessons in Changing Cultures captures real cases from across the globe related to the spirit and significance of building and changing organisational culture. The cases in this book highlight how organizational leaders help shape cultures and how cultures set the tone for organizational success. Warrick and Mueller's efforts in making this kind of information accessible through this book is commendable! The cases are well-written by top global experts and highly interesting. I wholeheartedly recommend this book as it definitely provides insightful reading for students and leaders.

– **Vijayalaxmi Moovala**, PhD, Program Manager, Center for Leadership and Management, Bahrain Institute of Banking and Finance, Kingdom of Bharain. She has published numerous articles on leadership and change.

Don Warrick and Jens Mueller share insightful, real-world examples that reveal a practical understanding of the fundamental role that culture plays in organizations. Lessons in Changing Cultures clearly illustrates the positive impacts skilled leadership can make on organizational culture and also reinforces the importance of effectively managing change.
– **Roger Teague**, Brigadier General, USAF.

This book is a more than welcome addition to my bookshelf. I am constantly searching for good examples of what culture change actually looks like from close up that I can share with students and leaders. We know at a conceptual level how important culture is and also how difficult it can be to change. But now we have a book that on a practical level enables us to lift up the hood and tune the cultural engine that drives organizations. Readers will appreciate the depth and variety of cases here, as well as the straightforward way in which they are presented. Maybe now we can get on with the important work of changing cultures in organizations.
– **Bill Pasmore**, PhD, Senior Vice President and Organizational Practice Leader, Center for Creative Leadership, Visiting Professor, Columbia University, and author or co-author of many books and articles on organization development and change.

As organizational culture is one of the most difficult and elusive topics to study, a significant way to understand this important topic for students and leaders is to read case stories and to grapple with the question that such stories evoke. Read the real-life cases in this book and learn from the lessons they pose and insights they provide. In this way you can draw on the experience and wisdom of this book to learn about this challenging topic on organizational culture.
– **David Coghlan**, PhD, Professor, Trinity College, Dublin Ireland, and author of a number of books including *Doing Action Research In Your Organization.*

This excellent book contains a smorgasbord of culture change cases in many industries, from many lands, by top notch scholars and doers. Hats off to Warrick and team for providing so much "food for thought" on the complexity of organization culture and the practicalities of culture change. Grab your plate, knife, fork, and spoon….there's plenty here for every appetite.
– **Phil Mirvis**, PhD, International consultant and author or co-author of many books on organization development and change including *To The Desert And Back: The Story Of One Of The Most Dramatic Business Transformations On Record.*

At the epicenter of every great organization is culture and the importance of building culture and managing the change process and both of these important topics are exceptionally well highlighted in Lessons In Changing Cultures. Being involved with one of the fastest growing brands in the apparel industry, I can attest to the importance culture plays in an organization's success. As leaders in the field of high impact leadership, Warrick and Mueller deliver yet again another important book with a critically important and educational collection of cases that will certainly help develop the next generation of high impact leaders.
– **Ian Widmer**, Director US Sales, Canada Goose Inc.

TABLE OF CONTENTS

Learning from Real World Cases
LESSONS in CHANGING CULTURES

Foreword *i*
About the authors *ii*

CHAPTER ONE: Introduction to Lessons in Changing Cultures

Understanding, Building and Changing Culture 1
D.D. Warrick
Chapter one provides readers with an overview of the critical role of culture in organizations of all types and sizes, the influence of culture on behavior, performance, and morale, and how to understand, build, and change culture. This reading will prepare readers with an understanding of culture that will help them evaluate and learn as much as possible from the cases.

CHAPTER TWO: Inspiring Cases About Building and Changing Organization Cultures

1 Victorinox: 125 Years in The Cutting Edge 19
Pablo Cardona & Yih-teen Lee
Almost everyone has heard of the famous Swiss Victorinox company that is known world-wide for producing quality knives and of recent years for quality watches and luggage as well. This case shows how the 125 year old company built its culture through the mission and values of the founder and it also involves the reader in understanding the challenges in maintaining the culture in changing times.

2 How Zappos Built A Zany, High Performance Culture 31
D. D. Warrick, John Milliman & Jeffery Ferguson
You will love reading about the Zappos culture and the results it has achieved. The CEO of Zappos strongly believed that if you get the culture right and focus on promoting employee happiness and exceptional customer service, most everything else will fall into place. This case explores the five drivers Zappos used to build a high performance culture and the challenges Zappos has faced in sustaining the culture.

3 **Toward Interdependent Leadership Culture: Transforming the Culture of KONE Americas** 45
John B. McGuire & Charles J. Palus

This interesting case shows how consultants from the well- respected Center for Creative Leadership helped transform the culture at the leadership level of an international company from a culture that focused primarily on achievement and conformity to a much more collaborative and interdependent culture needed for success in today's times.

4 **The Southern Miss Story: Enriching the Brand of a Research University through a Centennial Campaign** 65
Martha Dunagin Saunders

University cultures are among the most difficult to change as faculty members often operate like independent contractors with little interest in the vision and goals of the university and the need for collaboration in getting things done. However, even university cultures can be changed as you will see in this case where despite tough economic times, the university seized on its impending 2010 Centennial Anniversary to enrich its brand, reinforce relationships with key stakeholders, celebrate a rich past while planning for the future, and change its culture.

5 **Building Trust and Leading Culture Change in a New Zealand Company** 77
Ramzi Addison

In this case you will be taken to New Zealand and the sheep and lamb industry where a company with over 1000 workers at the height of business has had a long history of union/management conflict and a resulting culture of negativity. Creating a culture where unions and management work together is a difficult challenge but in this case you will see how it can be done.

6 **Changing a Hostile Unionized Culture to a Culture of Trust and Open Communication in a Large Company in India** 85
Neha Gupta

This is another case that shows that it is possible to change cultures even in a dysfunctional company with a hostile union if the leaders are committed to culture change and have a sound process for changing culture.

CHAPTER THREE: Understanding Culture, How it is Shaped and the Impact it Can Have

7 Building, Rebuilding and Sustaining a Winning Culture at the Madame Zingara Restaurant Group 94

Kate Hebert & Linda Ronnie

How would you like to have dinner in a large tent with a circus like atmosphere and performers and restaurant personnel who are highly engaged and encouraged to be free spirits? In this intriguing case you will see the victories and challenges of building, rebuilding, and sustaining a unique culture of engagement where employees perform at a high level.

8 French Leaders and Multiculturalism 111

Sylvie Lacoste

Case seven presents the challenge that French companies with a long history of being deeply influenced by the French culture have of developing a more multinational culture. About 90% of the 40 most significant French companies benchmarked on the Paris stock market are led by French CEOs. A major challenge facing these CEOs and other CEOs of French multinational companies is finding the balance of pleasing boards that tend to reward strong French cultures and the need to develop more multinational cultures to be competitive.

9 Learning to Manage Diversity: The Impact of Organizational Culture As Experienced by an African American Employee 123

Norma Carr-Ruffino

This is a moving story of how Tomora, a bi-ethnic woman with an African American father and a Euro-American mother, experiences the culture of a company in Jacksonville Florida as she tries to succeed. Workplace diversity is one of the most significant organizational changes taking place in recent years and organizations will need to develop cultures that can accommodate and motivate an increasingly diverse workforce.

10 The Impact of Leaders on Organizational Culture: Enabler or Barrier 137

Deborah C. Calhoun

In today's times of dynamic, non-stop, unpredictable change, the ability to effectively lead and mange change is a major key to competitive advantage. This case offers important insights into the role that leadership style and organization culture plays in supporting or hindering organization change.

11 The Influence of an Australian CEO's Philosophy and Personality on Shaping Culture 151

Theodora Issa & David Pick

Leaders are the primary shapers of culture and they need to be far more aware of the importance of culture and how to build it and change it. It will become evident in this case how a CEO's character influences the culture of his organization and its actions towards community, society, and the environment.

12 The Critical Role of Language in Changing Culture: Cross-Border Mergers and Acquisitions 163

C. Bjursell

Mergers and acquisitions are rarely successful and one of the major reasons attributed to their low success rate is a lack of understanding of how to blend differing cultures. The challenge of blending cultures or creating a new culture is particularly challenging in cross-border mergers and acquisitions. There is much to learn in this case about cross-border mergers and acquisitions but of special interest is the role language can play in making these endeavors successful.

CHAPTER FOUR:
Learning from How Not To Build and Change Organization Cultures

13 Get Real… This is Not a Class Project 172

Dolphy M. Abraham, Mohan Gopinath & Edwin Castelino

There are many valuable lessons that can be learned from this case. It is a case about two brothers charged with running a large garment manufacturing company in India. The intrigue comes from the fact that the brothers have two very different perceptions of how the company should be run and of the type of culture that is likely to make the company successful.

14 Merging of Two Cultures: National City Bank and PNC Bank 185

Tracy H. Porter & Kelly T. Gillerlain

It is sometimes said that you can learn as much from how not to do things as you can from how to do things right. With this in mind, there is much to be learned from this case. As is typical in mergers, the leaders involved in merging National City Bank and PNC Bank were so involved with the "business side" of the merger that the "people side" of the merger suffered and little attention was given to integrating the vastly different organizational cultures. The consequences were far reaching.

15 Why Leaders Need to Understand the Importance of Organization Culture 195

Glenn H. Varney & Amy Kincaid

Organization culture has a far greater impact on employee performance and morale than most leaders understand. This is the story of a fast rising leader who didn't stay on top of the impact of several changes on the culture of the organization. The results should give the reader an incentive to learn from his mistakes.

16 An Acquisition of Leadership: Cultural Difference and Difficulties 203

Thomas W. Nichols & Sinan Yildirim

A great deal can be learned about the importance of culture and culture changes from studying mergers and acquisitions. Consider the cultural and leadership challenges involved in the merger of a US based insurance company with partnerships and subsidiaries located all over the world with a major insurance provider in an Eastern Europe country. This case provides valuable insights about the need to understand different cultures and leadership styles and how not to make an international merger work .

17 Changing an Anti-Team Culture 211
Tracy H. Porter & Sharon E. Norris
Having team oriented cultures is becoming increasingly important to being successful as an organization. This case does an excellent job of describing what team oriented and anti-team oriented cultures are like and how leaders contribute to the development of team or anti-team cultures. A highlight of the case is five guidelines presented at the end of the case for developing a team culture.

CHAPTER FIVE:
Learning from Efforts to Change Cultures

18 The Organizational Challenge: Building a Change-Adept Culture 221

Janet McCollum & Ken Murrell

It is often said of organizations in these challenging times is that the only constant organizations can depend on is constant change. With this is mind it is essential that organizations build change-adept cultures. In this case valuable insights are provided about culture and change-adept cultures and an example is presented of how a company built a change-adept culture.

19 Creating an Innovative Culture in Retail Banking: Lessons from Latin America's *Bancolombia* 243

Geoff Gregson & Gloria Cardenas Soto

Cases in this book have come from all over the world. Now a case is presented from Columbia. The case is about the largest retail bank in Columbia and how the bank approached changing the culture from a culture that traditionally relied on economies of scale benefits from standardized services and formalized operations to a more competitive innovative culture with new products, services, and technologies.

20 Restorative Health: The Challenge of Combining Cultures 253

David W. Jamieson, Michael J. Willis & Rama Kaye Hart

This is an important case as healthcare is becoming a critical issue to individuals, organizations, and nations and finding ways to deliver quality and affordable healthcare will be critical to the future of organizations in the healthcare industry. One of the alternatives healthcare organizations will likely pursue is forming joint ventures with other healthcare organizations. In this case the challenges of combining the cultures of a three-party speciality health care joint venture are presented. The case is packed with lessons about how to make joint ventures successful and about the challenges of building a common culture in joint ventures.

21 Driving Culture Change at PepsiCo through Performance Management 267

Allan H. Church

This case involves one of the most famous companies in the world. Opportunities for culture change often come through organizational initiatives. In the PepsiCo case, improving the Performance Management process provided an opportunity to make culture changes in this large, global company. This is a unique change in that it covers a ten year period and the change leader was an expert in organization development and change and led the project throughout the ten years.

22 Cultural Considerations for Implementing an American Student Leadership Program in Morocco 281

M. Duncan Rinehart

Here is a case that emphasizes the importance of understanding culture in introducing changes and new programs in situations where cultural differences obviously exist. You will read about a situation where a successful American Student Leadership Program was replicated in Morocco and the challenges the cultural differences presented. It can't be assumed that a successful programs in one country will be a success in another.

23 The Intentional Engagement of Informal Leaders in Large-Scale Organization and Culture Change 291

Larry Peters

Many insights are needed to successfully implement culture change. This case presents an insight that is often overlooked in the culture change process and that is the need for engaging informal leaders in organization and culture change efforts. It should be evident that formal leaders need to be actively supportive and engaged in change efforts. However, it is also important to involve informal leaders who can carry considerable influence that will support or cause resistance to change efforts. This case shows how a defense contractor engaged informal leaders to help drive change.

24 A Tale of Two Institutions with Different Cultures: Leading Change in Higher Education 305

William Lightfoot

Colleges and universities are faced with many of the same challenges other organizations face. They must adapt to changing times and technologies, present viable products and services, and do more with less in with finances becoming increasingly challenging. This case is about a small college and university with different cultures that had to change or face possible obsolescence. The case contains important lessons about understanding culture and using Kotter's eight step change model for changing organizations and in this case cultures as well.

25 Anatomy of a Merger: Lessons in Culture Change from The Merger of the Medical University of Ohio and the University of Toledo 319

Cynthia H. Pepper

Many lessons learned about culture change have come from studying mergers, acquisitions, and joint-ventures since they ultimately require the blending of different cultures or the creation of a new culture. When the Ohio legislature unanimously approved the merger of the Medical University of Ohio with the University of Toledo, the decision made good sense and it was assumed that all would go well. However, the decision makers underestimated what was involved in uniting a university culture with a medical school culture.

26 The Leadership Development for Women Program: A Dual Agenda Approach 333

Lucienne Tessens

This is another case that addresses the cultural changes in organizations occurring because of increased diversity. Organizations that offer programs designed for diverse groups and for making organization cultures more diverse receptive understand the significant challenges of successfully implementing these programs. In this case readers will be able to learn from how to create a successful program that provides leadership development for women and changes the culture of the organization.

27 Transforming Education and Changing School Culture 345

Gary Houchens & Ric Keaster

Organizations often underestimate how new initiatives or programs can unintentionally change cultures and how they can present opportunities for purposefully changing cultures. This case shows how an educational process called instructional rounds that was pioneered by Richard Elmore and colleagues at the Harvard Graduate School of Education was used to transform the educational process and culture of the Simpson County Schools in Franklin Kentucky. The instructional rounds concept and the change process used has implications for organizations beyond educational institutions.

28 Using Action Learning to Change Culture and Improve Organizational Support and Effectiveness 359

Sharon E. Norris

The final case is designed to emphasize the importance of long term cultural development and to present an action learning approach to changing culture and improving organizational support and effectiveness. Through action learning programs employees continually learn, adapt, and change by focusing on solving real problems, in real organizations, in real time. The process develops employee skills, builds teams, and enhances both individual and organizational effectiveness and continues to develop and change organization culture. It is a fitting case to bring closure to this book that is intended to provide a wealth of insights on understanding, developing, and changing culture.

FOREWORD

The influence of organization culture is far more important than you may have imagined and understanding organization culture should be a critical factor that every leader, whether the leader of a whole organization, department, team, sports group, military group, or family should pay close attention to. Culture effects the way people think, act, and feel, and the abundance of research now available on culture confirms that it is a major influence on productivity, morale, engagement, retention, and the overall success of organizations and groups of all sizes and types. Indeed, for organizations culture may be the competitive differential that determines whether an organization thrives, coasts, or dives.

While the study of culture has long been a major focus of anthropology and the field of Organization Development and Change has acknowledged the importance of culture as far back as the 60's, it has only been recent times that the accumulation of research on organization culture has begun to legitimize culture as a major factor skilled leaders need to be aware of. The problem is that it is difficult to find available literature, educational opportunities in colleges and universities, or training that in practical ways helps leaders understand and know how to build healthy, high performance cultures and change cultures. *The purpose of this book is to make a significant contribution to providing valuable, understandable, and practical information and cases on what leaders need to know about organization culture, how to build cultures that enable people and organizations to perform at a high level while providing a quality work life for organization members, and how to successfully change cultures.* The major focus will be on changing culture and the many factors that need to be considered in driving and sustaining culture change.

Added Benefit Of The Book: A Focus On Skilled Leadership And Effectively Managing Change As Well As Organization Culture

In addition to learning what leaders need to know about culture, the book has two added benefits to the readers. *Culture change needs two important partners to make it successful: (1) skilled leadership; and (2) knowledge about how to manage change.* Organizations that think that culture change is simply a matter of doing various activities to make work fun will be badly mistaken. Culture change takes skilled leaders committed to building organizations that bring out the best in people, teams, and organizations and who understand fundamental principles about how to successfully manage change. Thus, while the major focus of the book is on culture, there is also a strong focus on skilled leadership and managing change.

Organization Of The Book

As you begin reading the book you will find that the book contains brief, interesting, real world cases written by some of
the top global experts in the world on changing culture, leadership, and managing change and that the cases are filled with valuable **Discussion Items** and **Key Lessons In Changing Culture**.

The book is organized around five major chapters:

I. Introduction To Lessons In Changing Culture
II. Inspiring Cases About Building And Changing Organization Cultures
III. Understanding Culture, How It Is Shaped And The Impact It Can Have
IV. Learning From How Not To Build And Change Organization Culture
V. Learning From Efforts To Change Culture

Chapter One – Introduction To Lessons In Changing Culture

Chapter One is not a case but rather a primer on understanding, building, and changing organization cultures. So little is written that integrates fundamental insights and research leaders need to know about organization culture that we felt it was important to provide a framework that would accelerate the reader's ability to understand and learn as much as possible from the cases in the rest of the book.

Chapter Two – Inspiring Cases About Building And Changing Organization Cultures

Chapter 2 shows what is possible when organizations build cultures of excellence. The first case is about Victorinox, the famous Swiss maker of knives and other high quality products. For over 125 years, Victorinox has built a culture based on a clear mission and clear values that has enabled the company to thrive despite business and economic fluctuation, wars and crises, and unpredictable events that have affected the company. The case also addresses the new challenges the company is facing in preserving its culture in changing times while extending the culture to newly acquired companies. Case 2 provides an inside look at the zany culture at Zappos that has made the company so successful. The case addresses the specifics of how the culture was built and makes the point that building culture is far more than talk about culture. Case 3 shows how well known professionals from the Center for Creative Leadership were able to use five principles for using an organic approach to culture change to help build a collaborative, interdependent culture among the senior leaders and top 100 managers of KONE Americas. Case 4 is a fascinating story about how the University of Southern Mississippi seized on its impending 2010 Centennial Anniversary to change the culture of the university and prepare the university for future success during difficult economic times, flat enrollments, and a decline in alumni and donor participation. It is not uncommon for significant culture change to be accomplished by integrating culture change with some significant event or initiative. Case 5 shows how a New Zealand company was able to change a long time institutionalized culture of conflict, negativity, and distrust driven by on-going tension between management and unionized employees into a culture of trust and cooperation. It can be done! The last case in chapter 2, Case 6, describes another example of how culture change played an instrumental role in rescuing from impending doom a dysfunctional company in India with a hostile union.

Chapter Three – Understanding Culture, How It Is Shaped And The Impact That It Can Have

Chapter 3 provides interesting examples of how culture affects behavior, performance, and morale in organizations. The chapter begins with a case (Case 7) that describes a very unique South African Restaurant Group that was headed by a visionary and ultra-creative entrepreneur who hired a staff of ultra-creative people, many sporting dreadlocks, tattoos, and piercings, and provided a circus like dining experience complete with belly dancers and snake charmers. He created a culture for staff and diners that made work fun and dining an experience of a life time. The case takes you through the difficulties of building and trying to retain the magical culture that he created under changing circumstances. Case 8

involves you in the challenge French CEOs of multinational companies have in bringing an element of multiculturalism to their leadership roles when they are so deeply steeped in the French culture and their boards tend to prefer French CEOs with an elitist French education. Case 9 is a moving case that describes how culture is experienced by a bi-ethnic woman with an African American father and a Euro-American mother. The case has many implications and insights on how culture may be experienced by minorities. Case 10 illustrates the critical role that culture plays in managing large-scale change.

Culture can facilitate or block needed change and must be taken into account in change efforts. Case 11 takes the reader to Australia and underscores the important influence leaders, and especially in this case CEOs, have on culture and even its actions towards community, society, and the environment. The final case in this chapter, Case 12, highlights the important role of language in cross-border mergers and acquisitions. Companies that merge with or acquire other companies from other countries often fail to take into account the cultural and language differences and the significant role both play in the future success of the emerging organizations.

Chapter Four – Learning From How Not To Build And Change Organization Cultures

Chapter 4 provides valuable lessons on how undesirable cultures get built and why many culture change efforts fail. Case 13 takes us to South India and shows the struggle between two brothers who were sons of the founder of a 40 year old garment manufacturing company and were responsible for running the company but who had very different perspectives about how to take the company to new heights. The older brother had been with the company for ten years, was working on an MBA at a local business school, and believed in a more conservative approach to change. The younger brother, who had just completed his undergraduate degree at a prestigious business school in the UK wanted more radical changes and to the older brother appeared to be like a peacock strutting around the company thinking that he knew more than he did. A class project the older brother and some of his classmates were involved in provided the fuel for divisions between the two brothers and their approaches to change and implications for the culture of the company. The reader has ample opportunity to learn from the mistakes of the brothers. Case 14 is a classic example of how not to merge two organizations. Research on mergers and acquisitions show that they rarely succeed and that one of the main reasons is not taking into account the importance of effectively integrating different cultures. Case 15 shows why it is so important for managers to understand the importance of culture. It is the case of a successful manager who seemed to do all the right things until he got promoted to CEO and then he lost sight of some of the things that made him successful and tried to address issues and initiate change without understanding the importance of culture on the change process. Case 16 provides more insights about cultural oversights that are often made in mergers and acquisitions and in this case a culture that involves Eastern European and American style leaders. Case 17 shows how senior leaders can create healthy team cultures or anti-team cultures.

Chapter Five – Learning From Efforts To Change Cultures

Chapter 5 includes interesting cases filled with insights about building and changing cultures. The chapter begins with Case 18 that gets right to the heart of how to build a change-adept culture that is so critical for success in today's fast changing times. You will have opportunities in this case to learn important lessons from the CEO, COO, leadership team, district management team, employees, and the organization development coach and facilitator who helped guide the culture change process. Case 19 provides insights about creating a more innovative culture in Latin America's largest retail bank, *Bancolombia*, which is located in Columbia. Case 20 addresses lessons that can be learned from trying to build a common culture in a three-party health care joint venture. This case is particularly instructive for the growing and challenging healthcare industry but also offers valuable lessons for all efforts to integrate merged or acquired organizations. Case 21 takes you into the world renowned PepsiCo company and efforts to drive culture change through improving the performance management system. Keep in mind as mentioned previously that opportunities to make culture changes are often created by integrating culture change efforts into important organization initiatives. Case 22 shows how cultural considerations were taken into account in using western leadership models for developing student leaders in other parts of the world and in particular in Morocco. Case 23 provides excellent insights on large-scale change as well as culture change and emphasizes the importance of involving *informal leaders*, people who may not be part of the formal hierarchy but who are influential and respected, in the change process. Skillfully doing so can accelerate the change process. Case 24 evaluates two different higher education institutions that were struggling to compete and even survive and needed significant changes in culture that embraced needed changes and improvements in quality. Case 25 is a most interesting case that offers important lessons about the importance of culture and building a common culture from the merger of two very different cultures, namely the merger of the Medical University of Ohio and the University of Toledo.

The case doesn't sugar coat the challenges of building a new vital culture when two organizations merge. Case 26 comes from another university setting where we are brought inside the University of Western Australia and an effort to develop a women-only staff development program with the aim of addressing gender inequities and changing cultural attitudes towards women. This case introduces philosophical issues into efforts to change culture and shows how different perspectives can drive or create obstacles to culture change. Case 27 shows how a process called *instructional rounds* that was developed at the Harvard Graduate School of Education was used in the Simpson County Schools in Franklin Kentucky to create a new culture that engaged and involved teachers and administrators more in collaboratively making educational improvements. The unique process presented could be adapted to both private and public sector organizations. The final case, Case 28, uses a concept called *action learning* to facilitate building a culture that emphasizes creating positive relationships with employees, sustaining competitive advantage, and enhancing overall effectiveness.

Our Goal

It is our goal to use this book to educate as many students and leaders as we can on the importance of culture to whole organizations, departments, and teams of all types and sizes and to prepare leaders with the knowledge and skills they need to successfully build and change cultures. We all are impacted by cultures of various types, some that bring out the best in the people and some the worst. We hope to contribute to needed knowledge on how to develop positive, healthy cultures that encourage people to operate at their best.

D.D. Warrick and Jens Mueller

BIOGRAPHY *D. D. Warrick*

Dr. Don Warrick is a Professor of Management and Organization Change at the University of Colorado, Colorado Springs. He is an award winning educator, consultant, and author who specializes in leadership and organization development, change, and transformation. Dr. Warrick is the author or co-author of eight books and over 95 articles, book chapters, book reviews, and professional papers and proceedings. His latest books with Jens Mueller are **Lessons in Leadership** (2011), **Lessons in Leading Change** (2012), **Non-Profit Excellence** (**2013, also with Rhonda Franklin**), and the current book, **Lessons in Changing Cultures** (2014). At the University of Colorado, Dr. Warrick holds the life time title of President's Teaching Scholar. At his university he has received the Chancellor's Award, the university's highest award, and the Outstanding Teaching Award, and has also received the Outstanding Faculty Award and many Outstanding Teacher Awards in the College of Business.

Dr. Warrick has been a consultant to many global and Fortune 500 companies as well as smaller and mid-size companies, public agencies, and colleges and universities. He has received a number of awards for contributions to his field including being named the Outstanding Organization Development Practitioner of the Year, the Outstanding Human Resources Professional of the Year, and the Best Professor in Organisational Development.

Dr. Warrick completed his BBA and MBA degrees at the University of Oklahoma and doctorate at the University of Southern California.

D. D. Warrick

Professor of Management and Organization Change and
President's Teaching Scholar

Graduate School of Business

University of Colorado at Colorado Springs
1420 Austin Bluffs Parkway, Colorado Springs, Colorado 80918

Tel. 719-488-2240 · Email: ddwarrick@aol.com

BIOGRAPHY *Jens Mueller*

Jens Mueller is Associate Professor for Entrepreneurship and Strategy at the Waikato Management School in Hamilton, New Zealand, a Triple Crown accredited business school. Based on his research work and more than 20 years of Chair/CEO experience in global industries, Jens assists leaders of many organizations worldwide to create effective strategies for sustainable growth. Jens sits on boards of companies of all sizes and teaches MBA courses at several prestigious universities internationally. He is a prolific author and a very engaging presenter, frequently invited to work with the leadership teams of government departments, non-profit entities and commercial enterprises.
Jens holds a PhD in Governance (Canterbury, New Zealand), a Juris Doctor (Western State, California), a MBA (NIU, Illinois), a] MSAM (Peter Drucker Claremont, California) and a LLM (Golden Gate, California).

HM Queen Elizabeth II made Dr Dr Jens Mueller, MRSNZ, a Member of the New Zealand Order of Merit MNZM (MBE), in her New Year's Honours List 2015 for Meritorious and Outstanding Services to the Crown and the People of New Zealand in Business and Education.

His details are at **www.muellerjens.com**

Jens Mueller
Waikato Management School, Hamilton, New Zealand
RossiSmith Academic Publishing, Editor
Email: mueller@rossismith.com

CHAPTER ONE

Understanding, Building and Changing Organization Cultures

D.D. Warrick

Case

The Importance Of Culture

Culture matters! Culture describes the environment in which people live or work and the influence it has on how they think, act, and experience life or work. It affects the behavior, performance, values, attitudes, morale, and quality of life of people, the success of organizations, and the future of nations. It can be found in countries and different parts of countries and in organizations of all sizes and types. It can be found in sports teams, symphonies, and even families.

While culture has been a long time focus of anthropologists as they seek to understand different cultures around the globe and the behaviors they shape, it is only in more recent times that culture has become of keen interest to organizations as researchers are gathering valuable data on the close link between culture and organization performance and employee behavior and attitudes. Especially in today's highly competitive and rapidly changing times, culture can play a significant role in an organization flourishing or failing.

Contrasting The Cultures Of Organization A And Organization B And The Implications

To gain an appreciation for the impact of culture and the many things that shape culture in organizations, consider **Organization A** that has skilled, humble, approachable leaders who have a passion for excellence, achieving excellent results, and building a quality place to work and a culture that brings out the best in people, teams, and the organization. The leaders work at assuring that the vision (where we are going and what it will take to get there), mission (our purpose), core values, and strategies for succeeding are clear and compelling and they set a good example for treating people with respect, encouraging open and candid communications, and working together as a united team committed to achieving common goals. They are in touch with the realities of the organization and make a practice of involving those who are most knowledgeable and can best contribute to decisions before making important decisions. People at all levels are treated with high regard, empowered to get things done, and given opportunities to utilize and develop their potential. There is a one team mentality throughout the organization that encourages collaboration and teamwork within and between teams. There is also a strong value placed on trying new ideas, even if they fail, continuously improving everything, and a willingness to make needed changes. A high value is also placed on honesty, integrity, and accountability in keeping their commitments. Changes are made by involving those who can best contribute to the change and considering the big picture implications for the organization and the culture.

All of these practices result in a culture that operates with a high level of trust and makes it possible to get things done effectively, efficiently, and quickly with minimal meetings and bureaucracy. Organization A isn't by any means a perfect place to work and it has its challenges and imperfections and always will. But, overall it is a productive, positive, rewarding, and uplifting place to be and most of the employees take great pride in being part of Organization A. It pays to have healthy work cultures!

Now place this organization in competition with Organization B that is more typical of organizations. **Organization B** may even have the same level of resources, facilities, technology, and talent as Organization A. However, the leaders are not skilled leaders and don't understand the importance of providing vision, direction, and inspiration and of building an organization that is a quality place to work and that has a positive and collaborative culture. The leaders tend to make unilateral decisions without involving knowledgeable people or people affected by their decisions. They are preoccupied with performance, numbers, and bottom line results and show little interest or skill in building a quality organization that motivates people to excel. Though they may not have intended to do so, the leaders have created a somewhat tense culture where people are stressed and pushed to work harder and harder with less and less resources and are not trusted and empowered to make decisions. Employees are seldom consulted before decisions are made or listened to when they have ideas or concerns. The leaders talk about the importance of people and treating people with respect but in reality they have created a work environment where looking out for your own self- interest and learning to play organizational politics is the norm. Considerable maneuvering goes on behind the scenes which undermines trust. Teamwork is preached but there is little visible teamwork at the top, within teams, or between teams. Open and candid communications is encouraged but there is clear evidence that it is safer to tell leaders what they want to hear and that being open and truthful is risky for fear of retribution or not being seen as a team player. Because of the way the leaders lead and the culture they have created, people do not have a common sense of purpose and direction. Cooperation and teamwork is minimal and people problems and conflicts abound. There is little trust that the organization is genuinely concerned about your welfare or will treat you right. Changes are primarily made by leaders at the top who are often out of touch with the realities of those who must carry them out or the impact of the changes on the culture.

Organization B has its strengths and does some things well but overall it is a frustrating place to work and a difficult place to get things done or changed. There is little confidence in the skills and decisions of the leaders and there is minimal trust and collaboration between employees and the various teams within the organization. Add to this the high pressure and stressful work environment where job security is always a concern and it isn't surprising that absenteeism and turnover are high and personnel problems, healthcare costs, and even legal problems have become serious issues. It costs to have unhealthy work cultures!

What kind of impact would the two cultures have on you personally? Which organization would you work best in or prefer to work for and which one is most likely to succeed? Is your organization moving more toward Culture A or Culture B? Culture does matter.

Understanding Organization Culture

Little had been written about organization culture until the 1980s when organization scholars began to stress the significant role culture plays in the success of organizations (see for example, Peters and Waterman, 1982; Deal and Kennedy, 1982; Schein, 1985). However, it has been more recent times when best-selling books and research on culture provided clear evidence of the influence culture has on the performance, behavior, and attitudes of employees (Kotter and Heskett (1992; Schein, 1992; Kozlowski, Chao, Smith, and Hedlund, 1993; Caldwell, 1994; Collins and Porras, 1994; Schein, 1999; Collins, 2001; Cameron and Quinn, 2006), and scholars began to provide research on how to change cultures (Jarnagin and Slocum, 2007; Schermerhorn, Hunt, and Osborn, 2010; Hellriegel and Slocum, 2011; Katzenbach, Steffen, and Kronley, 2012). There are also insightful articles available on how leaders changed cultures (Pyke, 2005; Tyrangiel, 2012).

Many definitions have been offered trying to define culture. Essentially culture can be defined as *the predominate beliefs, values, attitudes, behaviors, and practices that are characteristic of a group of people.* The word "group" was used by Schein in defining culture to refer to social units of all sizes (Schein, 1992) thus a group could include a country, private or public sector organization, team, family, or any other group of people, large or small.

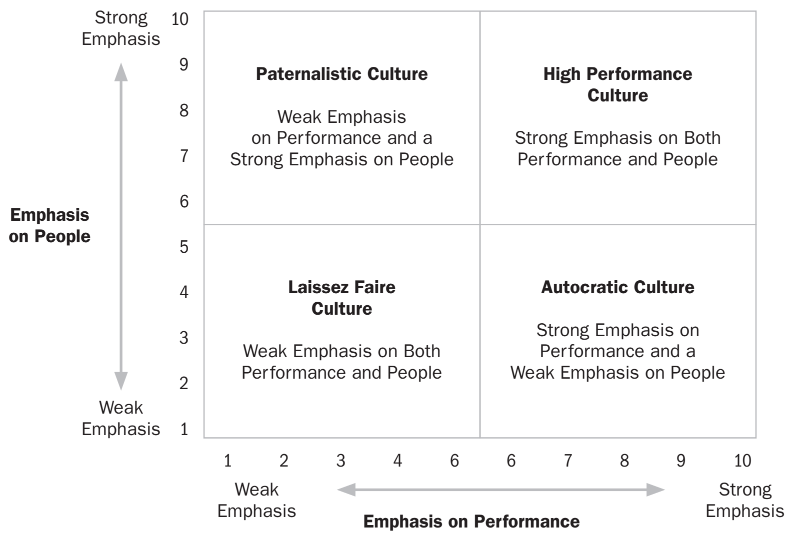
Culture can be a powerful force that drives good or bad, helpful or harmful, and wise or foolish behaviors. It can change people for the better or worse or some of both. *Leaders are the primary shapers of culture.* How they lead, how they treat people, the environments they create, the decisions they make, and their values and practices can become a primary driver of culture. *However, culture can also be significantly influenced by group members, influential persons outside a group, and by internal and external practices, circumstances and events.*

Snapshot View Of Culture

The model in ***Figure 1*** can be used as a simple and quick way to gain an understanding of the culture of a group by **considering the emphasis in the group on performance and people**. The emphasis on performance and people results in four major cultures: (1) an **Autocratic Culture** where a strong emphasis is placed on performance and a weak emphasis on people and the primary focus is on getting results with little interest in the welfare and ideas of members and in creating a quality work environment; (2) a **Laissez Faire Culture** where a weak emphasis is placed on performance and people, minimal direction is provided, and for the most part people do pretty much what they want; (3) a **Paternalistic Culture** where a strong emphasis is placed on people and a weak emphasis on performance and there is a warm and friendly work environment but minimal effort made to perform at a high level, address issues, and hold people accountable; and (4) a **High Performance Culture** where there is an emphasis on both performance and people and members are expected to strive for excellent results but are also treated with great value and respect. Most groups, depending on their size, will have a mixture of cultures (Schermerhorn, Hunt, Osborn, and Uhl-Bien, 2010). For example, there will be a **Dominant Culture** (the most pervasive culture) and numerous **Sub-Cultures** (cultures that differ from the dominant culture) some of which are **Compatible Cultures** (slightly different but compatible) and **Counter Cultures** (differ significantly from the dominant culture and clash against the dominant culture).

Insights into the dominant culture of a group such as a team, department, or whole organization can be developed in about 10 – 20 minutes depending on the number of group members present by having group members review the model in ***Figure 1*** and then place the first letter of the dominant culture of the group on a 3x5 card (**A** for Autocratic, **L** for Laissez Faire, **P** for Paternalistic, and **H** for High Performance). Have someone collect the cards and report how many there are for each culture and the % of each. Then if the group feels comfortable openly discussing the culture, have the group identify the characteristics and practices that best describe the group. I have used this exercise many times and in a number of cases have seen it motivate significant change in cultures. Leaders are seldom aware of the cultures they have created.

Figure 1: **SNAPSHOT VIEW OF CULTURE**



Instructions: *Organization Culture can be defined as the predominate beliefs, values, attitudes, behaviors, and practices that are characteristic of a group (nation, organization, team, family etc.).* Culture is observed through *artifacts* such as how leaders lead, the type of work environment an organization has, how people are treated, how decisions get made and how things get done, and even by the types of processes and structures used in an organization. *It is primarily shaped by leaders. Research on organization cultures indicates that culture has a significant influence on the performance, behavior, and morale of people and the success of groups of all types and sizes.* The model below portrays four organization cultures based on an emphasis a group places on **Performance and People**. Most organizations have a *Dominant Culture* (the most pervasive culture) and numerous *Sub-Cultures* (cultures that differ from the dominant culture) some of which are *Compatible Cultures* (slightly different but compatible), and *Counter Cultures* (differ significantly from the dominant culture). STUDY THE MODEL AND DESCRIPTIONS BELOW AND CHECK THE CULTURE THAT BEST REPRESENTS THE DOMINANT CULTURE OF THE GROUP YOU ARE EVALUATING. YOU CAN USE THE NUMBERS TO PLOT WHICH CULTURE IS MOST REPRESENTATIVE IF YOU CHOOSE. THEN TAKE A 3X5 CARD AND PRINT IN A LARGE LETTER THE FIRST LETTER OF THE CULTURE YOU CHECKED (**A**, **L**, **P** OR **H**). Have someone collect the cards and report how many are in each culture and the % of each.

1__AUTOCRATIC CULTURE. The organization places a strong emphasis on performance and a weak emphasis on people. The leaders are preoccupied with performance and push for greater and greater results while showing little regard for the concerns or needs of people. Decisions are made primarily at the top and employees do not feel empowered, valued, or free to communicate openly and be innovative without possible consequences.

2__LAISSEZ FAIRE CULTURE. The organization places a weak emphasis on performance and people. The leaders rarely lead, the goals of the organization are unclear, and minimal direction, guidance, and accountability is provided. There is little pressure for results, coordination, or cooperation and people work with considerable freedom but little purpose and eventually become frustrated with the lack of results or direction.

3__PATERNALISTIC CULTURE. The organization places a weak emphasis on performance and a strong emphasis on people. The leaders go out of their way to keep people happy and involve people but do little to push for results, hold people accountable, or address people issues. Problems are smoothed over to avoid possible conflict and the permissive environment results in some people taking advantage of the organization with few if any consequences.

4__HIGH PERFORMANCE CULTURE. The organization places a strong emphasis on performance and people. The leaders expect a high level of results but also genuinely care about the people and look for ways to fully utilize, empower, and develop the potential of their people. The work environment has a good balance between being very goal and results oriented and being a friendly and fun place to work where communications is open, innovation is encouraged, and teamwork and cooperation is a way of life.

Big Picture View Of Culture

The model in ***Figure 2*** goes into more detail about the many factors that influence and shape culture, the types of cultures they create, and the cultural outcomes that can be expected. By evaluating the **culture shapers, characteristics and outcomes**, a group is in a position to understand the present culture, its strengths, and the opportunities for improvement that will improve the desired outcomes that a healthy culture can produce. The model can also be helpful in making leaders more aware of culture and its impact and more vigilant in monitoring and managing culture. It is important in using this model to look for patterns and trends and not to overanalyze a culture and make culture analysis too complicated.

Figure 2: **BIG PICTURE VIEW OF CULTURE: CULTURE SHAPERS, CHARACTERISTICS AND OUTCOMES**

Culture Shapers	Culture Characteristics	Culture Outcomes
Leaders Group Traditions And Dynamics Valued And Devalued Behaviors Influential Members Other Influential People Internal And External Circumstances And Events Group Success	Beliefs Values Attitudes Behaviors Practices	Level Of Performance Quality Of Work Life Quality Of Processes Quality Of Work And Services Ability To Adapt And Change Reputation

Culture Shapers. *There are many factors that shape the culture of a group such as the group leader or leaders, group traditions and dynamics, valued and devalued behaviors, influential group members, influential people outside the group, internal and external circumstances and events that effect the group, and the level of success of a group.* Clearly, at the top of the list of culture shapers would be the **leader or leaders of a group**. Leaders can significantly influence groups by the emphasis they place on performance and people, their beliefs and values evident in their behavior, how they treat people and teams, how they make decisions and get things done, and the positive or negative, effective or ineffective environments they create. However, there are also other influences that help shape culture:

1. **Group traditions and dynamics** include past influences and present dynamics that are shaping the culture of a group. Traditions are good or bad practices that have become characteristic of a group over a period of time. They can be pluses that motivate effective group behaviors or minuses that motivate ineffective group behaviors and make making needed culture changes difficult. The dynamics of a group describe what goes on in a group in terms of how people relate and get things done.
2. **Valued and devalued behaviors** are also significant shapers of behavior. *You tend to get what you reward and deserve what you tolerate in groups.* People respond to behaviors, good or bad, that get rewarded and avoid behaviors that are ignored or not valued. Healthy cultures come from having the right behaviors valued and inappropriate behaviors addressed and hopefully changed. Unhealthy cultures develop from rewarding the wrong behaviors and tolerating inappropriate behaviors.

3. **Influential group members** can contribute to or subtract from the health of a group culture. One or more group members who are uplifting to be around and influence the group in positive ways can definitely improve the culture of a group. Unfortunately, one or more group members can also have a negative influence on the culture of a group and in fact can fairly quickly undermine healthy cultural characteristics that may have taken years to develop. The same is true of influential people outside the group. This could be, for example, a CEO or boss who influences many groups or even an **influential person outside the group** who may or may not be aware of a group but makes decisions that can impact the culture of a group.
4. **Internal and external circumstances and events** can play a key role in shaping culture. Internal circumstances and events could include such things as the structures, processes, systems, budgets, changes, and unique situations a group has to deal with and significant events such as budget cuts, the addition or subtraction of team players, and a merger with another company. External circumstances and events could include situations such as a recession, loss of business, major lawsuit, or some catastrophe that affects the group. It is difficult to minimize or manage the effects of some circumstances or events on culture. For example, if an organization does not pay competitive wages, this can be an on-going factor that wears on the culture.
5. The final major culture shaper is **group success.** Success is likely to unite and build pride in a group and make a culture stronger. Marginal success or failure has a tendency to divide a group and undermine positive cultural norms.

Culture Characteristics. *The culture of a group can be examined by evaluating the predominant behaviors, values, attitudes, behaviors, and practices characteristic of a group.*

Beliefs. Beliefs include the philosophies, assumptions, and thinking that guide a group. Beliefs can be developed by careful thought or can simply be implicit in the way groups are run and how they act. As with most of the cultural characteristics, they are primarily a reflection of well thought out or simply practiced beliefs of the group leader or leaders. Beliefs are important to identify because they drive behavior and yet they may or may not be well founded. A leader, for example, may believe in making most of the decisions himself or herself or involving group members in the decision making process or may believe in empowering people to get the job done or in practice may micro-manage people to assure things get done right.

Values are principles and standards of behavior that people live by and that determine what behaviors are OK or not OK and right or wrong. For example, the expectation in some groups may be that you operate with a high level of honesty, ethics, professionalism, morality, and respect for others and customers and other groups may not value these behaviors or may relax or evenrebel against them. Values are typically set by leaders but may be raised or compromised by group members. Another cultural characteristic of a group is the general attitude reflected by the group.

Attitudes describe the general state of mind of a person or group. Our attitude is a powerful force that affects our thinking, feelings, motivation, behavior, and perceptions. Some groups have a culture characterized by a positive, can-do, uplifting attitude that brings out the best in people and others have a negative, cynical, and distrusting attitude that demoralizes and demotivates people. Beliefs, values, and attitudes form the basis for the last two characteristics, behavior and practices.

Behaviors describe the ways in which one acts or conducts oneself. The culture of a group will tend to encourage or discourage certain behaviors among the group members. For example a healthy culture may encourage members to treat one another with respect, to engage in open and candid communications, to diligently pursue excellence, to work cooperatively together, and to look out for the best interest of group members. By contrast, an unhealthy culture may be characterized by group members treating one another in disrespectful ways, communicating in guarded and demeaning ways, doing enough to get by or less, doing things one's own way with little effort to be a team player, and looking out for one's own interest with little regard for the interests of others.

Practices are repeated ways of doing things that become characteristic of a group. They are similar to individual behaviors but are used to describe the behavioral patterns and actions of groups. They could describe, for example, how group members treat one another, how they do things, what they do, how they make decisions, how they resolve issues and how they treat others outside the group. Some groups become so cohesive and demanding of group members that they develop a "group think" mentality (the term group think was developed by Irving Janis, 1989) where they all think and act alike with little questioning or evaluating of group actions and decisions. In evaluating the culture characteristics of a group, ***Figure 3*** provides examples of healthy and unhealthy culture characteristics. *Keep in mind in considering these characteristics that different groups require different cultures depending on their mission and circumstances.*

Culture Outcomes. *Research on culture shows that culture can have a significant influence on the outcomes of a group such as group performance, quality of work life, quality of processes, quality of work and services, skills in adapting and changing, and the reputation of a group.* In understanding the important influence of culture on group outcomes, it should be kept in mind that there are also other influences on outcomes and that while healthy cultures increase the probability of improved outcomes there are always exceptions that can be found. For example, you may be able to drive up performance with fear and threats and a terrorist group may be highly motivated and united. However, for the most part healthy cultures are likely to improve desired outcomes and unhealthy cultures are likely to undermine desired outcomes. Some of the outcomes culture is likely to influence are:

Performance. Healthy cultures can significantly increase productivity, motivate people to perform at their best, encourage excellent individual and team efforts, and make it possible to get things done effectively and efficiency. Unhealthy cultures over the long run undermine performance, take longer to get things done, and create many costly side effects.

Quality Of Work Life. Culture is a major factor in the quality of life people experience at work. It can make work an uplifting, supportive, and motivating place to be that brings out the best in people and results in high morale and makes it possible to attract and retain top level talent or it can be a demoralizing and demotivating place to be that brings out the worst in people and results in many consequences such as high turnover, excessive personnel problems, and difficulty recruiting and retaining highly motivated people.

Quality Of Processes. Another advantage of healthy cultures is that they can improve how things get done which means things can get done faster, better, smarter and with fewer resources. Results and action oriented cultures characterized by clear goals and responsibilities, open and candid communications, the encouragement of innovative thinking, and an emphasis on teamwork and collaboration have a clear advantage over cultures where processes are not working well or may even be dysfunctional and result in wasted and inefficient efforts and resources and excessive time to get things done and make changes.

Quality Of Work And Services. You can tell a great deal about the culture of a group by the quality of work and commitment of the group members and the quality of the services they provide. Healthy cultures tend to create a strong commitment to excellence and to doing things right while the more unhealthy a culture is the more likely it is that group members will have a low commitment to excellence and to doing things right. Particularly telling is the level of service internally and externally in healthy verses unhealthy cultures. People who are treated well tend to treat others well and those who are not have far less of an incentive to treat others well and go out of their way to provide exceptional service.

Ability To Adapt And Change. In healthy cultures where leaders are trusted to make wise and fair decisions and people are valued, listened to, and involved in important decisions and changes, people are likely to adapt quickly to changing situations and are willing to make needed changes with minimal resistance. This provides a significant competitive advantage. Unhealthy cultures are slow to adapt and resistant to change as there is little trust and confidence in the leaders and their motives, little incentive to work cooperatively to get things done, and constant reminders that changes are typically mismanaged, rarely successful, and only mean doing more with less.

Reputation. Another important outcome of culture is that it tends to form a group reputation that paves the way or creates obstacles to getting things done and can attract or drive away present and potential members and customers. Reputation can be a major factor in the success or failure of a group and how group members and others perceive a group.

Figure 3: **EXAMPLES OF HEALTHY VERSES UNHEALTHY CHARACTERISTICS IN CULTURES**

Healthy Characteristics	Unhealthy Characteristics
Beliefs Success comes from having skilled, principled leaders who understand how to bring out the best in people, teams, and organizations, are good stewards of what they are responsible for, and can be trusted to do what is right, and from having motivated people committed to excellence The best results come from a clear sense of purpose, performing at a high level, and taking great care of your people, customers, and stakeholders You understand that you get what you are designed to get and what you reward so structuring a group right is a high priority	**Beliefs** Success comes from having leaders who know what is best for people, make most of the major decisions, do whatever it takes to reach their goals, drive people to do more and more with less and less, and from having people who do what they are told and don't question the leaders. The best results come from focusing on the numbers and the desired bottom line results and manipulating people for the purposes of the group. You organize and reorganize assuming that structure will solve most of your problems.
Values There is a strong emphasis on both people and performance and on building a quality place to work as well as getting excellent results Professionalism, treating everyone with respect, and doing what is right is expected in all relationships and dealings Teamwork at the top, within teams, and between teams is essential to our success Involving and engaging the appropriate people in the decision making process improves the quality of decisions and commitment to decisions	**Values** There is a strong emphasis on performance and weak emphasis on people and numbers and agendas matter more than people Do and say whatever is expedient to get the job done Individual effort is what is rewarded so while there is talk of the importance of teamwork it is rarely recognized or valued. Leaders make most of the decisions and expect others to carry them out
Attitudes There is a strong commitment and loyalty to the group Morale is high and people tend to be positive and upbeat People take a positive, constructive approach to doing things, solving problems, and resolving issues The attitudes of people in the group make the group an uplifting place to be	**Attitudes** Loyalty is minimal and there is little confidence that you will be treated right Morale is low and people tend to be negative and cynical A suspicious, untrusting, negative approach tends to be taken to getting things done, solving problems, and resolving issues The attitudes in the group tend to pull people down rather than lift people up
Behaviors Leaders are visible, approachable, results oriented, and in touch with the realities of the group and provide a clear sense of purpose and direction and set an uplifting example for others to follow Members are motivated, productive , have excellent attitudes, and work well together in achieving the desired results Teamwork, collaboration, and cooperation is a way of life The group excels at performing at a high level, producing quality work and services, and adapting quickly to needed change	**Behaviors** Leaders tend not to be very visible, approachable, in touch with the realities of the organization, or open to feedback and do little to provide a sense of purpose or direction or set an example others would want to follow Members tend to be frustrated, demotivated, stressed, and underutilized and often have negative attitudes and do not work all that well together Teamwork, collaboration, and cooperation is seldom the norm The group operates below its potential, resists change, and is capable of producing much better quality work and services
Practices Efforts are made to train, develop, fully utilize, and engage people, treat them with value and respect, and recognize people for performing well The group excels at teamwork at the top, within teams, and between teams The group encourages continuous improvements, innovative thinking, and is quick to make needed changes and adapt to changing situations The group is action and results oriented while genuinely caring about people	**Practices** Little effort is made to train, develop, and fully utilize and engage people, treat them with value and respect, and recognize achievements Minimal teamwork and collaboration exists at any level of the organization Opportunities to make improvements are seldom provided, innovative thinking is not valued, and changes are slow and mismanaged The group is activities and busy work oriented with little concern for people

Guidelines For Building And Changing Cultures

Culture typically takes time to build but unfortunately can be torn down rather quickly. A new leader, the merger of one culture with another, or some significant event that impacts the culture of a group can cause rapid change in a culture. Fortunately, now that culture is becoming increasingly recognized as an important factor in member performance, morale, and attitudes, more effort and research is being invested in learning how to successfully build and change cultures. Here are nine guidelines for building and changing cultures:

1. **Encourage The Leaders To Identify, Practice, Utilize, And Reinforce The Cultural Ideals.** Since leaders are the primary shapers of culture, it is very important to educate them on the importance of culture and how they influence it. To build culture by design and not by default, leaders need to agree on the cultural ideals that are best aligned with the organization vision, mission, core values, and strategy for success. Then they need to set an example for behaviors consistent with the cultural ideals, consider the cultural ideals in making significant decisions and changes, and be alert to look for opportunities to reinforce the culture.
2. **Appoint A Culture Team.** Given the important part culture plays in the success and future of a group, it can be helpful to appoint a cross-functional and cross-level Culture Team (Warrick, 2002). Ideally, the team should include at least one member of the Senior Leadership Team. Possible roles for the Culture Team would be to:
   (1) Monitor the culture throughout the organization and keep the Senior Leadership Team informed about the culture and any significant changes
   (2) Advise the Senior Leadership Team on ways to build, reinforce, and make changes to the culture.
   (3) Become students of organization culture and help implement ways to strengthen the culture
   (4) Become champions of the remaining guidelines
3. **Develop A Clear Understanding Of The Present Culture.** It is important to understand the present culture so the strengths can be reinforced and the weaknesses and inconsistencies with the cultural ideals can be changed. There are many ways to evaluate culture. For example, you can use standardized questionnaires (see for example Cameron and Quinn, 2011), create questionnaires to fit the cultural ideals, interview a cross-section of people, interview a cross-section

of focus groups, or use representative people to talk about the present culture preferably using a model such as the ones presented in Figures 1 and 2 to provide a framework for the discussion. In groups such as companies with a number of departments, it may be helpful to evaluate the overall dominant culture of the company as well as the culture of each Department.

4. **Take A Positive Approach To Culture Change.** Recognize and value the strengths of the present culture and identify and plan ways to improve upon weaknesses but don't dwell on the weaknesses. Gathering data that identifies strengths and opportunities for improvement (weaknesses, new and better ways of doing things etc.) can be a significant motivator for change but trying to motivate change by downplaying what is being done well and focusing on weaknesses is not an effective way to change. .
5. **Educate, Involve And Engage Members In Culture Awareness And Change.** Flashy campaigns and programs used to promote cultural change are usually not that successful as they may be seen as the latest organization change or gimmick that isn't likely to last or they may raise unreasonable expectations that cannot be met. It is, however, helpful to educate group members on the cultural ideals and involve them and engage them in making needed changes. It can also be helpful to use important initiatives such as a significant change in strategy, reorganizations, mergers, or the accomplishment of a major objective to make needed cultural change part of achieving the initiative. For example, departments in a company that normally operate in silos looking out primarily for the interests of their own department many need to learn to become more collaborative in working with other departments to successfully accomplish an initiative.
6. **Focus On A Few Important Changes At A Time.** Trying to change numerous cultural changes at the same time or make changes too quickly is rarely successful unless there is a strong incentive for quick change. It is best to focus on a few critical shifts in behavior and ways of doing things.
7. **Recruit, Orient And Train To Sustain The Culture.** Knowing the kind of culture you are trying to build can serve as an excellent recruiting advantage and also makes it possible to recruit people who are a fit with the culture. Having an unhealthy culture makes it difficult to attract and retain high performers and even for healthy cultures,

not understanding and recruiting for the culture can result in adding the wrong people to a culture and can change a culture for the worse, especially when they are at high levels. In building and sustaining healthy cultures, it is also important to have an excellent orientation program that prepares people for the culture and to provide training for all employees on the importance of culture and what builds and sustains healthy cultures.

8. **Continue To Monitor And Build The Culture.** When cultures are not monitored and building desirable cultures is left to chance, undesirable changes can occur with little notice until it is too late or difficult to change. It is important to monitor culture and become skilled at building culture. In doing so, however, it is also important to find the right balance between doing too little and too much to pay attention to culture. Keep the process simple, flexible, value added, and interesting without getting overly analytic and time consuming. It should be noted that one of the best ways to monitor culture is to develop or use an existing culture questionnaire that is administered at least once a year so changes for the better or worse can be quickly detected and managed.

Conclusion

Yes, culture does matter! It can clearly impact behavior, performance, and morale and is a major factor in the success or failure of groups of all types and sizes. It is very important for groups to pay attention to culture and understand how to build and change culture so they can reap the many benefits to groups and their members that healthy cultures can produce and avoid the many consequences of unhealthy cultures. It is my great desire that this introduction and the cases in this book will motivate you and prepare you to be a culture champion committed to doing whatever you can to help build healthy cultures of excellence in the groups you are involved in.

References

Caldwell (1994). Missteps, Miscues. *Information Week*, June 20, 1994. Culture the main reason for change failures.

Cameron, Kim S. and Quinn, Robert E. (2011). *Diagnosing and changing organizational culture.* San Francisco: Jossey-Bass.

Collins, Jim and Porras Jerry I. (1994). *Built to last: Successful habits of visionary companies.* New York: Harper Business. Cult like cultures.

Collins, Jim (2001). *Good to great.* New York: Harper Collins, pp. 120-143. A culture of discipline.

Deal, Terrence E. and Kennedy, Allan A. (1982). *Corporate cultures: The rites and rituals of corporate life.* Reading Massachusetts: Addison-Wesley. Foundational book on culture. Definitions.

Gross, Tracy, Pascale, Richard, and Athos, Tony (1993). The reinvention roller coaster: Risking the present for a powerful future. *Harvard Business Review,* Nov.-Dec., pp. 97-107.

Hellriegel, Don and Slocum, John W. Jr. (2011). *Organizational behavior.* Mason, Ohio: South-Western, pp. 478-498. Definitions, changing, sustaining, etc.

Janis, I.L. (1982). *Groupthink: Psychological studies of policy decisions and fiascoes*, 2nd edition. Boston: Houghton Mifflin.

Jarnagin, Chip and Slocum, John W. Jr. (2007). Creating corporate cultures through mythopoetic leadership. *Organizational Dynamics*, Vol. 36, No. 3, pp. 288-302. Examples, why culture matters, behavior determined by culture, impact of culture, definitions, how to shape culture.

Katzenbach, Jon R., Steffen, Ilona, and Kronley, Caroline (2012). Cultural change that sticks. *Harvard Business Review,* July-August, pp 111-117. Culture change, positive change, internal exemplars.

Kotter, John and Heskett, James K. (1992). *Corporate culture and performance.* New York: Free Press. Culture the main reason for change failures.

Kozlowski, Steve W.J., Chao, Georgia T., Smith, Elanor M., and Hedlund, Jennifer (1993). Organizational downsizing: Strategies, interventions, and research implications. *International review of industrial and organizational psychology,* 8, 263-332. Effects of culture on employee morale, commitment, productivity, physical health, emotional well-being).

Peters, Thomas J. and Waterman, Robert H. (1982). *In search of excellence.* New York: Harper Collins. Quote on page 75.

Pyke, Steve (2005). The Immelt revolution. *BusinessWeek,* March 28, pp. 64-72.

Schein, Edgar H. (1985). *Organizational culture and leadership.* San Francisco: Jossey-Bass.

Schein, Edgar H. (1992). *Organizational culture and leadership, 2nd edition*. San Francisco: Jossey-Bass, p. 8. Defines the term “group” to refer to social units of all sizes, including organizations and subunits of organizations except where it is necessary to distinguish type of social unit because of subgroups that exist within larger groups.

Schein, Edgar H. (1999). *The Corporate culture survival guide.* San Francisco: Jossey-Bass.

Schermerhorn, John R., Hunt, James G., Osborn, Richard N., and Uhl-Bien, Mary (2010). *Organizational behavior.* Hoboken New Jersey: John Wiley & Sons, pp. 366-383. Cultures, subcultures, countercultures.

Tyrangiel, Josh (2012). Tim Cook’s freshman year. *Bloomberg BusinessWeek*, Dec. 10-Dec. 16, pp. 63-76.

Warrick, D.D. (2002). The illusion of doing well while the organization is regressing. *Organization development journal*, Vol. 20, 1.

CHAPTER TWO

1

Victorinox: 125 Years in The Cutting Edge

Pablo Cardona & Yih-teen Lee

Case

The case starts by describing the origin of the company through the mission and values of its founder, Mr. Karl Elsener. The case also shows how the culture that these mission and values helped create has been consistently applied over the last 125 years, despite fluctuations in business cycles, and despite wars and crises, including the loss of 30% of the knife business after the 9/11 ban to sell knives at airports. In the last years, under the leadership of the current owner and CEO (Carl Elsener Jr.), the company has developed a set of HR policies that are aligned with these fundamental mission and values. The company has diversified itself into various products lines (such as watches and luggage), and at the same time has acquired several companies in Switzerland and abroad. Now in 2009 the CEO Carl Elsener Jr. faces new challenges in leading the company to preserve the culture in the new competitive context and to extend this culture to the new companies that have been acquired.

Introduction – A Brief History of the Company

In 1884, 24 year-old Karl Elsener, opened his first cutlery workshop in the village of Ibach, in the Canton of Schwyz, Switzerland, with the objective to create jobs for the village. In 1891, he delivered soldier's knives to the Swiss Army for the first time. After subsequent innovations and improvements, he patented the model which became very well known all over the world as the "Original Swiss Army Knife" in 1897 (see Appendix 1). The worldwide success of the Swiss Army Knife started in the mid 1940s when it became a hit in the US Army stores.

In 1979, the old shop "Messerfabrik Carl Elsener" became the current family-owned Victorinox AG. The owner family didn't take any dividends from the company. Instead, that money was reinvested and managed by the Victorinox Foundation. Besides ownership, several members of the family were involved in the management. Family roots, however, didn't guarantee any privileges at work. For example, the office of the CEO was very simple and easily accessible for every employee.

In 1984, on its 100th anniversary, Victorinox doubled the size of its plant and office space, employed 810 people, and generated more than 80 million CHF of revenue. In 1989, through its US distribution partner Swiss Army Brands Inc, Victorinox entered the watch business. In 1992 the company created its first foreign sales subsidiary in Japan. Further subsidiaries followed in subsequent years: Brazil, Chile, Hong Kong, India, Mexico, Poland, USA, and Vietnam. In 1999, the company entered the travel gear market and issued a manufacturing and sales license to the North American company TRG Group. In 2001, through its own subsidiary, Victorinox launched a fashion line in the US.

In 2000, the Victorinox Foundation was established with the objective of keeping the company financially independent over the long-term and thus securing jobs in the best possible way as well as preserving the company culture and its philosophy. The foundation kept 75% of shares in Victorinox AG and was responsible for electing the company board. A further 15% of shares were held by the charitable Carl and Elise Elsener-Gut Foundation, and the remaining 10% was kept by family members.

After the New York terrorists attack in September 2001, new security regulations were introduced all around the world and it was no longer allowed to carry pocket knives on board. Those regulations had immediate effect on Victorinox, since sales of pocket tools at the airports and in the airplanes dropped to zero. Furthermore, a decline in sales in another important channel – corporate market, has followed because pocket tools became no longer preferable as corporate souvenirs due to such security restrictions. Within few months, the sales of Victorinox pocket tools dropped 30% and have never risen to the pre-911 level again.

As a response to that drastic decline of sales, Victorinox had to adopt several measures in order to avoid laying off employees. First, the company stopped hiring, canceled overtime work, and reduced the shift by fifteen minutes. Employees were encouraged to take vacation, both accumulated and in advance. Most notably, top managers of Victorinox visited other companies in the Ibach region to explain the situation and lent 80 workers to them for temporary work of up to six months. In the meantime, they accelerated investments in new products and markets in order to decrease the strong dependence on a particular product and sales channel.

In order to establish a high-quality brand around the world, Victorinox founded its own exclusive retail organization for selected products. This organization included brand stores in prime locations in New York (opened in 2001), Tokyo and Paris as well as a flagship stores in London (2008) and Geneva (2009). In addition to those stores, Victorinox global retail was supported by a large number of shop-in-shop retail locations.

In 2008, after more than 100 years of exclusive cooperation with Victorinox, the Swiss Armed Forces started a bidding process for 75000 new soldier's knives. Seven invited tenderers came from all over the world and after the field and laboratory tests, the model with the best price/performance ratio was selected. It was a new knife from… Victorinox. Elsener commented:

> *That bidding process was a special inducement for us and our employees. With a fighting spirit and a clear objective of retaining that order, we got down to work. Consequently, there was a great deal of satisfaction and joy when we were able to sign a new contract with the Swiss Armed Forces.*

Philosophy, Mission and HR Policies

In its long history, Victorinox survived several bigger or smaller crises caused by unfavorable external events, like a sharp decrease in orders from the main customer, the Swiss Army, after the First World War; or the lower overall turnover during the Great Depression; and, more recently, the 30% decline in the pocket tools sales as a result of the restrictions for the airplane hand luggage introduced after the terrorist attacks in 2001. During these, the company had been growing steadily (see Appendix 2). Moreover, regardless of those crises, Victorinox always stuck to its credo and core philosophy, introduced by its founder. Carl Elsener explained the two pillars of that philosophy:

Long-term job stability policy:

> *My great-grandfather opened his business with the primary objective of providing jobs and preserving them in the long-run. We really stuck to this goal, and for the past 80 years we didn't dismiss any single employee due to the economic reasons.*

Long-term financial independence:

> *We learnt from Henry Ford who maintained that you should be independent as much as possible from the banks, because they would support you in the sunshine, but they would take the umbrella away if it started to rain. We always kept that in mind and grew organically, avoiding external debt as much as possible*

To support that philosophy, countercyclical operational tactics were used in the company. On the one hand, during boom times they kept low inventory and didn't spend much on advertising, promotion, and innovation in order to conserve cash; however, they worked overtime to cover the increased demand. On the other hand, during recession time, they canceled overtime but built inventory, and spent accrued savings for additional advertising, promotion and R&D.

In the late 1980s, it was clear to the top management that those measures were not enough in the changing business environment. The company started to underline the importance of the Victorinox brand, which stands for high quality and functionality, as well as for reliance and confidence. Such notion was incorporated into the company's mission statement:

> *Our effort to provide consumers around the world with functional and practical high-quality products at affordable prices gives our lives deeper meaning and adds joy and satisfaction to our work.*

In the early 1990s, Victorinox formalized a staff strategy for the Swiss offices and factories, which was built on the three pillars:

- **Integration policy** for:
  - young people (as of 2009, 5% of the staff were apprentices and trainees in four different professions);
  - handicap people (7% of the workforce, out of which 70% is not supported by the state);
  - people from other countries through social events with employees from both HQ and subsidiaries;
  - retired people through preparation workshops, excursions and year-end event;
  - new staff through an intense on-boarding process.
- **Long-term employability through:**
  - education and advanced training for all employees during their tenure at the company;
  - after hours German and English language courses designed for immigrant workers but opened for all, individual support in other languages;
  - health management program (since 2002), including enhanced ergonomics at work and other concepts which helped to reduce absences from 55 thousand hours to 28 thousand in seven years.

- **Equal opportunity through:**
  - policy of the same wage for the same job, regardless of an employee's gender;
  - ratio between the highest and average worker salary of 5:1[1]; blue collar workers were paid 10% higher than the industry average (excluding bonus), middle managers were paid the industry average, while top management had salaries lower than the industry average;
  - profit sharing program since 1948, for all employees from apprentice to the top management, in the form of bonus of up to 3 monthly salary;
  - Promotion politics: internal candidates were preferred if they had the same qualifications as an external one;
  - Participation policy: internal trade union since 1958; for more than 80 years no dismissals due to economic reasons; short-time work avoided as much as possible, even though it was allowed by the Swiss law for up to 18 months;
  - Pension fund since 1934, much earlier than legally enforced in 1975;
  - Social politics: family and children allowances, paternity leave for up to 10 days, break from noon to 1:15 pm designed for lunch at home.

The above policies were communicated by the department heads to all employees. In the case of the bonus system, the top management was proud that employees understood it very well and trusted it. As a matter of fact, only few workers complained or questioned their bonus each year.

Victorinox also developed eleven management instruments in order to:

- decrease high employee turnover of 15%,
- introduce personal reviews, including 360° feedback
- create qualification and knowledge database
- implement the concept of individual development, especially soft and management skills, using personality types.

They organized regular leadership programs which aimed to help the deployment of those management instruments. Such programs were scheduled usually for a few months and consisted of several workshops and follow-up sessions with top and middle managers, and subsequently with other employees.

1 1 The ratio between the highest and average worker salary for US corporations was 275:1 in 2007, and around half of it for European companies (from Lawrence Mishel's study The State of Working America 2008/2009). In the US, this ratio increased from 25:1 in 1965, through 90:1 in 1990, achieving record value of 300:1 in 2001.

Also, the company set up a program of corporate ethics, as a moral platform that everybody could identify with and relate in his or her daily work. The objective of the corporate ethics was to create an ethical consensus that would in return offer a moral comfort to all the employees, to strengthen the team spirit and increase the productivity as well as to help in creating company guidelines. Such a moral platform included the following values:

• Trustworthiness • Respect • Solidarity • Helpfulness • Loyalty • Serenity • Fairness • Role Model	• Appreciation • Tolerance • Charity • Honesty • Fidelity • Simplicity • Responsibility • Motivation

All the above values had influence over the corporate mindset and policies. As an example, environmental responsibility was taken seriously at the headquarters: the warmth generated in the production plant was used to heat almost the entire facility as well as 120 further apartments in the village through a heating distribution network. The company had also a comprehensive recycling and waste utilization solution for liquids and solid materials, reusing 600 tons of metal shavings sludge. In 2007, Victorinox launched the “Green Shield” program, which encompassed a series of technical and process-related initiatives for improving the ecological balance. In a professional assessment conducted by the University of St. Gallen in 2008, Victorinox was placed among the top five organizations in Switzerland with the highest ethical standards. Moreover, in 2009, Victorinox received the Swiss Fairness Prize for its *fair, independent and forward-looking model of human resources managemen*t.

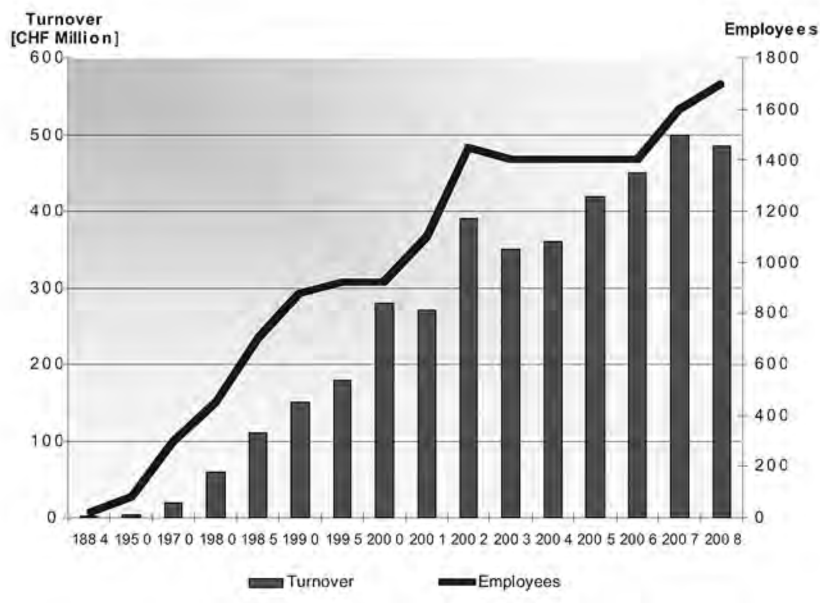
At the end of the summer of 2009, with 125 years of experience and a unique set of values, Victorinox seemed to be well prepared to survive the current economic crisis. However, 51 year-old Carl Elsener Jr., the CEO of the company, was wondering whether the measures taken so far to fight back the crisis would work, taking into account that the current crisis was much deeper and wider than the previous ones. In addition, Victorinox made its first substantial acquisitions in the past few years and was still in the integration phase. In this regard, Elsener was also wondering whether and how the culture of Victorinox should change in the new global context and how could it be transplanted to those acquired businesses.

Exhibit 1: **ORIGINAL SWISS ARMY KNIFE**

The Swiss "Officer's Knife" from 1897

Swiss Army Knife 2008

Exhibit 2: **COMPANY GROWTH**



Discussion

What is special about the culture of Victorinox?

What are the strengths and weaknesses of such culture?

How did Victorinox create its culture?

What is the role of leadership in the process?

Key Lessons

The role of responsible leadership in creating a culture with exceptional employee commitment.

The value of having committed workers who understand and share the company mission is the goal of many businesses.

The power of consistency (1) between words and deeds, and (2) at both good times and bad times in creating exceptional employee commitment.

Creating competent culture by dual focus on both people and results.

BIOGRAPHY

Yih-teen Lee is assistant professor at IESE Business School, University of Navarra (Spain). He obtained his Ph.D. from HEC, University of Lausanne (Switzerland). His teaching activities cover courses such as leadership, cross-cultural management, and human resource management in MBA as well as executive programs. He has offered executive training to Banco Santander, Nestle, ENEL, Schneider Electric, among others. His research topics include person-environment fit and its possible variation in different cultural contexts, intercultural competences and cultural intelligence, multiple cultural identities, and leading multicultural teams. His article on culture and person-environment fit has won the Best International Paper Award of the OB Division of Academy of Management 2006 Annual Meeting (which is also one of three finalists for the academy-wide Carolyn Dexter Award). His papers appear in scientific journals such as Personality and Individual Differences, and International Journal of Cross-Cultural Management. His current research involves understanding the joint effect of multiple cultural identities on individual attitudes and behaviors (e.g., performance and leadership emergence) in multicultural teams. He is co-editor of books on cultural competences (Harmattan, 2007), and another on the cultural context of human resource development (Palgrave, 2009). He was the convener of the sub-themes related to cultural competence for the European Group for Organizational Studies (EGOS) in 2008 (Amsterdam) and 2009 (Barcelona).

Yih-teen Lee
IESE Business School Avenida Pearson 21, 08034 Barcelona, Spain
Tel. +34 93 25 3 4200
Email: YLee@iese.edu

BIOGRAPHY

Professor Pablo Cardona has been teaching Leadership at IESE Business School since 1997. He is a full professor since 2008. From 2008 to 2010 he served as Department Head of the Managing People in Organizations Department at IESE. He has been teaching at UCLA in the US, and in several business schools in Latin America, Central Europe, Africa, and China. From 1997, professor Cardona has designed, directed, and taught in numerous open enrollment and custom programs in several countries for companies such as Oracle, Abbott, Siemens, Nestle, or Roche. The topics of his lessons cover the main leadership areas, from competency development and high-performance teams, to building mission-based organizational cultures. In 2007, professor Cardona started a collaborative research network (Cross-cultural Management Network) that includes business school professors from 25 countries. Among other projects, the network is working on a book on how trust is developed between managers and subordinates in different cultures. Other research interests include High Performance Teams, Proactive Behavior, and Cross-cultural Intelligence. Professor Cardona has published in leading academic journals, including *Strategic Management Journal, International Journal of Manpower, Group & Organization Management, Leadership & Organization Development, and Motivation & Emotion.* He has received three awards from the Academy of Management (1999, 2003, and 2008). He has edited and collaborated in several research books such as *Trust Development in Hierarchical Organizations:*

BIOGRAPHY

A cross-cultural review and *Handbook of Chinese Organizational Behavior.* His research has also been published in practitioner journals such as *PKU Business Review* or *Harvard-Deusto Business Review*. He has written several practitioner books on Leadership and Management, such as *How to develop Leadership Competencies, Growing as a Leader,* and *Management by Missions.* Professor Cardona has consulted with organizations such as Sony, Danone, Volkswagen-Audi, and Camper. He has founded various companies including an on-line market place and a musical production company. He has also served in several boards for non-for-profit organizations in the educational sector.

Pablo Cardona

IESE Business School, Avenida Pearson 21,
08034 Barcelona, Spain
Tel. +34 93 253 4200
Email: PCardona@iese.edu

2

How Zappos Built A Zany, High Performance Culture

D.D. Warrick, John Milliman & Jeffery Ferguson

Case

Imagine working in a work environment where the CEO strongly believes that if you get the culture right and focus on promoting employee happiness and exceptional customer service, most everything else will fall into place (Hsieh, 2010A). Imagine also that the work environment is a zany place where employees are recruited and trained for the culture, there is a sense of family, friends, and community at work, there is a relaxed work environment with free lunch, snacks, and ice cream and occasional parades and other forms of celebrations, employees are empowered to make creative decisions and to "wow" customers by going the extra mile, and employees from top to bottom are encouraged to have fun, work hard, and support one another. This might all sound rather far-fetched and interesting but not practical except that Zappos has grown at an exceptional rate shipping over $1 billion in merchandise annually, employee turnover has been at about 7% in an industry where turnover averages over 150%, 75% of orders are from repeat customers (Hsieh, 2010A), Fortune Magazine ranked Zappos in the 100 Best Companies to Work For (Fortune, 2009 – 2014), and Zappos has over 100 applications for every open position. This case is about how Zappos built and is committed to sustaining its unique culture and the advantages, disadvantages, and challenges of having a strong culture. The case also illustrates that building and changing culture requires far more than talk. It takes multiple efforts that fit together to create and sustain the desired culture.

The Importance Of Culture

Culture, like air, affects almost everything in it and yet you can't see it and it isn't as tangible as numbers so leaders often pay little attention to just how important it is. It basically describes the environment we are functioning

Note: Some of the information for this case came from a grant awarded to Dr. John Milliman & Dr. Jeff Ferguson to study and visit Zappos.

in and the influence it has on us. There are many factors that shape culture whether we are describing the culture of a country, organization, department, team, sports, group, or family. However, the primary shapers are formal and informal leaders and in particular, the top level leader of a group. Culture is becoming an increasingly important part of understanding the functioning and success of a group because it is well documented that culture can have a significant influence on performance, morale, behavior, attitudes, and the quality of life that people experience (Kotter and Heskett, 1992; Schein, 1999; Ghobadian and O'Regan, 2002; Kee, 2003; Kozlowski, Chao, Smith, and Hedlund, 1993; Collins and Porras, 1994; Collins, 2001; Cameron and Quinn, 2006).

The Zappos Story

Nick Swinmurn, a 26 year old marketing manager for an online car-buying service, was not able to find the shoes he wanted at retail shoe stores or on the internet and out of frustration started Shoesite.com in the San Francisco Bay area in 1998. The basic idea was to have a website where customers could see many brands of shoes from different companies who in turn would mail the shoes to customers.

Swinmurn later changed the company's name to Zappos.com, reportedly because it was similar to zapatos, the Spanish word for shoes.

In 1999, Tony Hsieh and Alfred Lin loaned money to Zappos.com from their venture capital firm (Venture Frogs). Hsieh and Lin first met as students at Harvard University and later created their own

Internet based advertising business (LinkExchange). However, Hsieh later found that the business wasn't very stimulating and observed that if he didn't find himself being excited about coming to work that he couldn't expect his employees to be excited about work either. This realization led to two key decisions and a turning point in Hsieh's life. First, in 1998, at the ages of 24 and 25 respectively, Hsieh and Lin sold LinkExchange to Microsoft for $265 million (Frei, Ely, & Winig, 2011). Second, Hsieh resolved that being stimulated and interested in his work would always be a priority for himself and for his future employees.

In 2000, after seeing the considerable potential in the Zappos, Tony Hsieh started working for Zappos and in 2001 became co-CEO with Swinmurn with Lin joining shortly afterwards. At this time, Zappos was doing around $8 million dollars a year in sales. As a co-CEO and later the CEO of Zappos, Tony Hsieh began to build the company around his philosophy of developing a culture that promoted employee happiness and exceptional customer service. He began to offer other products such as handbags, built a warehouse in Kentucky to house much of the Zappos inventory to control the speed and accuracy of product delivery, and began to build a culture with at least five major drivers that reinforced the desired culture:

1. Leaders committed to promoting the Zappos culture
2. Important and practiced core values that form the basis for the culture
3. Attracting and preparing the right employees to work at Zappos and embrace the culture
4. Differentiating Zappos from other companies through exceptional customer service
5. Specific Management and HR practices designed to promote the culture

The Zappos philosophy shows how building a culture that focuses on people, customers, and performance can produce enviable results. By 2008, seven years after Hsieh began implementing his ideas, Zappos was doing $1.2 Billion in sales. As reported above in the Case Focus, Zappos was also named one of the top 100 companies to work for by Fortune Magazine (Fortune, 2009 – 2014), had an employee turnover rate of 7% in an industry that averaged over 150% in turnover, and had 75% of its orders from repeat customers. Details of the Zappos philosophy are reported in a book written by Tony Hsieh in 2010 titled **Delivering Happiness: A Path to Profits, Passion, and Purpose** (Hsieh, 2010A). The remainder of the case will address the five drivers used to build the Zappos culture and the challenges Zappos has faced in sustaining its culture with events that have occurred since 2008.

Leaders Committed To Promoting The Zappos Culture

At the core of the philosophy Hsieh used to lead and shape the leadership of Zappos was the belief that getting culture right is the key to driving everything else and that happiness and profits work together for the best results. He also believes in developing carefully crafted core values, frequently communicating them in a variety of ways, empowering employees to make decisions and be creative in how they approach their jobs, in the importance of open communications and listening to employees, and in involving employees in the decision making process and in making changes. He believes that employees should be closely connected to customers and that those employees working directly with customers or that are closest to a situation at work are in the best position to suggest new ideas and make decisions. Recently, he has begun implementing a new management system called Holacracy (Ferguson et al., 2013) which is designed to decrease the authority of managers and to further empower employees to provide ideas, viewpoints, and concerns. Extensive training is provided to leaders on all of these ideas.

Important And Practiced Core Values that form the basis for the Culture

To promote an empowered, engaged, and effective workforce, Zappos has developed a set of core values that form the basis for its organizational culture. The core values are not just posted on the wall. They are communicated, discussed, and used in a variety of ways and are an important part of the decision making process. The core values were developed and revised over a number of years until the list shown in **Figure 1** (Ferguson et al., 2013; Frei et al., 2011) was settled on in 2010. The most critical and exemplary of the core values that provides a framework for the others is the first one, Deliver WOW through service. To WOW is to differentiate yourself, do something above and beyond what is expected, and do things in an unconventional and innovative way. Another core value that sets Zappos apart from other companies, is value 3, Create fun and a little weirdness. The purpose of this value is twofold: (1) to encourage employees to bring their own unique personality to work; and (2) to create a positive and unconventional environment for employees to enjoy their work and in turn provide that spirit to customers. Zappos does indeed have a zany culture. There is free ice cream, snacks, and lunch, employees are encouraged to decorate their work stations in creative ways, celebration parades are not uncommon, and numerous things are done to have fun.

Figure 1

	Figure 1 Zappos 10 Core Organizational Values
1	Deliver WOW through service
2	Embrace and drive change
3	Create fun and a little weirdness
4	Be adventurous, creative, and open-minded
5	Pursue growth and learning
6	Build open and honest relationships with communication
7	Build a positive team and family spirit
8	Do more with less
9	Be passionate and determined
10	Be humble

Attracting And Preparing Employees To Work At Zappos And Embrace The Culture

One of the many advantages of building an organization that is well known for its culture and for being a great place to work is that the organization is able to attract and retain the best of employees. Zappos receives an extremely large number of applicants for job openings which makes it possible to select the best of the best.

Figure 2

	Figure 2 Attracting and Preparing Employees to Work at Zappos
HR Practice	Examples of specific Zappos.com HR Practices
Recruitment	Because of its reputation the company typically receives an extremely large number of applicants for open job positions. For instance, applicants for Call Center job openings are typically capped at 200 applicants which often occurs within a few hours of the job posting.
Selection of Employees	Candidates are carefully assessed for their work history and interviews with multiple recruiters for both job fit and fit to all 10 core company values. The interviewers include HR, the Department manager, and coworkers (who often have the final say in hiring decisions). Job candidates who are highly talented, but are not a good culture fit are not selected.
Training New Employees	All employees (regardless of position) go through an intensive 4 week orientation on the Zappos culture, take trainings on customer service, and work in the call center for 2 weeks. New employees are offered $3,000 (including also their hourly wage earned while in training) to leave Zappos.com if they feel the company is not a good fit.

(Ferguson et al., 2013; Frei et al., 2011; Hsieh, 2010A) shows what Zappos does to recruit, select, and train new employees with an emphasis on being a good fit with the culture. The selection process is quite rigorous and once selected the training to prepare employees to work at Zappos and embrace its culture is very extensive.

Differentiating Zappos From Other Companies Through Exceptional Customer Service

Figure 3 (Hsieh, 2010 B) illustrates Zappos's 7 keys to exceptional customer service at Zappos. Zappos is committed to providing the very best customer service and experience. A strong emphasis is placed on creating personal contact with customers, taking as much time as needed with customers, and making it easy for customers to contact Zappos and do business with Zappos through its 24/7 call center and easy to follow web site and ordering process. The average wait time for a caller is 20 seconds and callers get to speak to a real person rather than being forced to navigate their way through impersonal, computer generated menus. There are many legendary customer service stories told at Zappos. One call center representative spent over 10 hours on a single phone call with a customer. Call center representatives do not have scripts or call time limits. They are encouraged to be creative in pleasing customers and it is not uncommon for representatives to send thank you notes, birthday cards, or flowers or do other meaningful and creative things to serve customers and create customer loyalty.

Figure 3

	7 Keys to Exceptional Customer Service at Zappos
1	Make customer service a priority for the whole company, not just a department
2	Empower Customer Service Reps so rarely should they have to escalate a customer issue to a supervisor
3	Fire customers who are insatiable or abuse your employees
4	The 3 don’ts (for call center reps) : don’t measure call time, don’t up sell, don’t use scripts
5	Be high touch – talk to customers (make your phone number readily available)
6	View the cost of handling customers as an investment in marketing, not an expense
7	Celebrate great service by telling exceptional stories to the whole company

Specific Management And HR Practices Designed to Promote The Culture

Leaders who are not well trained in the importance of culture and how to build and change culture often rely on lists portraying the desired culture and talk rather than on substantive and coordinated actions that are required to achieve the desired culture. They are also not likely to understand the effort involved in building and sustaining strong, healthy cultures and how quickly they can be damaged or destroyed through negligence, bringing in new managers or executives who don’t understand the importance of culture, or unexpected internal or external events.

Figure 4 (Ferguson et al., 2013; Frei et al., 2011; Hsieh, 2010A) shows specific Management and HR practices that are used to shape and reinforce the Zappos culture. A well-known axiom is that you get what you reward, value, and measure and so aligning management and HR practices with the desired results becomes very important in shaping culture. Unless aligning management and HR practices with the desired culture is well thought out, it is not unusual for organizations to desire one thing and reward another which weakens the culture, confuses employees, and tends to cancel out the desired result.

Figure 4

	Figure 4 Zappos Management And HR Practices That Support The Culture
Practice Area	Examples of specific Zappos Management And HR Practices
Communications	Open, transparent, continual communication of company values to employees and employees reporting their experience with the values each year in the Zappos Culture book and in happiness surveys
Training & Pay	Extensive ongoing training is provided to improve employee skills and employees can pass (be certified) for higher level skills in their job area which results in base pay increases (skill-based pay) and promotions
Performance Evaluation	Call Center customer service representatives are not rated on productivity metrics, but instead on qualitative customer feedback. Extensive 360-degree Feedback is obtained through coworkers on employee commitment to Zappos's values and culture
Benefits and Perks	The company offers health, dental, vision, and life insurance, a wellness program, and numerous perks including free or low priced healthy food and beverages, product discounts, and a personal life coach.
Office Environment	Employees are encouraged to decorate their work stations as they see fit and to wear colorful clothing of their own choosing. All employees are located in cubicles, including CEO Hsieh, to reinforce the philosophy that all employees work together and are treated the same
Work Environment & Recognition	A fun and 'zany' work environment is provided with many social activities to promote friendships with coworkers, lots of recognition through thank you gifts, trophies, etc. and numerous parties, parades and celebrations for employee birthdays as well as both individual and company accomplishments

Challenges Since 2008

Cultures can be resistant to needed change and at the same time can be fragile and altered almost overnight by a change in leadership or by significant events affecting the organization. Zappos has faced a number of challenges since 2008 that could potentially be threats to the Zappos culture:

1. 2008 and 2009 were difficult years because of the major downturn in the economy. This situation caused concern over two important issues. First, Zappos was highly dependent on banks to finance its large inventory of products and with lower sales the banks could threaten to withdraw their loans. Second, Hsieh was under pressure from the Zappos Board to increase profits. Even though Hsieh owned over 50% of Zappos, Sequoia Capital, a venture Capital firm, held 3 of the 5 board seats and could potentially vote to remove Hsieh as CEO. Some board members viewed Hsieh's approach as a "Tony's social experiment" and wanted Hsieh to spend more time and money on sales and profits and less time worrying about employee happiness and the organization culture. As a result,

Hsieh had to institute some employee layoffs and began making inquiries for potential buyers of Zappos (Hsieh, 2010B).

2. Amazon emerged as the best buyer for Zappos and in November 1, 2009 completed an all-stock deal for the purchase of Zappos valued at $1.2 Billion (Baribeau, 2012). Even though the two companies have different business models and some philosophical differences, both are strongly committed to high quality customer service and on long-term growth. Hsieh was kept as CEO of Zappos. He was given revenue and profitability targets he is responsible for, but he also had written into the contract

   with Amazon a document formally recognizing the uniqueness of the Zappos culture and Amazon's duty to protect it. He was also given a new board made up of himself, the CEO of Amazon, two Amazon executives, and two Zappos executives. Still, having an outside owner always presents the possibilities of changes Zappos cannot control (Frauenheim, 2009A; Frauenheim, 2009B).
3. In January 2012, Zappos announced that its computer system had been hacked, threatening the identity of 24 million customers and resulting in a class action suit being filed against it for not sufficiently protecting customer personal information . This could have a significant impact on the profitability and credibility of Zappos.
4. There are on-going discussions among organization theorist, leaders, and investors about the value of focusing so extensively on an organization's culture. While the evidence is clear that culture can have a significant influence on organization performance and employee productivity, morale, engagement, and loyalty, some question if the time and costs of developing a strong culture are worth it, particularly given how fragile cultures can be. One issue in this regard is that organization cultures are very leader dependent. What would happen to the Zappos culture if Hsieh was no longer the CEO? There is also the risk of some major internal or external event like the class action suit against Zappos that could have financial and strategy implications that could affect the Zappos culture. Another possibility is that not all employees may see the benefits of a strong culture. In an independent Glassdoor.com review of the Zappos culture, 71% of the Zappos employees sending in ratings would recommend the company to a friend. However,

there were also those that stated the base pay was low (Zappos does not pay high wages), the culture favored certain people, employees were compelled to socialize with workers and participate in Zappos culture building activities, and the hiring and training processes were too long and intensive. Any of these factors could threaten the growth and maintenance of the Zappos culture.

Conclusion

Any time an organization does something unique or that results in significant payoffs, there are both costs and benefits. Tony Hsieh bet his career and his resources on a philosophy that culture is the main driver of everything else and that focusing on a culture of employee and customer happiness would produce the best results. His efforts show that building culture is far more than agreeing on the desired culture and lots of talk about the importance of culture. He focused on at least five things in building the Zappos culture: (1) leaders committed to promoting the Zappos culture; (2) important and practiced core values that form the basis for the culture; (3) attracting and preparing the right employees to work at Zappos and embrace the culture; (4) differentiating Zappos from other companies through exceptional customer service; and (5) specific management and HR practices that are designed to promote the culture. The results thus far have been very impressive even though Hsieh will face many challenges in the future to sustain the culture that has achieved what he predicted it would and more.

Discussion

1. What would you say are the major keys to building and sustaining an organization culture that achieves great results and is a great place to work?
2. What are the major payoffs Zappos has experienced from building their unique culture? What are possible costs to having a Zappos type culture?
3. Discuss the five drivers Zappos used in building and sustaining its culture and why each is important.
4. If you worked at Zappos, what would you like best and least about the culture?
5. What are some of the specific things that could potentially damage or change the Zappos culture for the worse, and what are possible actions Zappos could take to sustain the culture?
6. As a leader, what type of culture would you try to build and why?

Key Lessons

1. Culture has a significant influence on the performance of an organization and the morale and motivation of employees and should be a major consideration in how organizations are run.
2. It is important to understand that building and changing culture requires substantive and consistent actions that reinforce the desired culture and that talk without substance is cheap.
3. It is important for leaders to understand what builds cultures and what damages or destroys cultures, as good cultures take time and effort to build and sustain but can be quickly undermined and lost.
4. Succession planning and educating board members on the importance of culture is critical to sustaining cultures and hiring the right leaders.
5. When making or experiencing major changes, considering the implications for the culture should be an essential part of the decision making process.

References

Baribeau, Simone. How Tony Hsieh pivoted Zappos into a $1.2 billion Amazon acquisition, September 4, 2012, Fast Company Online.

Cameron, Kim S. and Quinn, Robert E. (2011). Diagnosing and changing organizational culture. San Francisco: Jossey-Bass.

Collins, Jim and Porras, Jerry I. (1994). Built to last: Successful habits of visionary companies. New York: Harper Business.

Collins, Jim (2001). Good to great. New York: Harper Collins, pp. 120-143.

Ferguson, J., McNulty, P, & Milliman, J. (2013). Interviews with Zappos Call Center and Human Resource employees, Las Vegas, NV. November 1.

Frei, Frances, Ely, Robbin, & Winig, Laura (2009). Zappos.com 2009: Clothing, customer service, and company culture. Harvard Business School case 9-610-015, June 27, 2011.

Fortune (2009-2014). 100 best companies to work for. January issues.

Frauenheim, E. (2009A) High touch vs. high tech. http://www.workforce.com/articles/high-touch-vs-high-tech

Frauenheim, E. (2009B) Can Zappos's corporate culture survive in the Amazon jungle? http://www.workforce.com/articles/can-zappos-corporate-culture-survive-the-amazon-jungle.

Ghobadian, Abby and O'Regan, Nicholas (2002). The link between culture, strategy, and performance in manufacturing SMEs. Journal of General Management, 1 (Autumn, 2002) 16-34.

Hsieh, Tony (2010A). CEO on going to extremes for customers. Harvard Business Review, July-August.

Hsieh, Tony (2010B). Delivering Happiness: A path to Profits, Passion, and Purpose. NY: Business Plug 2010B.

Kee, Micah R. (2003). Corporate culture makes a fiscal difference. Industrial Management, (Nov. – Dec.) 16-20.

Kotter, John and Heskett, James K. (1992). Corporate culture and performance. New York: Free Press.

Kozlowski, Steve W.J., Chao, Georgia T., Smith, Eleanor M., and Hedlund, Jennifer (1993). International review of industrial and organizational psychology, 8: 263-332.

Schein, Edgar H. (1999). The corporate culture survival guide. San Francisco: Jossey-Bass.

BIOGRAPHY

Dr. Don Warrick is a Professor of Management and Organization Change at the University of Colorado, Colorado Springs. He is an award winning educator, consultant, and author who specializes in leadership and organization development, change, and transformation. Dr. Warrick is the author or co-author of eight books and over 95 articles, book chapters, book reviews, and professional papers and proceedings. His latest books with Jens Mueller are **Lessons in Leadership (2011), Lessons in Leading Change (2012), Non-Profit Excellence (2013, also with Rhonda Franklin)**, and the current book, **Lessons in Changing Cultures (2014)**. At the University of Colorado, Dr. Warrick holds the life time title of President's Teaching Scholar. At his university he has received the Chancellor's Award, the university's highest award, and the Outstanding Teaching Award, and has also received the Outstanding Faculty Award and many Outstanding Teacher Awards in the College of Business.

Dr. Warrick has been a consultant to many global and Fortune 500 companies as well as smaller and mid-size companies, public agencies, and colleges and universities. He has received a number of awards for contributions to his field including being named the Outstanding Organization Development Practitioner of the Year, the Outstanding Human Resources Professional of the Year, and the Best Professor in Organisational Development.

Dr. Warrick completed his BBA and MBA degrees at the University of Oklahoma and doctorate at the University of Southern California.

D. D. Warrick
Professor of Management and Organization Change and
President's Teaching Scholar
Graduate School of Business
University of Colorado at Colorado Springs
1420 Austin Bluffs Parkway, Colorado Springs, Colorado 80918
Tel. 719-488-2240 · Email: ddwarrick@aol.com

BIOGRAPHY

John Milliman, PhD is a professor of Management at the College of Business, University of Colorado at Colorado Springs (UCCS). He has worked with organizations and published articles in spirituality at work, international human resource management, the environmental aspect of sustainable development, and performance management.

Dr. John Milliman
Professor Of Management
University Of Colorado, Colorado Springs
1420 Austin Bluffs Parkway
Colorado Springs, Colorado 80918
Email: jmillima@uccs.edu · Phone: 719-255-3316

Dr Jeffrey M. Ferguson is a Professor of Service Management and Marketing at the University of Colorado at Colorado Springs. He received a B.S. in Physics from Denison University, an MBA from the University of Montana, and a Ph.D. in Business with an emphasis in Marketing from Arizona State University. He received the UCCS Outstanding Teacher Award in 2005, and has won the College of Business Outstanding Teacher Award twice.

Jeff's teaching interests include service management, service marketing, and marketing strategy.

His research interests include: service quality, work place spirituality, and service management. He has published in *Journal of Organizational Change Management, Environmental Quality Management, The Journal of Marketing Theory and Practice, Marketing Management, Journal of Professional Services Marketing, Journal of Customer Service in Marketing and Management, Industrial Marketing Management, Health Marketing Quarterly, International Journal of Public Administration, The Business Renaissance Quarterly, and Information Strategy.*

Dr. Jeffrey Ferguson

Professor Of Service Management And Marketing
University Of Colorad, Colorado Springs
1420 Austin Bluffs Parkway
Colorado Springs, Colorado 80918
Email: jferguso@uccs.edu · Phone: 719-255-3228

3

Toward Interdependent Leadership Culture: Transformation in KONE Americas

John B. McGuire & Charles J. Palus

Case

The focus of this chapter is the development of a leadership culture, capable of strategic execution in an organization that is facing the complex challenges of an increasingly interdependent world. Our work indicates that we can improve the probability of success in culture change by following five principles in a four-phase methodology. This is illustrated in the case of KONE Americas and their multi-year, guided transformation journey. It moves from their legacy as an achievement and conformance-based culture to a much more collaborative, interdependent, and successful, industry leading organization. Key lessons revolve around the idea that culture change is an organic public learning process with inherent risks and rewards, rather than a step by step cookbook approach. Executives do the change work first, link it to the business strategy, and move towards engaging the whole enterprise in corresponding zones of parallel, multi-level development. From the outset, a collaborative learning mindset sets the tone for the change process that advances toward an increasingly more interdependent leadership culture.

Introduction

A declaration of interdependence is underway (McGuire, 2010). There is an evolution in thought and action in which leadership is increasingly understood as a process shared by people throughout an organization or society (Drath & Palus, 1994; Drath et al., 2008; Denis, Langley & Sergi, 2012). Collaborative work across boundaries is required to design and implement bold strategies in a complex and changing world (Ernst & Chrobot-Mason, 2010; Pasmore & Lafferty, 2009).

But collaboration in most organizations is not a natural act. A shift in thinking is usually required for genuinely collaborative work. Everyone says they want changes in leadership behavior, to be more interdependent in work processes and shared systems, but mostly that hasn't happened. How did we get here?

Change programs tend to follow a step-by-step process following change models or a model such as the Kotter model (Kotter, 1996) or they tend to be more organic (Cameron & Quinn, 1999; Dennison, 1997) using large group and appreciative inquiry types of methods (e.g., Weisbord & Janoff, 2007; Cooperrider, et al., 2000). In a sense, regardless of the approach, most successful change models are organic in the sense that change is dynamic and organic in nature and rarely follows a cookbook approach. The approach presented in this case is intentionally an organic approach based on the assumption that people are complex human beings with minds and imaginations and beliefs and that they need to be engaged and involved in order to learn and change.

Intentional transformation toward a leadership culture of interdependence is feasible under the right circumstances. Our work indicates that we can improve the probability of success in culture change by following five principles in a four-phase methodology.

Principle #1: Culture change is a guided, public-learning process. You cannot simply manage people into change. The guide role in a public-learning change process is about becoming a trusted partner who helps to steer change. Playing a *guide* role with executives is about engaging them in a learning process in which they experience for themselves the shifting boundaries and conditions inherent in culture change.

Our litmus test for the probability of success in culture change is the degree to which a senior team is able to accept the risks and vulnerabilities inherent in public learning (Bunker, 1997; McGuire & Rhodes, 2009). Public learning for the individual includes truth-telling, revealing mistakes, admission of not having all the answers, and of sharing confusion and even uncomfortable emotions. This is an *inside-out* experience of our imagination, emotions and human spirit. Everyone has a sense of belonging in a culture that tugs back at the urge to change. Clients must confront the risks they take and the vulnerability they feel in change that triggers fear, uncertainty and anxiety. But with proper guidance we can discover that change also holds innovation, creativity and joy.

Principle #2: Executives do the change work first. Executives must lead by engagement and example in the transformation process. Senior leaders must own and model the new behaviors first. They begin by creating an environment of credibility (Marshall, 1999), before immersing larger numbers of key leaders in the change process. Developing senior leadership's capability to deal with increasing complexity is core work.

Principle #3: Develop vertical capability. Dealing with the increased complexity across organizational boundaries and market systems requires more mature minds. Foundational to our approach is the vertical framework for changing leadership culture. We chart development stages from *dependent* to *independent* to *interdependent* leadership cultures (Palus, McGuire & Ernst, 2011). Advancing through stages of development together grows people increasingly capable of sophistication in the face of complexity (Drath, 2001; Torbert, 2004; Kegan, 1994; Wilber, 2000; Petrie, 2011). Every interaction in our development process is focused on growing bigger minds and both-and thinking that can deal creatively in the face of complexity.

Principle #4: Leadership culture changes through advancing beliefs and practices (behaviors) simultaneously. Best beliefs drive best practices drive best beliefs—like an infinity loop, beliefs and practices are mutual and interdependent. Advancing to a next stage in leadership culture requires developing a self-reinforcing web of beliefs and practices that requires explicit shared, public understanding and practice. Culture change requires changes in behaviors. Some argue that you have to behave your way into new beliefs rather than believing your way into new behaviors. Our work develops mutually reinforcing beliefs and practices in parallel.

Principle #5: Sustainable culture change is a learn-as-you-go process embedded in the work of the organization. Leaders need to learn new beliefs by inventing and testing new practices—new ways of working together. To get to that shift we help clients to learn actively as a core work practice. We insist the work in culture is equally important as the work in technical systems and processes; that culture development is the work and not a separate 'training exercise'. People must take the time for both action and reflection in a learning process – to invent and see and reflect and believe in change that is working.

Culture Change Methodology: Our approach uses four broad, overlapping, reinforcing phases and includes two essential ideas. In the initial phases we insist on improving the probability of success by assuring organizational readiness to do the required work. This work is not for everyone. We measure readiness early by senior leadership's willingness and ability to engage in the learning and change process. As the work advances we build culture change first within work groups and then across those groups that develops toward a critical mass for enterprise-wide change. Our goal is to eventually involve everyone in the organization in a learning process that creates trust, ownership and increasing forms of interdependence. These overlapping and parallel phases are:

1) **Discovery Learning** – *determining willingness:* establishing the feasibility of entering the change process.
2) **Players' Readiness –** *developing understanding:* growing a deeper appreciation of the long-term implications of integrating a new culture into the organization's work.
3) **Game Board Planning** – *framing the change process:* practice interdependent leadership through mapping business and leadership strategies, the learning process and organizational work targets.
4) **Playing the Game** – *building capability:* simultaneous and parallel implementation, already established in parts, into the whole organization.

The KONE Americas case

KONE global, a Finland-based, 100-year-old firm in the elevator-escalator industry had a compelling vision of urbanization and people flow. In 2007 the financial crisis was in full swing, but KONE Americas expected to feel the impact later than other industries due to the lag time from contract to construction. KONE Americas thus had a brief window of opportunity for parallel development on three key fronts: a) to prepare the business for a significant market downturn in new equipment revenue and margins, b) to pursue industry leadership, and c) to begin transformation of the leadership culture toward the interdependence required for strategic agility.

The SVP of HR had initiated talent management processes including succession management, and a performance process and compensation system that could engender collaborative work. In addition he had provided individual development for the top 250 leaders. In the fall of 2008, he came to consult with us about the next HR-driven development plan. He walked away a day later with an unexpected epiphany. He shifted to see that a sustainable culture change toward interdependence would mean a major mindset shift to 'leaders developing leaders'. He clearly saw an alternate future where true ownership of business, system, process and people development would be required by all senior leaders working together – well beyond the traditional view of HR being responsible for the development of the culture.

When we engaged with KONE Americas to pursue this path, we found a company with an uneven past. They had been a U.S. company acquired in the 1990's by KONE, and they had a primary identity in heavy industry operations where project management and financials were the focus. A strong, family-based culture was evident with interpersonal connections dominant. The next decade brought a variety of challenges from a difficult adoption of an enterprise resource planning system, to important improvements in both the new construction and service businesses. A few new executives were added to the team to assure healthy business transitions. Then the current CEO arrived.

Throughout 2007 the new CEO had reorganized into an integrating structure, created trust by retaining and redirecting almost all the previous senior executives, and was leading the business methodically through practical, incremental improvements. They had quickly proven their operational ability in the selection and rapid achievement of business improvement targets—they were confident in saying: 'We can achieve any goal we bring a unified focus to'.

The CEO's early declarations of the importance of leadership stood out. He declared that how work was done was as important as what work got accomplished. His vision that they would be known in the industry for leadership as much as for high-quality performance was unusual. However, it was evident that being "comfortable" in a fourth place position in the increasingly competitive industry was not sustainable. Deeper change was needed for a robust, strategic future.

We observed a culture where attention to accountability and discipline were practiced, but inconsistently, and where open conflict and direct feedback were avoided. Strategic leadership was not a strong capability. The business environment was seen as "comfortable", yet not ready for a more challenging future.

Over the next three and a half years we would engage every employee in the culture transformation process. We took an action research approach to our work (Torbert, 2004; McGuire, Palus & Torbert, 2007). Our focus was on invention more than intervention. We did not rush through an outside-in process to force our client through a transformation. Rather we helped our client live the transformation from the *inside-out* as they co-created it and experienced it unfolding.

Phase 1: Discovery Learning – *determining willingness*

In 2008 we conducted interviews with the executive team (ET) in preparation for the initial discovery workshop. The data revealed a team of *independent* managers, competent in their functions and line business roles. Some trust had developed in the CEO and confidence in his endurance was rising. The culture of independent achievement was characterized by both unit performance and internal competition. However there was reportedly a lack of consistency in process and performance to standards down into the field. Ownership, accountability, discipline and trust across boundaries were reported by executives to be varied. The ET, under the CEO's direction, was a high-functioning driver of operations from the top. Together their collective business operations knowledge and competence was impressive. However, they met monthly only by teleconference for half a day, and with an operations-only agenda.

The discovery workshop was a two-day off-site designed to measure leadership capabilities and gaps, as well as to test the willingness and ability of the team to engage in transformation work. The participants were in the driver's seat of assessing their own capabilities as needed to meet their complex challenges. They discovered their inability to have truly collaborative conversations. They observed a divide between line and functional managers in their understanding of the company's strategic direction. They acknowledged their shaky trust in one another, and their reluctance to confide in each other. They faced up to their avoidance of conflict by "putting a few fish on the table" (their language for "undiscussables" (Argyris, 1985) or "elephants in the room"). They diagnosed themselves as an independent-achiever leadership culture among the top leaders, with a *dependent-conformer* leadership culture in the customer-facing frontlines.

Prior to the discovery workshop the executives reviewed the design outcomes. Participants had all agreed to the expectations of public learning. Agreeing to an idea and the direct experience of living it can be distinctly different. A point of truth occurs when individuals pass into and face a new cognitive-emotional reality that exposes their anxieties and taps vulnerabilities.

With the KONE team we practiced a disciplined dialogue each half day of the workshop. In dialogue we keep advocacy in check and encourage mutual reflection and inquiry. The client's job at this point in the process was to explore, uncover, discover and learn—not problem-solve or take action, not just yet. We are practicing the development of an intentional openness that public learning requires. These executives moved cautiously yet incrementally forward into greater degrees of openness with each other about the realities of their business issues and the truth of their cultural beliefs.

During the fourth dialogue session, key executives chose to risk public learning; this was a tipping point for the team. Previous undiscussables surfaced and truth-telling was practiced. As deeply held issues surfaced the team began to challenge each other to a commitment to develop the team and the culture, to take time out for learning. Finally, they ventured toward making decisions and taking action to resolve the issues they uncovered. They chose to move beyond the constrictions of their financial environment and began to meet monthly face to face to invest collectively in development for their future. Another outcome was to carry this sense of unity and intention forward to their teams early in 2009 at the annual meeting. And while taking this risk elicited a range of responses from excitement to confusion, the executive's commitment to culture change extended the discovery phase into the top-100 senior leadership very quickly. Their commitment to the development process was becoming clear.

Table 1: **DEFINITION OF TERMS**

Leader	The role of a person who participates in the process of leadership.
Leadership	The social processes producing the outcomes of direction, alignment, and commitment among people with shared work.
Leadership Culture	The self-reinforcing web of individual and collective beliefs and practices in a collective for producing the outcomes of shared direction, alignment, and commitment.
Leadership development	The expansion of a collective's capacity for producing shared direction, alignment, and commitment.
DAC	The outcomes of the social process of leadership are shared direction, alignment, and commitment (DAC).
Interdependent	A form of leadership culture or mind-set based in the collaboration of otherwise independent leaders and groups.
Independent	A form of leadership culture or mind-set based in heroic individual achievement.
Dependent	A form of leadership culture or mind-set based in conformance or tradition.
Vertical development	Transformation of leadership cultures or mind-sets from dependent, to independent, and to interdependent, such that each more capable successive stage transcends yet includes earlier ones.
SOGI	The social processes of leadership operate, and can be developed, and analyzed, at four nested levels: individual, group, organizational, and societal (*S* for *Society*, etc.).
Culture tools	Tools and methods to help people see and experience, reflect upon, and then begin to intentionally and strategically shape their culture. "Quick" tools are portable and adaptable with *ease-of-use* for groups
Discovery	Beginning, and then tracking, the process of culture change by deeply understanding the future vision and strategic purpose to be pursued.
Public Learning	Learning as a group activity, such that potentially difficult topics require social risk taking and personal vulnerability as they are explored with the goal of shared insights and better solutions.
Four Arts: Dialogue, Headroom, Inside-Out, Boundary Spanning	The time and space for leadership groups to practice extending internal experiences, that expand public learning across human and system boundaries, and channel better design choices into organizational action.
Dialogue	A public learning conversation that temporarily suspends judgment and explores underlying assumptions across differing perspectives with the goal of shared learning and deeper mutual insight.
Headroom	The time and space to model risk taking in public that explores breaking old patterns and experimenting with new behaviors, and that lifts up, or vertically advances the leadership culture toward interdependence.
Inside-Out	The subjective, internal individual development experience of focus on imagination, intuition, curiosity, emotions, identity, beliefs and values.
Boundary Spanning	Seeing, bridging and leveraging five types of group boundaries: horizontal, vertical, demographic, geographic and stakeholder.
Beliefs in Action Story Telling	A type of dialogue using personal and shared stories about experiences in the organization that illustrate how changing beliefs result in different kinds actions and a changing set of outcomes.
Learning Pathways Grid	A public learning technique for debriefing a difficult interpersonal situation that looks at outcomes in terms of actions and the assumptions and beliefs underlying those actions (Rudolph, Taylor, & Foldy, 2001).

Phase 2: Players' Readiness – *developing understanding*

Throughout 2009 the executive team faced emerging business challenges, launched strategic groups, established foundational beliefs of the new culture, and pursued industry leadership in several sectors. Their catch phrase for taking time for learning and development was "slow down to power up." A strong joint commitment allowed us to attend ET meetings and to participate in their work interventions directly. This provided a practice field for developing new behaviors and beliefs. They created four strategy teams that spanned boundaries, including non-ET members from across the enterprise to focus on strategic finance, operations best practices and environmental excellence. And they established a leadership strategy team hosted by the CEO. Our early work together was already transforming the culture across select work groups and advancing the achievement of industry excellence across the business.

One business challenge stands out as exemplary of the pursuit of industry leadership. The company took a risk in abandoning a base revenue stream by attacking an industry standard solution with a more expensive, but operationally superior eco-friendly elevator. They made great strides in working collaboratively in field teams that were piloting safe, quality installation, pursuing stretch goals and improving margin.

We assisted this work with multiple opportunities to observe and participate with their culture in action; helped them understand it in terms of culture stages moving along the *dependent* to *independent* to *interdependent* pathway, and to plot goals and strategies for development. One strategy was to create a fishbowl – a transparent 'learning-lab' environment in which action, reflection and collaborative engagement were normative. We invited and fostered this *public learning* atmosphere where using quick tools (tools that can be used in-the-moment) alongside the *four arts* expanded the headroom for deeper and bigger minds. Our four practical arts of development and tools that build interdependence allow multiple right answers to emerge, where the best, most organizationally powerful ideas win, rather than the best individual's argument winning. Interdependent thought is 'both-and' thought that transcends either-or thinking. We operated in this *headroom* expanding, bigger-mind environment using both right brain image-based tools (Palus & Horth, 2002) to spark imagination and connections, and left brain, cognitive strategy and learning tools. We used action inquiry (Torbert, 2004) processes that spotlighted behavioral practices and revealed beliefs-in-action and their results.

We also practiced story-telling as a vehicle for conveying learning and best *beliefs-in-action* stories that can lead to best practices.

One executive team meeting was a turning point. Through the dialogue process, a hidden assumption was unearthed. While the executives had aspired to an interdependent culture for formal leadership, (themselves and the "top 100"), they had assumed that front-line, customer-facing, union-member technicians would continue to be managed with traditional command-and-control practices. During a mindset expanding dialogue, they discovered and confronted this belief. They were stunned by the implications of their assumptions. They had increasingly discussed a customer-driven future and the crucial growth of KONE's service business depended on the technician-customer relationship. How (they asked themselves) could technicians, the most important link to customers, not be engaged in the culture of interdependent collaboration?

These technicians are often on customer sites for extended periods of time, and sometimes carry as much influence as formal managers in the customer relationship. In addition the technician's collaboration with each other, the client, and the customer team is a key to success in implementing myriad business process improvements and sales and services initiatives. This learn-as-you-go moment became a lynchpin in the future of developing and changing the culture.

Also during this phase, an appreciation of the importance of beliefs as the driver of behaviors emerged. A breakthrough off-site was held in which senior leadership dialogued, argued, discerned and formed their new beliefs that grounded a conscious, intentional pathway for the new leadership culture. They defined in behavioral detail their four foundational beliefs in which they would:

- conduct business with interdependent-collaborative mindsets
- be customer-driven in every thought and action (beyond merely another "customer focused" environment)
- take 100% responsibility for the enterprise. Accountability was elevated beyond only individual performance or unit/function success
- expect integrity as the value base for everything we do

They took great care to define these beliefs as relevant for the organization. They explored a wide range of examples to bring to life the beliefs critical for building organization-wide understanding. The senior leadership team united around these transformative cultural drivers. Most importantly, they developed these beliefs using criteria required to achieve industry leadership. In this transformation work we never talk about a "desired" future state, rather we always emphasize a "required" vision and understanding of the emergent future—one that is essential to both run the business and meet investor's performance requirements today, and capable of framing and executing future-focused unfolding strategies.

One year into the change process, the stage was set for the transformation process to move to the middle tier and front-lines of the organization. This would mean not only reaching forward toward a new beliefs-driven mindset, but also reaching back into the past to examine old and competing beliefs that were operating unconsciously.

Phase 3: Game Board Planning – *framing the change process*

By early 2010 the ET was clearly and observably practicing their new *interdependent* culture. They were ready to advance the culture further into the organization. The next annual meeting of Top-100 leaders in Mexico was the next arena for slowing down to power up as they leaned further into the culture change.

Building on the leadership strategy work and their progress in the field in their own teams, they decided to formally launch the campaign of an interdependent leadership culture and its four beliefs. To grow and sustain the culture, the focus on the five targets of industry leadership would prove to be essential. This strategic work for future progress would serve as the arena for developing the culture through practicing the four beliefs. It would also launch their journey of leaders developing leaders, a crucial "learning-laboratory" step in the transformation process.

The ET chose to jointly facilitate this learning-lab in Mexico alongside CCL. Our CCL-KONE partnership was itself experiencing a transformation. These senior leaders would graduate from being the subject-learners of their own development to the object-teachers of the next wave of the development of others. Playing and coaching are related, yet each requires distinctly different skills. As we engaged in preparatory work we practiced *public learning* together, using the culture tools to practice interdependence in "live" sessions as our client's shifted into teacher/guide roles. They gained a deeper understanding of how to practice the *four arts* of *public learning* in *dialogue*, creating the environment of *headroom*, *inside-out* reflective learning and modeling the *boundary spanning* culture at a new level of thought and action. This new guide-role, public learning space enabled people to break out of old patterns, explore embedded assumptions and try out new thoughts and behaviors.

We designed the meeting around the theme of "discovery learning". We clarified these outcomes:

a) All leaders would gain a shared, clear understanding of the new leadership culture required to face the transformative challenges of implementation in 2010.
b) All leaders would have personal, tangible headroom-expanding experiences of what and how these growing core beliefs would challenge their personal current beliefs, and how they would practice action development into new practices and behaviors.
c) Each functional/divisional team (led by ET members and involving Top-100 managers) would have clear expectations, plans and commitments for developing the leadership culture during the year, including consequences for not doing so, and
d) All leaders would share a clear understanding of the key challenges and key initiatives required for continued advancement of industry leadership goals.

The ET's investment in practicing joint-facilitation of the workshops would pay off. Once in Mexico, the attendees had a break-set experience.

The CEO kicked off the plenary introducing the futures challenges and goals of the five targets for achieving industry leadership. He framed the business challenges in concert with clear definitions and expectation of the four beliefs required to achieve their stretch goals. Recent wins in the five target areas provided an inspiring platform for future success. He also provided specific examples and irrefutable data to demonstrate where the organization was currently not living up to the four beliefs. This created palpable tension for the group as they realized there was a clear gap in required performance behaviors. And the CEO threw down the gauntlet that everyone present was expected to be demonstrating the beliefs through their actions by the end of the year. He used a simple logic: beliefs drive behaviors/practices—if you want best practices, practice best beliefs. Slowing down to power up, using conscious dialogues in discovery learning everywhere, all the time would become the collaborative common practice. Collective decision making when necessary or advantageous to the customer would be the new status quo. The CEO then went on to frame the workshops and the year of discovery learning that would enhance engagement and grow trust through risk taking in public learning. Importantly, he framed the implementation of the new beliefs as challenging, yet tangible, specific work.

Woven throughout the large-group sessions and smaller workshops was *beliefs-in-action* story telling. Executives shared examples of their new ways of working together and the successes already being achieved.

MBTI temperaments were explored through a group histogram displaying the challenges of a culture centered around one primary temperament. Every team engaged in a discovery exercise using our CCL Leadership Culture Indicators “quick” tool to establish their team’s present culture and beliefs, marking their challenges for vertical development. And the action research *Learning Pathways Grid* (6 box) tool (Rudolf, Taylor & Foldy, 2001) was used to walk through select, historical work practices to demonstrate the delta between their required beliefs and beliefs-in-action. Utilizing the culture’s four arts of development and learning tools provided everyone with a discovery learning-lab experience and set the stage for practicing the leadership culture within regions and districts throughout the year.

Several months later, we re-assembled those Top-100 leaders to assist in the *headroom* expanding *interdependent* process of internalizing the beliefs. We shared *beliefs-in-action* success stories, celebrated progress in leadership and strategized about next steps in culture and business development.

Beliefs-in-action story telling is a tool that features successful change that can provide vision for others and a springboard for the future. One success story was about a district customer--a large university who in a tense Friday meeting was on the verge of terminating the services contract. During the following weekend a small but important request for service was handled by KONE leaders collaboratively crossing boundaries and engaging the capability in other districts throughout the region. As they continued to live the beliefs of ‘customer driven in everything we do’ and the practices of interdependent collaboration not only across districts but across the enterprise, the account grew exponentially. Such stories became the message-keepers of culture change.

A remarkable opportunity in the service business also became a key focus. Stories shared learning about successes in local strategies for capture, acquisition, retention and conversion of service contracts. Repetition in the development process embeds the new culture’s beliefs and practices. This repetition is essential because the new system of beliefs must become strong enough to outweigh the previous beliefs, habits and culture. These workshops were followed by an ET retreat for planning an organization-wide employee engagement (EE) tour. The plan was to reach every branch and every employee in the Americas with the messages and challenges of the new beliefs-in-action that were fostering an interdependent leadership culture.

Phase 4: Playing the Game – *building capability*

As willingness to engage and understanding of the change process grows for leaders, the ability to frame the change challenge and engage other leaders in building capability expands.

The KONE employee engagement tour was not part of an original "plan" or roll-out of change. The idea emerged as senior leadership internalized the change work and discerned the way forward. Having successfully brought the new culture into their ranks they moved naturally forward into the customer facing part of the organization. The tour furthered the 'leaders developing leaders' methodology, where the new culture of senior leadership would be shared directly with every branch and every employee. The tour was conducted through the fall of 2010 and into 2011 and highlighted the goal of industry leadership and the cultural content of new beliefs and behaviors. Every branch workshop on the tour was hosted and facilitated by executives, regional and district managers alongside branch managers and staff. The first two phases of discovery learning to foster willingness, and developing readiness for deeper understanding and engagement, was the focus of workshops.

Our CCL team attended select workshops on the tour to continue our research and study progress. We found the interaction was direct, feet on the ground—not abstract or high-level. *Public learning* was practiced as trust, engagement and ownership were fostered. For example, one regional manager literally repeated the maxim "beliefs drive decisions, decisions drive behavior, repeated behaviors are practices." A group of elevator technicians nodded their heads. The manager then asked, "Do you believe that accidents are inevitable or are you willing to believe in complete safety for everyone and all the time?" The technicians jumped into the discussion of the impact that the two different beliefs or mindsets have on real-world decisions and actions.

The tour truly engaged the entire organization in the transformation effort.

Most recently we joined a *Leaders Developing Leaders* retreat with all of the organization's line managers developing operational skills while practicing the culture's beliefs and behaviors. One story stands out that exemplifies the *interdependent leadership culture* in action. Attending a regional planning session, we observed a team insistent on *slowing down to power up* in dealing with a challenge. They identified a "fish" and put it on the table, insistently explored it, and committed to further action follow-up. They believed it dealt with accountability, was vital to a healthy culture and therefore was not an option to avoid. They conducted a brief *dialogue*, identified and agreed on the imperative, and committed to further work. As the meeting progressed either-or arguments were quashed early as difficult dilemmas were cited needing both-and creative attention. The maturation of the culture's beliefs and practices were evident as they guided the *public learning* process and enacted *interdependent* capabilities.

A few days following the retreat the CEO received a note from a branch manager containing these paraphrased comments: 'You need to be very proud of your team … *four years ago you began talking about things never discussed, and it is clear that your team has been listening and learning … there is a clear difference (now) in the leadership (culture) of most and it is recognized by my peers.'*

Summary

While the transformation to the new culture in KONE Americas remains a journey and work continues, we see clear evidence of sustainability in the culture change. Our extraordinary partnership with KONE has provided an unusual opportunity to test our theory and action research to model our evolving formulation of change leadership. Our dynamic, phased approach to parallel multi-level development appears to be working in this case, and the phases are tracking with advancing research on the effectiveness of leading change (Pasmore, 2011). And while we are simultaneously developing evaluation criteria of interdependent leadership and organizational capabilities to assess the change, our action research has continued to confirm advancement of beliefs-driven tipping-points throughout the journey.

Five Principles Summary:

#1: Culture change is a guided, public-learning process.
#2: Executives do the change work first.
#3: Develop vertical capability.
#4: Leadership culture changes through advancing beliefs and practices (behaviors) simultaneously.
#5: Sustainable culture change is a learn-as-you-go process embedded in the work of the organization.

Four Phases Summary:

1) Discovery Learning – determining willingness
2) Players' Readiness – developing understanding
3) Game Board Planning –framing the change process
4) Playing the Game – building capability

Discussion

1. Most organizations today are operating in an increasingly global, complex, interdependent organization world. What are some of the implications for creating a leadership culture and organization culture prepared to succeed in today's times?
2. Five principles are offered for successfully changing leadership cultures. Discuss your understanding of each of the five principles.
3. Four overlapping and parallel phases are used in the case to change leadership cultures. Discuss your understanding of each of the four phases.
4. Discuss why KONE Americas needed a change in the leadership culture.
5. Discuss how the principles and phases were used in changing the leadership culture at KONE Americas. What were some of the major challenges and how were these challenges addressed?
6. What were some of the results of the leadership culture change made at KONE Americas?
7. Would you enjoy working at KONE? Why or why not?

Key Lessons

1. The transformation journey is not for everyone. It requires the willingness and ability to engage in public learning—practices that many conservative institutions will decline.
2. Leadership culture change must be linked to the business strategy and key goals. The leadership strategy must track with the business strategy. The logic of the new culture must serve the goals, mission and vision of the organization's business. Discerning this link between culture and strategy is the key work of discovery.
3. The way in which discovery is conducted with the client sets the tone for all that follows. Discovery is a learning and development partnership that reveals the meaning of transformation, and insights about the risk and vulnerability required to attain it.
4. The culture change process is guided by a collaborative learning mindset. First the senior team becomes more adept at their own collaborative learning. Then the senior team is able to immerse larger numbers of leaders from all over the organization in collaboratively creating widespread direction, alignment, and commitment for change.

5. **Leadership beliefs and practices are developed simultaneously. Like an infinity loop, behaviors and beliefs develop in mutually reinforcing learning patterns through action and reflection.**

AUTHORS' NOTE: We gratefully acknowledge our learning partnership with KONE Americas. Special thanks to Vance Tang, CEO (2007-2012) and Chuck Moore, SVP of Human Resources. Also, we offer our thanks and appreciation to CCL colleagues Bill Pasmore for his insights and collaboration, and David Loring for his fine client relationship, design and delivery abilities.

References

Argyris, C. Putnam, R., & Smith, D. (1985). *Action Science: Concepts, methods, and skills for research and intervention.* San Francisco, CA: Jossey-Bass.

Beer, M. (1985). How to develop an organization capable of sustained high performance: embrace the drive for results-capability development paradox. *Organization Dynamics.* 29(4), 233-247.

Bradford, D.L., and Burke, W. *Reinventing Organizational Development.* San Francisco: Jossey-Bass/ Pfeiffer, 2005.

Bunker, K. (1997). The power of vulnerability in contemporary leadership. *Consulting Psychology Journal*, Vol. 49, No. 2, 122-136.

Cameron, K. S., & Quinn, R. E. (1999). *Diagnosing and Changing Organizational Culture.* Reading, MA: Addison Wesley Longman.

Cooperrider, D.L., Sorensen, P.F., Whitney, D., and Yaeger, T.F. (Eds.) (2000). *Appreciative Inquiry: Rethinking Human Organization Toward a Positive Theory of Change.* Champaign, IL: Stipes Publishing.

Denison, D.R. (1997). *Corporate Culture and Organizational Effectiveness, 2nd Edition*. Ann Arbor, MI: Denison Consulting.

Denis, Jean-Louis, Ann Langley & Viviane Sergi (2012). Leadership in the Plural, The Academy of Management Annals. http://dx.doi.org/10.1080/19416520.2012.667612

Drath, W. (2001). *The Deep Blue Sea: Rethinking the source of leadership.* San Francisco: Jossey-Bass.

Drath, W., & Palus, C. J. (1994). *Making common sense: Leadership as meaning-making in a community of practice.* Greensboro, NC: Center for Creative Leadership.

Drath, W.H. & Palus, C.J., & McGuire, J.B. (2010). Developing interdependent leadership. In C.D. McCauley, E. Van Velsor, and M.N. Ruderman (Eds.). *The Center for Creative Leadership Handbook of Leadership Development, 3rd Ed.* San Francisco: Jossey-Bass.

Drath, W.H., McCauley, C.D., Palus, C.J., Van Velsor, E., O'Connor, P.M.G., McGuire, J. B. (2008). Direction, alignment, commitment: Toward a more integrative ontology of leadership. *Leadership Quarterly,* 19, 635-653.

Ernst, C. & Chrobot-Mason, D. (2010). *Boundary Spanning Leadership:Six practices for solving problems, driving innovation, and transforming organizations.* McGraw-Hill Professional.

Isaacs, W. (1999). *Dialogue and the art of thinking together*. New York, NY: Random House.

Johansen, B. (2012). *Leaders Make the Future: Ten new leadership skills for an uncertain world.* San Francisco, CA: Berrett-Koehler Publishers.

Kegan, R. (1994). *In Over Our Heads: The demands of modern life*. Cambridge, MA: Harvard University Press.

Kotter, J.P., (1996) *Leading Change.* Boston. HBS Press.

Marshall, E.M. (1999). *Building Trust at the Speed of Change.* New York, et al : AMACOM, American Management Association

Martineau, J.M., & Hoole, E. (in press). Evaluation methods. In Day, D.V. (Editor). *The Oxford Handbook of Leadership and Organizations.* Oxford: Oxford University Press.

McCarthy, B. *About Learning.* 1996. Old Barrington, IL: Excel, Inc. 1996.

McCauley, C. D., Palus, C. J., Drath W. H., Hughes, R. L., McGuire, J. B, O'Connor, P. M. G., & Van Velsor, E. (2008). *Interdependent leadership in organizations: Evidence from six case studies.* CCL Research Report no. 190. Greensboro, NC: Center for Creative Leadership.

McGuire, J.B., (January 28, 2010). *Leaders we need with mind's afire. Editorial, The Washington Post.*

McGuire, J.B., & Rhodes, G. (2009). *Transforming Your Leadership Culture.* San Francisco, CA: Jossey-Bass.

McGuire, J.B., Palus, C.J., & Torbert, W.R., (2007). Toward interdependent organizing and researching. In Shani, A.B., et al (Eds.). *Handbook of Collaborative Management Research.* Sage Publications. 123-142.

McGuire, J.B., Tang, V. (February, 2011). *Fighting the complexity conspiracy.* Forbes.com

Nissley, N. (2003). Fictionalization and imaginative "restoryation": In A.B.VanGundy & L. Naiman (Eds.), Orchestrating collaboration at work: Using music, improv, storytelling, and other arts to improve teamwork (pp. 199-202). San Francisco: Jossey-Bass.

Palus, C.J., McGuire, J.B., & Ernst, C. (2011). Developing interdependent leadership. In S. Snook, N. Nohria, & R. Khurana (Eds.). *The Handbook for Teaching Leadership.* Thousand Oaks, California: Sage Publications with the Harvard Business School.

Palus, C.J., & Horth, D.M. (2002). *The Leader's Edge: Six creative competencies for navigating complex challenges.* San Francisco, CA: Jossey-Bass.

Pasmore, B., Tipping the balance: overcoming persistent problems in organizational change, (2011) *Research in organizational change and development, Volume 19*, 259-292, Emerald Group Publishing

Pasmore, B., Lafferty, K.. (2009). *Developing a leadership strategy.* Center for Creative Leadership white paper series.

Petrie, N. (2011). *Future trends in leadership development.* White Paper Series. Center for Creative Leadership.

Rooke, D. & Torbert, W. (2005). Seven transformations of leadership. *Harvard Business Review.* April, 66-77.

Rudolph, J. W., Taylor, S. S., & Foldy, E. G. (2001). Collaborative off-line reflection: A way to develop skill in action science and action inquiry. In P. Reason & H. Bradbury (Eds.), *Handbook of action research: Participative inquiry and practice.* London: Sage.

Torbert, B. & Associates (2004). *Action Inquiry: The secret of timely and transforming leadership.* San Francisco, CA: Berrett-Koehler.

Weisbord, M., & Janoff, S. (2007). Future Search: Common ground under complex conditions. In P. Holman, T. Devane, & S. Cady (Eds.), *The change handbook,* pp. 316-330. San Francisco: Berrett-Kohler.

Wilber, K. (2000). *Integral Psychology.* Boston MA: Shambala.

BIOGRAPHY

John B. McGuire is Senior Fellow and transformation practice leader at the Center for Creative Leadership, specializing in leadership for an interdependent world. He has helped organizations across such industries as healthcare, manufacturing, services, government and non-profit sectors. His recent publications include the book *Transforming Your Leadership Culture* published by Jossey-Bass. Other current publications include Harvard Business Review, CEO Magazine, The Washington Post, Leadership Quarterly and multiple book chapters including a contribution with Charles J. Palus to Harvard Business School's *The Handbook for Teaching Leadership*.

Email: McGuireJ@ccl.org

Charles J. (Chuck) Palus Ph.D. is a senior faculty member at the Center for Creative Leadership, responsible for research, innovation, and product development, specializing in leadership for an interdependent world.
His book *The Leader's Edge: Six Creative Competencies for Navigating Complex Challenges* received the annual Best Book Award from The Banff Centre for Leadership Development in Calgary. He has researched, partnered and published widely on the topic of interdependent leadership and is a contributor to the *CCL Handbook of Leadership Development* and the *CCL Handbook of Coaching*.

Email: PalusC@ccl.org

4

The Southern Miss Story: Enriching the Brand of a Research University Through a Centennial Campaign

Martha Dunagin Saunders

Case

The University of Southern Mississippi (Southern Miss) seized on its impending 2010 Centennial Anniversary as an opportunity to enrich its brand, reinforce relationships with key publics, celebrate a rich past while turning the focus to its future, and change the perception and culture of the university. With an overall goal of increased engagement among target audiences through "telling our story," the university employed integrated strategies successfully to create awareness of its strengths, raise its national profile, and increase private giving, alumni membership, and enrollments. Despite tough economic times, the campaign rallied the spirit of the university community and positioned the Southern Miss brand for the next level of national prominence

Introduction

For nearly a century, The University of Southern Mississippi had shown impressive growth—from its humble beginnings as Mississippi Normal College to its current status as a major research-extensive university – but recent years had been difficult. Two short-tenured and embattled presidencies in less than a decade had resulted in an unsettled atmosphere on campus, flat enrollment and a decline in alumni and donor participation. Under the leadership of a new president, university officials seized on the impending 2010 Centennial anniversary as an opportunity to change perceptions and the culture of the university.

Background

A decade had gone by since the university's last strategic planning initiative. With a fervent belief that people will work hardest when following their own hopes and dreams, we sought the assistance of idgroup consulting + creative of Pensacola, Florida, to engage the campus in Core Dialogues to create inspired action. Eleven Core Dialogue sessions focused the entire university on identifying its greatest assets, capacities, resources and strengths. The dialogues were widely inclusive with more than 300 participants from the faculty, staff, students, alumni and community leaders. Through this process the university uncovered its story.

The Core Dialogue qualitative research process incorporates principles of Grounded Theory (Glaser and Strauss, 1999), Whole Scale Change Processes (Dannemiller, 2005; Wheatley, 1992; Passmore and Tolchinsky, 1989), Positive Organizational Studies (Ludema, et.al 2003; Quinn, 2000) and Organizational Culture and Identity Change (Hatch and Schultz 1997; Amodeo 2004).

Data generated during the dialogues were imported and analyzed using NVivo, a qualitative data analysis program. This process of comparative analysis produced emergent themes during first order coding. Second order coding was used to define key concepts that encompassed emergent overarching themes. These concepts encompassed two focus areas the research team defined as forces of innovation and areas of strategic focus. Together they gave inspiration and direction to move Southern Miss toward its future.

Deep within every organizational culture lies the values and beliefs that over time have evolved into cultural assumptions. These values, beliefs, and assumptions are best discovered through the stories told by organizational members. The data gathered through the stories told during the Core Dialogue sessions produced five forces central to the core of Southern Miss:

- Spirit of Humanity
- Self-Efficacy
- Collective Individualism
- Connection to Heritage and Tradition
- Commitment to Diversity

Success lies in the ability to translate vision into action. The four areas of strategic focus were identified by participants as key to creating the university's desired future:

- Image Development
- Connection to Community
- A Climate for Academic Success
- Culture of Healthy Minds, Bodies & Campuses

The dialogues also revealed a common frustration among constituents that "people don't know just how good we are." Results were verified through a national survey by Gallup Research that showed that the university, although well-known in its immediate area, held only modest recognition across the country. Additional research measures included institutional benchmark data, key informant interviews and campus-wide pre-and post-Centennial awareness surveys. The process yielded the following **problem statement**:

The University of Southern Mississippi houses some of the country's premier academic, athletic and research programs, yet it is not highly visible outside its immediate geographic region or even among its own internal audiences.

Planning

With an overall goal of increased engagement among key publics through "telling our story," planning began with ramp-up activities in 2008 and culminated in a year-long centennial celebration in 2010. We set about developing our plan with two key facts in mind: 1) Southern Miss is a highly successful research extensive university with low name recognition and 2) we are disconnected from many of our significant publics. The 100-year anniversary provided a rare opportunity for bringing attention to the university, engaging its community of alumni and reinforcing understanding of the university's strengths.

The university's strategic planning committee had defined four overarching goals for the university: increased visibility, stronger connections with community, a stimulated climate for academic success, and a culture of healthy minds, bodies and sustainable campuses.

From these broad goals, campaign planners identified the following measurable objectives for the Centennial:

- Create awareness of the history and rich traditions of the university among target audience members by December 2010 as measured by pre-and post-Centennial surveys.
- Increase national media coverage of the university by 20% as of December 2010.
- Increase website traffic by 20% by December 2010.
- Increase membership in the alumni association to 20,000 by December 2010.
- Generate donations of $1,000,000 for the Centennial Scholarship by December 2010.
- Increase freshman enrollment by 6% from fall 2007 to fall 2010.

Primary Internal Audiences included employees and students, alumni and friends of the university.

Primary External Audiences included national media outlets and prospective students.

Overall Strategy combined an emphasis on the high quality of university programs with a vision for the future. We sought to engage internal/external audiences through a whole systems approach. While the Centennial offered a time to reflect on the past and appreciate the present, the hope was to get target audiences focused on the "next 100 years." We adopted the theme: Treasured past – Golden Future.

The campaign included three phases:

Phase 1: Discovery. This included the campus dialogues during which we uncovered the story to be told.

Phase 2: Celebration. This included telling "The Southern Miss Story" – who we are, and how far we've come, building the case for our position as the Premier Research University of the Gulf South and embedding our personality into our communications.

Phase 3: Envisioning the Future. This phase of the campaign moved the message to who we are becoming and continued the call to action to key audiences to be a part of our unfolding story.

An overall budget of $477,000 came from University Support [$312,000]; Corporate Sponsorships [$135,000] & the Southern Miss Alumni Association [$30,000].

CREATIVE OVERVIEW

THE LAUNCH OF THE CAMPAIGN

Brand Video
- "The Southern Miss Story"

Visual Brand
- Centennial logo and new university logo
- Website

Events
- Renée Fleming: Voice of the Century
- Founders' Day & Centennial Celebration Day
- The Big Event
- *Beauty of the Earth* world premiere
- Centennial Commencement Celebration
- Centennial Arts Gala
- Affinity Group Reunions
- Centennial Homecoming
- Centennial Lecture featuring Madeleine Albright
- History of Civil Rights Conference
- The Pride of Mississippi Macy's 2010 Thanksgiving Day Parade

Exhibits & Structures
- Centennial Exhibit For Hattiesburg Library
- Centennial Gateway
- Centennial Museum
- Centennial Sculpture Competition
- *100 Alumni* Museum of Art Centennial Exhibit

Initiatives
- Centennial Scholarship Endowment Fund
- Century Park Residence Hall
- Centennial Lawn
- 20,000 in 2010: Alumni Membership Campaign

Publications
- Centennial *Talon*
- Centennial *Drawl*
- Centennial History Book

Advertising
- Research University Campaign
- Centennial Gold Campaign
- Advertorials
- Freshman Recruitment Campaign

Media Visibility
- News Headlines

Promotional Items

Fundraising and Participation Opportunities

TRANSITION TO THE NEXT 100 YEARS

Brand Video
- "Leading the Charge to the Top"

Execution

The campaign was framed by two brand videos. The first, "The Southern Miss Story," was released in late 2008 as part of the Centennial launch and highlighted the history and progress of the university to date. It also introduced our position as the Premier Research University of the Gulf South and defined our personality: Creative, Bold, Determined. The second, "Leading the Charge to the Top," premiered in the last month of the campaign, built on original themes and focused on the university of the future. These videos were shared with all primary audiences in various venues – at group meetings and via You Tube, social media and direct mail.

Tactics focused on building legitimacy for our position as The Premier Research University of the Gulf South and reinforcing our personality. A Centennial logo served as a "bridge" to a modernized university logo and brand standards. A long-needed website revamp focused on effectively reinforcing our personality while engaging visitors with the Southern Miss experience. University communications professionals focused intently on pitching the newsworthy story to national outlets. Special events reconnected large and diverse audiences, and the university president took The Southern Miss Story on the road visiting with hundreds of prospective students, alumni and donors.

Campaign tactics:

- **Featured Events** including Renee Fleming – The Voice of the Century who sang in a concert with the USM Symphony Orchestra; Founders' Day/Centennial Celebration Day; The Big Event (community service day); Centennial Commencement Celebration; Centennial Arts Gala; Affinity Group Reunions; Centennial Homecoming; and, Centennial Lecture featuring Madeleine Albright.
- **Exhibits & Structures** including a Centennial Exhibit in the city library; Centennial Museum in university library; 100 Alumni Museum of Art Exhibit; Centennial Sculpture Celebration; Centennial Gateway (brick & mortar giving opportunity).
- **Initiatives:** Centennial Scholarship Endowment Fund; and Alumni Centennial Membership Campaign.
- **Publications:** The Talon (alumni magazine) Centennial edition; Centennial Drawl (handbook of history & traditions); and a Centennial History book, authored by a noteworthy historian.
- **Advertising:** Centennial Gold Ad Campaign; Advertorial; Student newspaper double truck(s); Black & Gold banners on campuses;

Black & Gold Banners along city highways, advertising in targeted national publications, billboard campaigns in selected cities, and The Southern Miss Story presidential tour.

- **Promotional Items:** Centennial Coke bottle; Centennial pins; stickers; medallions (for 2010 graduates); Coloring books; cups/can holders.

WEBSITE

OLD VS. NEW

The University of Southern Mississippi launched a redesign of the top tier of its website in August 2010 to engage visitors in experiencing the Southern Miss brand. The redesign strengthened the university's image and identity with a consistent visual presentation; added new marketing content, including photos and videos that provide a window into the university; simplified the presentation and navigation to provide a cleaner interface; and provided a more consistent interface and better visibility for undergraduate programs to support new student recruitment initiatives.

A comparison of Web analytics from August-October 2010 and the same time period in 2009 showed the following improvements: **page views increased 24.3%; pages per visit increased 10.3%; and new visits increased 107.5%.**

OLD WEBSITE

NEW WEBSITE

CENTENNIAL GOLD AD CAMPAIGN

Playing off the school colors of black and gold, Southern Miss developed and ran an advertising campaign to increase awareness in the community of the university's many achievements as part of the Centennial Celebration. Billboards were posted in three locations in Hattiesburg, and print ads ran in the football programs and university publications, including *The Talon* (alumni magazine), *Pointe Innovation* (research magazine) and *The Student Printz* (student newspaper).

Evaluation

We credit integrated internal and external strategies for the positive results. The program exceeded all objectives:

- Awareness of history and rich traditions showed positive change in all categories over pre-Centennial benchmarks.
- National media coverage increased 800% (from 13 national hits in 2007-8 to 122 in 2009-10).
- Alumni Association membership grew to 21,088 (1088 more than 20,000 goal).
- Centennial Scholarship donations totaled $3.9 million December of 2010 ($2.9 million more than $1 million goal).
- Freshmen enrollment increased by 14% (exceeded goal of 6%).

EVALUATION SUMMARY

In 2008 The University of Southern Mississippi embarked upon a mission to strengthen the perceptions about the university and increase the level of engagement among our key communities. Central to this mission was telling an authentically compelling story about our rich past while inspiring excitement about our future.

We launched the campaign with the introduction of "The Southern Miss Story." This brand video positioned our strengths as the Premier Research University of the Gulf South and communicated our uniquely *creative, bold and determined* personality. We aimed to create emotional connections with those who have and will pass through our doors. All subsequent campaign activities were designed to increase our connections with our key audiences while building a case for our brand position. The campaign concluded with the roll-out of the new brand video "Leading the Charge to the Top" which is a call to action and a vision for the next 100 years.

The campaign metrics show that we exceeded our goals for each of our objectives, but our success reaches far beyond the numbers. Through tough economic times, the campaign rallied the spirit of the university community and positioned us to move the Southern Miss brand to the next level of national prominence. Guided by 100 years of history and a vision for the future we are Leading the Charge to the Top.

METRICS	BASELINE	GOAL	2010	RESULT
Awareness of History	76%	Increase	83%	7% Increase
National Media Coverage / Visibility	13	20% Increase	122	838% Increase
Web Traffic (page views)	448,980	20% Increase	928,785	107% Increase
Alumni Membership	16,160	20,000	21,088	exceeded
Donations / Centennial Scholarship	$0	$1 million	$4 million	exceeded
Freshman Enrollment	1,396	6% Increase	1,591	14% Increase

Discussion

1. Evaluate the effectiveness of using a significant event, in this case a Centennial anniversary, to serve as a mechanism for rebranding an institution and changing the culture of an organization.
2. Discuss and evaluate the process that was used to uncover the Southern Miss Story and the cultural values that were discovered that defined the university.
3. Successful change occurs from translating a compelling vision or major goal into action. With the goal of enriching its brand, discuss the four areas of strategic focus identified by participants as keys to creating the university's desired future, the problem statement that

was used to drive the change process, and the planning process that was used.

4. Discuss some of the ideas used to execute the plan.
5. Discuss the results of the Centennial campaign and the impact it was likely to have on the culture of the university.
6. What can you learn from this case that can be applied to changing culture?

Key Lessons

1. Change is most likely to succeed when you have a visionary leader who understands how to successfully lead change or engages others with expertise in change, when there is a compelling reason for change supported by convincing data or ideas, there is widespread involvement in the change process, there are early known successes, and plans are made to sustain the change.
2. You own what you help create. People will work hardest to effect change when they are listened to and engaged in making changes happen that are aligned with their own hopes and dreams.
3. Using a significant event can be an effective way to engage people in changes and change organization culture.
4. It is important to have planned ways to discover the present culture of an organization and to identify future cultural changes that need to be made.
5. In executing organization and culture change four important rules of thumb are: (1) engage your stakeholders; (2) be authentic; (3) tell a good story about why change is important; and (4) stay the course.

References

Amodeo, Mona (2005). Identity Dynamics within Cultural Incrementalism at Interface Inc. Dissertation, Benedictine University.

Hatch, M. J. and Schultz (1997). M. Relations between Organizational Culture, Identity, and Image. *European Journal of Marketing*, 31, 356- 365.

Dannemiller Tyson Associates (2005). *Whole-Scale Change Toolkit, 3d ed*. Ann Arbor, MI: Dannemiller Tyson Associates.

Glaser B. and Strauss (1999). A. *The Discovery of Grounded Theory, 2d Ed*. New York: Aldine De Gruyter.

Ludema, J, Whitney, D., Mohr, B. and Griffin, T. (2003). *The Appreciative Inquiry Summit*. San Francisco: Berrett Koehler Publishers, Inc.

Passmore, W. and Paul D. Tolchinsky (1999). Doing It Right from the Start. *The Journal for Quality and Participation,* December.

Quinn, Robert E (2000). *Change the World*. San Francisco; Josey Bass.

BIOGRAPHY

Martha Dunagin Saunders served as the ninth president of The University of Southern Mississippi. An alumna of USM, she became the first woman ever elected to the presidential post. During her tenure at USM, the University enjoyed record enrollment, all-time high fundraising and increased faculty salaries. She oversaw $255 in building projects in five years. She retired in 2012.

Saunders came to Southern Miss from the University of Wisconsin-Whitewater, where she served as its first-ever female Chancellor. Her training and experience in the field of communication have led to numerous publications on crisis communication and public relations; widely anthologized published speeches; and two Silver Anvil awards, the Public Relations Society of America's highest national honor. She is a 2011 national winner of the Stevie Award for Women in Business.

1207 Maldonado Drive, Pensacola Beach, FL 32561
Tel: 850-932-8921
Email: marthausm@gmail.com

5

Building Trust and Leading Culture Change in a New Zealand Company

Ramzi Addison

Case

This is a tale of the role of trust, mistrust, and organization culture in a medium sized New Zealand company. Jacksons is a meat plant situated in the North Island of New Zealand that exports sheep and lambs. The plant employs over one thousand people at the height of business and sprawls over a site of nearly 25 acres. There was an institutionalised culture of conflict and negativity that was turned around by the leadership building trust between management and the union members and changing the culture of the company. This is the story of how they did this.

Introduction

Jacksons was a unionized company where employee relations was at the best of times tense. Over the sixty year history of the plant conflict had become institutionalised. It was like a simmering war which frequently erupted into full scale conflict. Mutual mistrust was the norm. Every statement made by either the union or by managers was analysed to try to understand what "they" were really saying – what was the real agenda.

The Meat Workers' Union

The meat workers' union had their own building, an old house converted into offices and meeting rooms where delegates from the various different departments could be found deliberating over the latest management announcements and devising tactics to overcome their effects or to resist the plans being implemented.

Company Management

For their part, managers spent a great deal of time trying to outwit the union. There was a Labour Relations Manager who was a veteran of conflicts in the meat industry and the General Manager had been in the industry for most of his working life. He described himself as "knowing all the tricks". Management meetings were filled with references to beating the union and celebrating tales of minor victories or lamenting losses.

How Things Worked At The Plant

Daily production on the chain was a nightmare for the frontline managers. Sheep were killed and disassembled on six moving lines – called chains. Sheep carcases were hung from an overhead rail system and moved past the butchers at a rate of around eight to ten per minute. Once the chain started moving, any stoppages could be very expensive as the meat would be spoiled. The front-line chain supervisors never knew whether they would be able to complete a day's work with the ever present threat of union delegates calling the butchers to walk off the job for what the managers perceived to be trifling matters. In a very real sense, the union had more control than the managers over the daily operations.

The union delegates felt that they had to be constantly vigilant to prevent management "pulling a fast one" and hard-won concessions were vigorously defended. There were also problems between the frontline managers and the Ministry of Agriculture Inspectors who worked on the chain, checking the carcases for hygiene violations. The inspectors could condemn carcases or require extra work to be carried out and they were often perceived to be "too picky and temperamental" by the production managers. This was a real problem for the managers as it only required ten percent of the carcases to be tagged for reworking to bring the whole production process to a halt until the backlog was cleared. Managers perceived this to be the inspectors "just playing the prima donna" and they would berate the inspectors and try to humiliate them in any way they could. For example, an inspector came into the frontline managers' cafeteria and asked if he could use the microwave as their own one had broken down. This apparently simple request was greeted with outright contempt.

First Efforts At Change

I was an observer of all this over a period of nearly two years while I carried out research into the social processes and dynamics there, moving between the different sets of actors in this drama while trying not to influence what was happening. Six months after I had finished my research I was in the locality so I dropped in to see how things were at the plant. The General Manager and the Labour Relations Manager told me how the industry was experiencing tough times and they had been looking at making some significant organisational changes and they thought they had found the answer. "What is going to change?" I enquired, wondering what miracle was going to happen. "We're introducing Total Quality Management!" announced the GM proudly "that's what this place needs to get up to speed." I asked how much this would cost and the GM told me that they were bringing in a consultant and it would cost around $190,000. "Well, you might as well go to your bank, get $190,000 in cash and put it out in the yard and set fire to it" I replied. Their faces fell. "What do you mean, surely it would be a good thing?" the GM said.

I explained that in my experience, a major initiative such as TQM required large scale changes in the culture and processes of the organisation. The probability of failure at their plant was very high because there was a complete lack of trust between most of the affected people and that mutual trust was the sine qua non of the success of such radical change.

"Well what should we do then?" asked the LR Manager.

"You need to start to build trust" I replied.

"But how do we do that?" asked the GM.

"It's not difficult" I replied "all you need to do is to act in a trustworthy manner – prove you can be trusted! It is your responsibility as managers to break the negative cycle!"

A Second Effort At Change

I left, not knowing if my words would have any effect and I had no contact with the plant for another nine months. I was attending an interactive conference where organisations came along with teams to demonstrate and discuss their unique approaches to workplace relations, the management of change and so on. I was surprised to see a team from Jacksons on the list of participating organisations. The night before the conference was to begin I met the GM and the LR Manager in the lounge and asked them how the TQM initiative was faring at the plant.

"Things are going very well – much better than we expected. We listened to what you said the last time you were at the plant and it's made all the difference! Why don't you come along tomorrow – we're having a brainstorming session with a process team to solve some problems to show how we handle this aspect of TQM." I accepted their offer and went off to bed wondering what kind of circus I would see in the morning. I could not believe that they had turned their situation around so radically and that the team must consist of carefully hand-picked, co-operative employees.

The next day I attended the brainstorming session and found ten people from Jacksons, including the GM. Far from the hand-picked group I had expected I found two union delegates, butchers from the chain, labourers, a clerk and a front line manager. One of the union delegates had been a major thorn in the side of management's efforts to run the plant efficiently so I was surprised to see him there. When they started the session, a butcher outlined the problem which was to do with cutting down on water use; the GM took the white board and began to write down the ideas that flowed thick and fast from everyone in the team. I could not believe what I was seeing. The last time I had seen these people working they had been completely opposed, defensive, combative, obstructive and displaying a complete lack of trust. Now they were working together, throwing aside old positions and defensive points. They were exposed and vulnerable.

After an hour they reached some practical solutions to the problem and agreed on an action plan and decided to go and have a cup of tea together. Over the next two days I managed to speak to the team members individually regarding what had brought about this remarkable transformation in working relationships. The pivotal event was the wage negotiation for all the staff. The Employment Contracts Act (ECA) had been enacted several years previously but there had been no real negotiations under the new act. The ECA was, compared to the previous legislation, distinctly unfriendly to unions, particularly in regards to allowing unions to use the collective strength of combining negotiations across whole regions. Under the old legislation, the union could leverage their strength and play one plant off against another. Now negotiations were to be at plant level under a new set of rules which favoured employers. While I was working at the plant I knew that the new legislation was the union's greatest fear while management was thrilled with their potential new power. For management this was payback time. However the GM and the LR Manager listened to what I had said about creating trust by acting in a trustworthy manner and decided not to take advantage of the new power conferred by the ECA and to play their cards differently.

When they met with the union leaders to open the negotiations the LR Manager simply laid on the table exactly what it was they wanted and guaranteed not to remove any of the existing conditions. Basically what they were saying to the union was "we are not going to take advantage of this new power but there are some things we would like to be able to do, including introducing TQM".

The union was very suspicious at first, playing the old and familiar game of trying to figure out what management was really up to. After several further meetings it gradually became apparent to the union that management was serious and was not going to take advantage of their new position. The GM showed he was committed to this new approach by attending all the meetings and he made sure the management team understood that this was a real change, not just cosmetic.

The process was slow and not without a few hiccups along the way but gradually a strong basis of mutual trust was established upon which the people at Jacksons continued to work and build. As a result the TQM process was a success and cost savings and efficiencies were apparent from the outset. Work practices started to become much more flexible which benefited everyone and there was a new, positive atmosphere evident in the plant with less tension and stress and people working together to solve what were increasingly seen as "their" problems.

These changes required courage from both sides. Management had to take a big risk in order to try to break the negative cycle of mistrust while the union members risked losing the potential advantages they gained from an active policy of opposition to management and concession bargaining.

Discussion

1. **Describe the cultural norms that existed between the New Zealand meat plant managers and the union at the beginning of the case.**
2. **What are some of the consequences of having a toxic company culture?**
3. **Discuss the first efforts to change the culture and why this approach would not likely work.**
4. **Discuss the second efforts to change the culture and why they were successful.**
5. **Describe the cultural norms that existed at the conclusion of the case and the payoffs of having a healthy culture.**

Key Lessons

1. It is the responsibility of leaders to build and maintain a positive working environment and culture.
2. Building trust is the cornerstone of successful employment relations, developing a healthy culture, and effectively operating an organization.
3. When leaders start to act in what is perceived to be a trustworthy manner, a positive dynamic cycle is initiated that will grow stronger and stronger.
4. To turn around a context characterized by high levels of mistrust requires leaders who have courage and high standards of personal integrity as well as skills in how to build positive cultures and collaborate in making decisions and managing change.
5. It is often best to change culture by focusing on a major opportunity for change rather than trying to change the whole culture at once.
6. Successful leaders are committed to the processes and strategies in their organizations and demonstrate this with their physical presence at critical stages and events.
7. Effective leaders are sensitive to the needs of their people and take these under consideration when planning and implementing change.
8. The successful leader recognizes that he/she can only be effective through their people and that the right approach can usually resolve issues without spilling blood and suffering the consequences.

BIOGRAPHY

Dr. Ramzi Addison is a Senior Lecturer in Management – Faculty of Commerce, Lincoln University, Canterbury, New Zealand where he teaches OB and Employment Relations at the undergraduate and post graduate level. He is also interested in the management of change and management in the Asia/Pacific zone.

Dr. Ramzi Addison
Email: Ramzi.addison@lincoln.ac.nz

6

Changing a Hostile Unionized Culture to a Culture of Trust and Open Communication in a Large Company In India

Neha Gupta

Case

Singareni Collieries Company Limited (SCCL) in India was declared "sick" (bankrupt) in 1996. There was a distinct disconnect between the management and the blue-collared workers in this hierarchical and highly unionized organization. The case narrates how APVN Sarma, the new Chairman and Managing Director (CMD) undertook various initiatives to bridge the trust deficit and communication gap between management and workers. The case describes how change in organizational culture played an instrumental role in rescuing SCCL from impending doom.

About Singareni Collieries

The origin of SCCL traces back to the discovery of coal deposits in the Godavari valley by William King, an eminent geologist in 1871 (Siddiqui & Khwaja, 2008). SCCL, key supplier of coal to the power and energy sector in south India is owned by the government of Andhra Pradesh (AP) and the government of India with shares in the ratio of 51:49. With an enormous workforce of over 100,000 employees, it provides direct and indirect employment to people residing in and around SCCL.

Troubles at Home Front

The liberalization of Indian economy in 1991 opened doors for importing coal from other countries. Whilst it brought joy to the consumers, it spelt trouble for SCCL as the administered coal prices became unattractive. Moreover, the labour-intensive underground mining was rendered unproductive by high absenteeism at Singareni. To add to its woes, there were about two strikes every working day in the collieries owing to multiplicity of unions at SCCL. Over 100 unions squabbled for supremacy making unreasonable demands from management which often ended up in strikes. Unfortunately, any disciplinary action to restore peace and order inevitably led to industrial unrest. The wildcat strikes, militant trade unions, high absenteeism, and onslaught from international competitors catalyzed SCCL's decline and boosted the accumulated losses to INR 12.19 billion in 1996. The declaration of SCCL as 'sick' (bankrupt) in the same year put the nail in the coffin.

Winds of Change

The transformation journey began in January 1997, when Sarma took over the reins of the company as the Chairman and Managing Director (CMD). During interactions at the coal mines, Sarma was shocked to discover that workers were clueless about the bankruptcy. Rampant strikes and low productivity was a norm among the workers. In short, the hierarchical culture had alienated the workers from the management. It was not surprising since the management never communicated directly with the workers in the past. Sarma decided to get rid of the union leaders who acted as middle-men distorting information to serve their vested interests. He sent two letters in quick succession to all employees in Telugu (local language of AP) at their residential address to inform them about the company's poor financial health. The intent of sending letters to their homes was to educate even the family members about SCCL's bleak future if the performance didn't improve.

The unprecedented act of management reaching out to the workers led to protests from unions. A union president disgruntled that if the management claimed to have no money, how it could spend INR 500,000 for courier services to deliver letters (Sarma, 2011). Despite these protests, Sarma marched ahead assisted by the top management team. Sarma had realized that inculcating a culture of trust and open communication was the key to amplify commitment from workers. He met with the operating directors every fortnight and brainstormed with employees at all levels to discuss strategies and initiatives to improve performance. He formed a change management team to empower workers with information and enlist them as partners in changing the culture.

Bridging the Information Gap

The top management knew that they had to be proactive to overcome the "us versus them" mindset propagated by the unions. SCCL announced a communication policy to plug the information gaps, with a vision to "promote the spirit of Singarenism among Singarenians." The policy — a unique experiment in the public sector — aimed at touching over 100,000 employees spread over 67 mines (Mouli, 2005). Sarma regularly wrote to the workers' homes, to keep their families informed about the health of the organization. The letters explained financial statistics, how a worker could help, impact of strikes on productivity etc., which was previously confined to the management. Family members gradually started developing a sense of ownership and in turn motivated their bread earner.

In March 1997, SCCL formed multi-departmental teams (MDTs) with the objective to spread management's message, update employees about the organization's health, and elicit suggestions from workers for the management. The MDTs prepared and gave monthly presentations about the company's performance to workers in mines, their families in colonies and executives in offices. In the meantime, open house meetings with employees spanning all levels had become commonplace at SCCL. Sarma would host these meetings to ask workmen: "If you were in my position, what would you do? Which areas would you improve?" Based on the feedback collated by MDTs and ideas shared by employees at open house meetings, the management brought about a lot of improvements (Sarma, 2011). Also, employees could see their voice being heard and their role in shaping the future of organization.

The company issued press releases periodically regarding employee achievements and happenings at SCCL. On local television channels, they hosted talk shows and news features covering SCCL and its township activities. Every communication channel highlighted the importance of workers and urged them to collaborate with management to revive the decaying organization. It yielded results as the workers now felt being "one with the management."

Building Trust

The management believed that actions spoke louder than words. Sarma followed an open-door policy where employees could freely walk into his office to share their problems. The general managers for every area visited the worker colonies to listen to their grievances. After 15 days, another officer would go to check if the problem had been addressed. The fulfilment of promises instilled trust in the hearts of workers that the management cared about them.

SCCL launched a literacy drive, focussed on recreation, ramped up housing and medical facilities, and rolled out a scholarship program for workers' children. The management also acquired a guest house near the city hospital for its employees and their family members to ease access to quality health care. Later, the miners who attended the literary sessions were invited to read the newspaper on stage during Independence Day celebrations. The applause from the superiors and peers infused a sense of pride and accomplishment in the workers with low literacy level.

SCCL formed a Singareni Seva Samiti (welfare association) which facilitated vocational training for workers' wives and thereby supplementing the family income. It switched to salary disbursement through banks instead of cash payment at the mines. It enabled workers to open bank accounts which in turn entitled them to other banking facilities like interest on savings, bank loans etc. SCCL also set up area terminal benefit (ATB) cells which served as one-stop solution for any settlement. The reduction in settlement period from months to few days provided respite to economically backward workers.

Rewarding Performance

SCCL introduced an incentive based on individual performance in addition to the annual bonus depending on achievement of production targets by the department. In 1997, it started an employee recognition program, including awards for Best Mining Worker and Best Non-Mining Worker in each area. The recognition encouraged the selected workers and the family members who attended the award function. The communication was viral as the other workers' wives often nagged their husbands, "When our neighbour can receive the Best Worker Award, why can't you?"

Restoring Oder and Peace

The multiplicity of trade unions had plagued SCCL with discipline issues like wildcat strikes, high absenteeism, non-adherence to shift timings, and delayed shift changeover. In 1998, SCCL decided to regulate unions by holding trade union elections to restore industrial peace. The unions vehemently opposed the elections, threatening the management with dire consequences. But, the undeterred management went ahead with the trade union election backed by police force.

In the history of Indian coal industry, the first trade union elections were held at SCCL in September 1998. It was clearly laid down that except the recognized union, the management would not deal with any other association. Previously, any union would approach mine managers with trivial unreasonable requests and resorted to strikes if their demands were not met. Post elections, SCCL declared that during strike, workers would lose the right to ask management for anything, including salary.

SCCL previously felt handicapped in taking disciplinary action against erring employees because of power wielded by multiple unions. After clipping the wings of the unions, SCCL announced the disciplinary policy to monitor employee's performance and behaviour. In 1999, it dismissed over 1500 employees for poor attendance sending out the message loud and clear. Interestingly, the workers didn't resort to strike as they had reposed trust in the management's actions and intent. Laced with information about company's performance and direct contact with the top management, the workers no longer fell for the dubious claims of unions maligning the management. From the mind numbing statistics of over 300 strikes per year, SCCL achieved a strike free calendar month in August 2000.

Rewriting The History

Under Sarma's leadership, SCCL posted profits for four consecutive years. The accumulated loss declined significantly by 53.6 per cent in a span of four years while the net profit rose to INR 894 million in 2001. Most importantly, Sarma succeeded in infusing hope, sense of ownership, empowerment, and passion for excellence in an environment which was marked with learned helplessness, distrust, closed-door communication, and poor performance. The skyward rise of the company would have been a pipe dream without establishing a culture of trust and open communication between management and workers.

Discussion

1. Describe the culture of the Singareni Collieries Company Limited (SCCL), the culture of the union, and the relationship between the company and the union before the changes were initiated. What were some of costs (consequences) of having unhealthy cultures and unhealthy relationships?
2. The new Chairman and Managing Director, Sarma, believed that building trust and open communications was the key to changing the culture at SCCL. Is this indeed an essential to effectively changing cultures? If you agree or disagree, explain your reasoning.
3. How essential is effective leadership to changing culture and why?
4. Discuss the process Sarma used for changing the culture of SCCL and the relationship with the union. Then agree on some of the fundamental principles for changing cultures you could identify from what he did. In discussing fundamental principles for changing culture how important is involving and engaging the right people? Is there anything you would have done different in changing the culture at SCCL?
5. What were the major payoffs of the changed culture at Sarma?

Key Lessons

1. Changing organizational culture cannot effectively be accomplished through mandates. It requires support, engagement, and involvement from employees at all levels.
2. Leaders paly a critical role in changing culture. They can delegate involvement and planning changes in culture to others but they cannot delegate leading and supporting the change process.
3. In changing the culture, it is imperative for the leaders to be viewed as trustworthy. Trust is gained through leading by example, walking the talk, open and candid communications, empowering employees with information, listening to employees, and engaging and involving employees in the change process. Trust that lasts is earned through visible actions and not talk or experiential exercises.
4. In an organization, the leader should undertake trust building at three levels (Reina & Reina, 2000):

a. *Communication Trust* (Trust of Disclosure) – Willingness to share information
b. *Contractual Trust* (Trust of Character) – Faith in integrity and ability to keep agreements
c. *Competence Trust* (Trust of Capability) – Respect for each other's abilities

5. The active involvement of leaders lends credence to any initiative and establishing direct lines of communication with employees signifies that leaders value their opinion.
6. To facilitate an organizational change like culture, the leader should take care of resistance at three levels i.e. cognitive resistance by sharing information, emotional resistance by demonstrating care and concern, and personal resistance by establishing trust in the leader (Maurer, 1995).

References

Maurer, R. (1995). *Beyond the Wall of Resistance: Unconventional Strategies that Build Support for Change*, Bard Press, 208 pp

Mouli (2005). SCCL Internal Report titled *"Singareni Collieries Company Limited – A Turnaround"*

Reina, D. and Reina, M. (2010). *Rebuilding Trust in the Workplace: Seven Steps to Renew Confidence, Commitment, and Energy.* Berrett-Koehler Publishers, 192 pp

Sarma, A.P.V.N. (2011). Interview with Neha Gupta at Indian School of Business, Hyderabad, April 13, 2011.

Siddiqui, M. and Khwaja, R.H. (2008). *The Acrobatics of Change: Concepts, Techniques, Strategies and Execution.* New Delhi: Response Books.

BIOGRAPHY

Neha Gupta, Manager (Stakeholder Communications) at Indian School of Business (ISB), Hyderabad holds a MBA (HR) and B.E. (E&C). With research interests in Change Management and Leadership, she has co-authored several book chapters in Organization Development: Accelerating Transformation and Learning (Sage Publication) and presented papers in peer-reviewed international conferences. She has published case studies in Ivey and GVV; and articles in leading national HR journals and magazines like NHRDN Journal, Human Capital. She also conducts behavioral and soft skills training programs.

Neha Gupta
Email: gupta.neha13@gmail.com

CHAPTER THREE

7

Building, Rebuilding and Sustaining a Winning Culture at the Madame Zingara Restaurant Group

Kate Herbert & Linda Ronnie

Case

Most managers are increasingly aware that what motivates employees to work productively is not limited to salaries or benefits (Cappelli, 2000). Gauging employee engagement – the extent to which employees feel inspired, passionate or a part of their organisation – is critical to understanding what type of organisational culture you wish to create. As the effects of the global recession continue, maintaining employee loyalty and employee morale is important for all parties (Sutton, 2009). The ongoing challenge of a "war for talent" (Michaels, Handfield-Jones, & Axelrod, 2001), coupled with the added aggravator of reduced financial resources, implies that strong leadership which can facilitate employee engagement is critical. The benefit of creating a positive psychological contract (Rousseau, 2001) between employer and employee may yield tangible benefits for both parties (Heskett, Jones, Loveman, Sasser Jr, & Schlensinger, 2008).

This case study explores a practical example of how a South African restaurant group, Madame Zingara, was rebuilt following bankruptcy. Within a short space of time, the group was re-established, and continues to grow by focusing on developing a strong external and internal brand. The case describes the background to the "family" working environment and highlights how staff engagement and loyalty has yielded tangible business benefits. It encourages students to consider the advantages and disadvantages of what may be termed "charismatic leadership" (Weber [1947] as quoted in Conger & Kanugo, 1988) and the importance of continuing to measure employee engagement, particularly at a time of rapid expansion.

Introduction

Richard Griffin, a 38-year-old Cape Town entrepreneur and founder of the successful Madame Zingara restaurant, was deep in thought as he reflected on the previous 14 months. With his head in his hands, he waited to address the 40 members of management beginning to assemble in the now famous Belgian 'Spiegelpaleis' tent named Victoria (the "Tent") for their monthly meeting. He thought back to how only the previous February, Madame Zingara CC had been liquidated in the Cape High Court.

"Look at everything we have achieved," he began, his eyes sparkling. "14 months ago we had nothing. Today we have five restaurants valued at over $5.5 million and between them 92 years of trade. I am humbled and I wish you all a journey of fun and relish as we move forward. But understand the seriousness of business – without our customers, we have nothing. Our values are in our customers and we are only as good as our last night."

The group assembled were quiet. Many had worked with Griffin for over eight years, returning to the fold despite the troubles of the previous February. Others had joined more recently. With head office staff, head chefs and front of house for each restaurant, many sporting dreadlocks, tattoos and piercings, it was not your typical corporate management meeting. All listened intently as Griffin continued.

"Through our staff we secure our trade. By acknowledging our people, we can grow this group. We're at a tipping point and I would like to see you walking with open arms, arms above your head, carrying this wonderful challenge."

Setting the Scene – The History of Madame Zingara

Madame Zingara was founded in 2001. It soon became known for its eclectic charm. Chilli-chocolate fillet became its signature dish and belly dancers and snake charmers wove their magic, while diners donned silly hats. Eating at Madame Zingara became associated with fun and laughter – it was an intoxicating experience from the moment you arrived until the moment you left. But in 2006, the restaurant burnt down and Griffin was left without a venue. Following a visit to Europe, Griffin decided to purchase a hand-carved wooden tent built in 1928, featuring multi-faceted mirrors and stained glass. "Victoria" is now the permanent home of Madame Zingara and can seat 420 diners each night. In 2007, the Tent toured three major cities in South Africa with much success.

In November 2008, an ambitious Griffin took the Tent and all of his staff to the United Kingdom for a tour based in London. The concept was well received among British critics and each night was a full house, but the financial backing fell through. It was late in 2008 and the UK credit crunch was starting to bite. Stuck with unexpectedly high costs in the United Kingdom, Madame Zingara was obliged to close its run early and return to Cape Town. A subsequent cash flow crisis led to a High Court summons and the business was liquidated. The curtain fell at the Tent.

Retrenching all his staff and selling all the assets was one of the hardest experiences of Griffin's life. "There were lots of tears. I wanted to die. My heart had been ripped out. I lay on my couch for six months and watched TV and refused to speak to anyone. I felt I had let down my family of loyal staff who had worked for and with me for years. My life is Madame Zingara," reflects Griffin. "Finally, Bettina, a wonderful woman who taught me to cook twenty years ago came to my house. She took my hand. She led me back into the kitchen and said 'You must cook Richard. It is what you do.' She restored my faith in myself. I knew that my vision for Madame Zingara had to continue. I felt I owed it to myself – but also to everyone who had worked so hard over the previous eight years."

The Return of Madame Zingara

For the first time in his career Griffin was obliged to go into a financial partnership in order to re-launch Madame Zingara. He started slowly by acquiring the Bombay Bicycle Club ('Bombay') in May 2009, working incognito at the restaurant as a chef for several months. Bombay is a small, intimate restaurant that offers fusion cooking and is described as "Cape Town's wonderfully wacky bohemian love den at the top of the hill". On the 5th of October 2009, he acquired the Sidewalk Café in an upmarket area of Cape Town, offering a brasserie style of dining with free wireless access during the day, organic foods and a relaxed ambience, Griffin describes Sidewalk as the "yin to Bombay's yang".

But these twin ventures were merely the prelude to the re-launch of the *Theatre of Dreams* as Griffin gathered his resources and utilised his famous charm. In May, the 2010 'Love Magic Tour' signalled a triumphant return as the Tent re-opened in Cape Town. The show featured both new and old acts including a Russian acrobat, Ukrainian roller skaters, Mongolian Triplets, the Las Vegas Hula Hoop Girl, and the much loved 'Three Tons' who are three singers that traditionally close the show with a lively rendition of Sister Sledge's *We are Family*.

Growing the MZ family

Possessed with a boundless energy and a seemingly limitless passion for developing his business, Griffin went on to purchase two further restaurants in October and November 2010. Like the Sidewalk Cafe and the Bombay, the Mozart Café and Café Paradiso ('Paradiso') were long-established restaurants in Cape Town. Both have been extensively renovated, smartened up and reopened within a month of purchase.

All of the five restaurants now associated with the Madame Zingara brand are registered in separate limited companies and operated as a franchise by the Madame Zingara Head Office.

Head Office also manages all human resources, operations and box office bookings for the Tent, and is the hub of the management team responsible for delivering the Madame Zingara vision.

What is The Madame Zingara "Magic"?

Eat, play, love

When talking about the magic of Madame Zingara, most people are referring to the experience of dining in the Tent. As one diner commented when interviewed: "I was struck by how seamlessly all the performances worked together and the perfectly timed delivery of the three-course meal. It felt as though everyone had a role to play in the performance, even the hosts and waiters. I could tell that they all wanted to be there."

Critical to Madame Zingara's success is the ethos of flawless service. Much like the 'cast members' of staff at Disney, every member of the team is expected to perform to ensure that each guest enjoys their evening. Madame Zingara's own publicity material describes the experience:

> Theatre of Dreams is your escape from the mundane, into a world of glitter and stardust that sparkles with the magic of cirque, where breathtaking feats are performed by our intriguing stable of artistes from all corners of the earth. We love our guests.

Attention to detail is paramount. Prior to dinner, guests have an opportunity to mingle in an outside bar, the "Waterford Shebeen", where performers juggle fire. Upon entering the Tent, each guest is welcomed by the hostess and shown to their table. Seating plans are precise, strict and unique to each night's performance: pre-booking and 50% prepayment are mandatory. Guests are encouraged to dress up and enter into the spirit of the evening. Each waiter or waitress wears fancy dress and has his or her character for the evening. The evening is tightly scheduled to allow all the guests to be served between performances. Ensuring that all meals are on the table in the correct order is a challenging operational exercise requiring cooperation and discipline.

Factors in Madame Zingara's Success: Understanding the "Magic"

The master magician

Griffin is a powerful figure in the success of Madame Zingara. His leadership style is to emphasise above all else the importance of creating a family environment for his staff. He is passionate about his role, as both disciplinarian and protector, as head of this "family". He loves what he does and he cares deeply for everyone who works with him. This lends him an authenticity in his style of management that people both respect and, at times, dread. So closely does Griffin identify himself with Madame Zingara that he has a tattoo of the Madame Zingara "Z" logo across his heart.

Research has found that entrepreneurs in general have a lower perception of risk than most people. Griffin appears to be no exception to this and is constantly seeking new opportunities, having faith that they will be successful. He began working as an apprentice at a well-known restaurant at the age of 13, after running away from home. Over four years, he worked his way from the scullery through to the till points. In 1994 at the age of 21, he opened his first restaurant before studying cooking more formally at Le Cordon Bleu® London. During this period, his personal life was immensely challenging and he faced many personal hardships. This has contributed to his resilient nature. When asked what motivates him, Griffin replied:

> Some tragic experiences, the death of my brother, running away from home, some time in bad company, all led to personal growth for me. Work is healing - people need to work and contribute positively.

Being part of the family

People who work for Griffin are working for a deeply passionate leader. At every level of the organisation, Griffin is up to speed - the financial budgets, the suppliers, the quality of food and what is being served. Whether you are a chef, waiter or manager at Madame Zingara, Griffin tends to know both what is meant to be happening and whether the role is being performed to standard.

Griffin observes:

> Money is not the governing force of who I am. I don't forget that this is a business, I run it like a business and always watch the bottom line, but I want my work to be a journey of life, to be able to touch, to feel, to experience and to take others along with me on the trip.

An advantage of this style of leadership is that Griffin knows each member of staff personally and is likely to assist any member of staff who has run into difficulties. This may mean giving temporary loans, employing members of family (for example, two generations of one family work in the kitchen), assisting with legal costs, or helping to rehabilitate members of staff who are struggling with alcohol or drug addiction.

Provided staff are able to perform their jobs properly and to Griffin's standards, he will support and trust them to a level not typically seen in a company. Salaries are "higher than industry standard" remarks Griffin, and employees are regularly rewarded either through conventional bonuses or through smaller, more personal gifts: a new knife for a chef, a new uniform. On one occasion, an elaborate staff party took over a restaurant for an entire evening to celebrate the end of the Cape Town run of the Theatre of Dreams: "It did mean losing one night's trade but it was worth it – we redecorated the whole thing too".

Accountability and discipline

Madame Zingara is Griffin's passion and his life's work. This means that he has less need for regular work-life balance than other members of his staff. At times, his passion for perfection can be a difficult burden, and the work atmosphere can become chaotic. One member of staff commented: "As good as Richard is, as bad as he is". In other words, on some days Griffin's mood may adversely impact the productivity of the staff.

"I've seen him fine a waiter $150 for serving a drink in the wrong glass."

Accountability is key at Madame Zingara. A fine system is in place so that if managers exceed their budgets (in the case of the head chefs, 35% cost of stock to amount of profit over a weekly period), or in any way default on serving a customer, they are personally financially penalised. For larger infringements – for example, if the manager responsible for beverage cost lapses – the excess cost is shared across all management. At times this system may appear unfair as it depends on Griffin's mood and is not implemented strictly. It is driven by his own attention to detail that demands perfection at every turn. Griffin is aware of this:

> Don't misunderstand; I am very hard on my staff. People have to learn a 150-page training manual before they even start work here and I demand that they work hard and contribute consciously. The beautiful thing is we are not normal, we are misfits with tattoos and weird hair and we are successfully selling a product to an upper-income group aged between 40-60 years old!

The employees

Madame Zingara has grown to nearly 200 staff in the past year. Over 90% of staff retrenched in 2008 returned to Madame Zingara to help Griffin re-launch the Theatre of Dreams. In addition, about 100 new staff have been taken on to cope with the expansion. Previously, there were at most 120 staff working under the Madame Zingara name.

Madame Zingara has a track record of employing people who have traditionally struggled to find work. Former drug addicts and recovering alcoholics are employed and given a chance. As the HR manager Lee-Ann put it, "We're a bunch of misfits. I come from a bad past, Richard comes from a bad past – so too do most of the management team. We understand. Just tell me your story when you join – I do not want to find out about it three months later."

Employees interviewed claimed that they work in Madame Zingara because they feel a sense of family, a sense of belonging. When questioned, staff returned a range of responses that include:

- "Wow, people, work, energy, growth, happiness!"
- "The best thing about working in Madame Zingara is we doing good job together as a family." [sic]
- "The people, the show, the music, the rewards! The flexibility, the fun times!"

It is important not to underestimate how important the concept of *family* is to people who have faced personal difficulties. The sense of self-worth and respect they feel at work is critical to their loyalty to Griffin himself and to Madame Zingara.

Loyalty in times of adversity and change

When Madame Zingara was liquidated, many staff were snapped up by a rival company named Vaudeville, which offers a very similar package of burlesque/circus entertainment and dining. One member of Madame Zingara's staff observed:

> Vaudeville was a very good example to me – you don't understand how powerful Richard is. They had everything we had including 90% of our staff – the entire back office, the front of house and the waiters were from us - and yet somehow it just did not seem to work out for Vaudeville.

When Madame Zingara re-opened, these staff left Vaudeville and returned to the Tent.

Staff behaviour and the MZ product

As expressed by Griffin, the experience of the diner is inextricably linked to the experience of the staff. Griffin comments:

> The workforce is everything at Madame Zingara; their happiness affects the final product, which affects the bottom line. All staff should be protected, encouraged and pushed to do their best. Our staff turnover is miniscule, which to me means that we are doing something right.

Staff are specifically recruited to "fit" the product, which is marketed as eccentric, exciting and an adventure. Providing excellent service is a key part of the product. The training manual notes:

> At Madame Zingara we encourage you to be yourself; you have been recruited largely for your beautiful, vibrant personalities! However, we have to base this on professional service.
> Once we are covering all our bases and giving excellent service, this is to enable you to feel comfortable on the floor and allow your personalities to shine through.

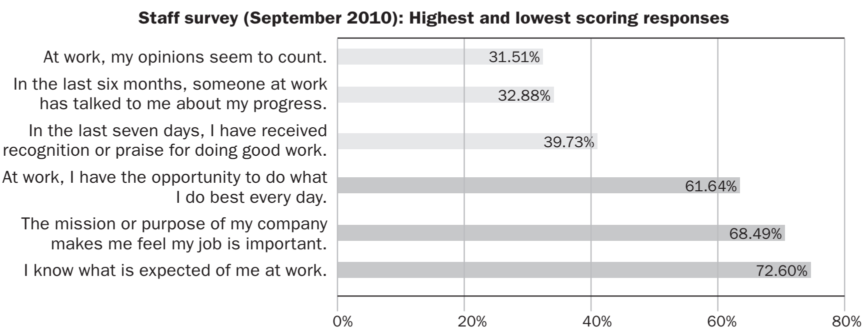
Madame Zingara has recently been awarded both Best Service and Best Restaurant 2010 at the Restaurant Association of South Africa Awards[2]. A special award for 'Service Excellence' was also received.

Employee engagement: survey results

A staff survey was conducted based on the Gallup Q12 questions that aim to measure employee engagement. Staff were surveyed at all levels of the organisation with particular attention on those in the headquarters (including box office) and the kitchen staff in the Tent, as this represents the widest distance in roles.

The lowest and highest scoring questions and responses are as follows:

Figure 3: **EMPLOYEE SURVEY RESULTS (11–17 September 2010)**



2 Awarded on 25 November 2010 by the Restaurant Association of South Africa.

These results are concerning and may reflect the challenges of a constantly expanding business. Griffin was surprised and concerned. "My staff are everything to me and I know I have to go back and look at this – I need to work out how to share the love again. Things must change and change immediately."

The Future: Identifying Challenges

A rapid pace of change in any business presents challenges. For Griffin, the survey results highlighted the difficulty of preserving the ethos of the Madame Zingara brand during company expansion and the dilution of his personal influence over the every day activities:

What is key is how do we empower others so the message carries on – I am going back to look at this after six months of growing the rest of the business. I can see that we need to do some work on human resources – the first rule will be no more shouting! I see two big areas of challenge going forward: discipline and communication.

Maintaining discipline

As the business has grown, it has become increasingly difficult to monitor and maintain discipline effectively. This has led to an inconsistent approach that has caused some unhappiness among staff, some of whom perceive it as unfair. This inconsistency is risky. For basic statutory compliance, it is mandatory to follow the prescribed disciplinary procedures.

Says Griffin:

> Staff forget so easily what it was like to have nothing. They are earning really good money – the old staff earn up to $400 per shift in tips – that is upwards of $5,500 per month with no outgoings! We are paying for all their accommodation and all their transport while on tour. In fact, they are spoilt.

More experienced staff tend to arrive later for their shifts, perhaps only one hour before the guests are scheduled to arrive at 7pm. Others, generally newer members of staff, will have been on the premises since 2pm to lay their own tables. Because of a lack of discipline applied consistently, newer staff perceive this as "unfair" whereas more experienced staff regard it as their "right".

Improving communication

"Every single day at 9am we have a staff meeting before the day starts. Every staff member has the opportunity to take the floor. This has always been our way before starting a shift," mused Griffin. "However, perhaps people are not getting the opportunity to be heard or do not feel comfortable in a large forum. I am worried the message is not getting across." Meetings have traditionally been held informally with the aim to identify issues for the day rather than foster development or offer the opportunity to deliver feedback.

Employment processes

With a team of staff that has a varied educational background and skills base, a one-size fits all induction process is neither possible nor appropriate. Before the staff numbers grew so large, Griffin was able to both interview and hand pick all members of staff, who were generally recruited through word of mouth and existing staff relationships. This ensured that each person hired was taught the 'Madame Zingara' story, which ensured the preservation of its institutional memory.

As numbers have grown this model no longer functions as well. Griffin's concern is that without an adequate induction process, new staff "only really know me when I'm screaming and swearing at them." This concern was reflected too in the staff survey, where the majority of kitchen staff revealed that the worst thing about working at Madame Zingara was:

- "The worst thing is when they scream at everyone."
- "Pettiness between staff, the boss contradicting himself all the time."
- "The way I am spoken to. I don't like being shouted at."

While a frantic pace in the kitchen, with swearing, may be typical in the restaurant industry, the challenge is to ensure that people are adequately brought into the vision of Madame Zingara from the outset. Not only does this help morale during busy or difficult times but it helps create a sense of loyalty.

Expanding business means moving into a more formalised way of work

As a business grows beyond its infancy by necessity its working practices need to become more formalised. One person cannot control all aspects of an organisation successfully and ensure longer-term sustainable growth. A challenge for Madame Zingara, and Griffin as founder, is how to ensure that a more structured approach is implemented. In doing so, it is important that Griffin avoids the so-called 'Founders Trap', whereby it becomes difficult to delegate responsibility efficiently or effectively (Adizes, 1999).

Griffin acknowledges: "we have now conducted more extensive staff appraisals, which took place after the survey results. However I am aware it has been a time of rapid change and expansion." He continues:

> What we need to do is make sure the heart of Madame Zingara is intact. From seeing the results of this survey, I have now appointed Lee-Ann, one of my longest standing members of staff and someone who began as a waitress six years ago before becoming production manager in the Tent, to be head of HR. To me, I would rather call this role the 'Heart' than HR because I see this role as being to love our staff and show them that love. If someone is upset, they must go and speak to Lee-Ann. I want her to be the shoulder to cry on. It is very important.

At the same time, Griffin has appointed Nadine, another long-standing member of staff, to be head of Operations: "Her role really is to be the tough one. She is responsible for training on the floor and for disciplining appropriately. This industry requires someone who can fill this role and be tough when required."

Communication at Madame Zingara is becoming increasingly important and Griffin acknowledges the existing morning meetings are no longer enough. Griffin has supplied BlackBerrys to all of his management team including the head office, head chefs and front of house. The idea is that they can be contacted – and contact each other – at any time of the day or night. The group has a strong presence on FaceBook to communicate with its external audience and each separate restaurant has its own page. Press releases and competitions are managed by an external public relations agency.

Conclusion

As the management meeting at the Tent drew to a close, Griffin looked around the room. "We must be proud of who we are and what we have achieved. It has been a hectic 18 months. I am determined to lay the foundations here for a long and successful future together."

Discussion

1. **Richard Griffin was a visionary leader with a dream for building a unique restaurant business and a unique place to work. Describe Richard as a leader, the restaurant experience that he created, the work experience he created with an emphasis on engaging employees and developing a family environment, and the cultural values that he built his business on.**

2. Richard Griffin lost his business and went through some difficult times personally. Discuss his journey from failure to rebuilding and the skills that made him successful once again.
3. In understanding the "magic" of Madame Zingara, discuss the core values that Richard Griffin built his business on, his leadership philosophy, and your evaluation of the consequences of his approach to rewarding certain behaviors and having significant consequences for others.
4. Given the rapid growth and success of the restaurant group, Richard Griffin must have been shocked at the survey results. First, discuss why it is important for leaders to do reality checks like the staff survey. Then, discuss what you think most likely caused the disappointing results and what Griffin could have been doing to sustain the Madame Zingara magic and culture during times of rapid growth.
5. It takes time to build a successful culture but cultures can be eroded rather quickly. What are some of the major causes of culture erosion and what are some things leaders can do to sustain successful cultures? Evaluate the decisions Richard Griffin is making to get the culture and the organization back on track and discuss anything you would do different.

Key Lessons

1. Leaders need to be aware of the desired cultures they are trying to create and what they are doing by example and by the structures, processes, and rewards they utilize that either reinforce or undermine the desired culture.
2. Employee engagement is necessary to build healthy work cultures and foster effective change. The more involved and internally committed employees are the greater the probability of business success and higher performance and profits. It is important for leaders to be aware of the morale of their staff and take appropriate steps if necessary to test and build engagement.
3. In times of rapid growth, and especially with the addition of new employees, leaders need to be keenly aware of the need to effectively integrate new people into the culture of the organization and to make efforts to monitor and maintain the organization culture and not take employee engagement for granted.

An effective culture is challenging to build but easy to lose when leaders are not aware of possible culture erosion.

4. Leadership style is very important during periods of rapid change. Visionary leaders who are skilled at building high performance organizations and motivating people must also be willing to develop leaders throughout the organization, delegate to others, and re-structure organizations for changing times. Organisational lifecycle theory (Adizes, 1999) would suggest that during this phase of rapid growth, some formalisation of processes and delegation is required to mature the organisation and reduce the risk of the 'Founder's Trap'. Delegation is a key challenge for entrepreneurs to focus on.
5. Investing in building an internal brand for your staff is as important as the external brand you present to your customers. Consistent investment in living your values and focusing on recruiting the right people for your organisation will stand you in good stead for unsettled periods in the future.

References

Adizes, I. (1999). *Managing Corporate Lifecycles.* Parmus, NJ, USA: Prentice Hall.

Cappelli, P. (2000 Jan-Feb). A Market-Driven Approach to Retaining Talent. *Harvard Business Review,* 103-111.

Conger, J. A., & Kanugo, R. N. (1988). *Charismatic Leadership: The Elusive Factor in Organizational Effectiveness.* San Francisco, USA: Jossey-Bass Inc.

Heskett, J. L., Jones, T. O., Loveman, G. W., Sasser Jr, W. E., & Schlensinger, L. A. (2008 Jul-Aug). Putting the Service-Profit Chain to Work. *Harvard Business Review*, 118-129.

Michaels, E., Handfield-Jones, H., & Axelrod, B. (2001). *The War for Talent.*

Rousseau, D. (2001). Schema, promise and mutuality: The building blocks of the psychological contract. *Journal of Occupational & Organizational Psychology,* 74 (4), 511.

BIOGRAPHY

Kate Herbert has recently completed her MBA at the University of Cape Town's Graduate School of Business. With a BA (Hons) in English Literature and ten years work experience in the United Kingdom across diverse sectors, Kate has a keen interest in organisational behaviour, employee relations and cultural training. Kate is now based in Cape Town and works as a consultant for The Barefoot Group, an organisation that seeks to maximise business performance through the development of people, teams and culture (http://www.thebarefootgroup.co.za/).

Kate Herbert
Tel. +27 73 656 4500
Email: Kate.a.herbert@gmail.com

BIOGRAPHY

Linda Ronnie (PhD UCT; MEd Sheffield) is a senior lecturer in Organisational Behaviour and People Management at the University of Cape Town's Graduate School of Business. An inspired and committed teacher, her research interests include work around the psychological contract, organisational change, and generational challenges. Linda brings more than 15 years of management experience in both the manufacturing and higher education arenas to her role. She has consulted to both public and private sector organisations.

Dr Linda Ronnie
Senior Lecturer
Graduate School of Business
University of Cape Town
Office Telephone: +27 21 406 1428
Office Fax:+27 21 406 1412
Email: linda.ronnie@gsb.uct.ac.za
Website:www.gsb.uct.ac.za

8

French Leaders and Multiculturalism

Sylvie Lacoste

Case

About 90 % of the 40 most significant French companies benchmarked on the Paris stock market are led by French Chief Executive Officers (versus 64 % of Footsie 100 companies being led by British CEOs). French multinational companies (MNCs) encounter conflict between deeply rooted French culture and the need to have leaders with global mindsets who can pursue strong international development. Here I highlight some empirical studies that show how some French MNCs are solving that conflict. Today's typically "elitist"-educated French CEOs must bring an element of multiculturalism to their leadership roles, either through an experience abroad or via some international family background. Recently, a non-French CEO from a very different cultural setting has been appointed, but the press release surrounding his nomination stressed that he was "very Francophile". This illustrates that French MNC company boards are convinced of the need for leaders possessing a good understanding of the French culture and preferably with an elitist French education. A case showing the cultural barriers - and their consequences - between a French MD and his foreign CEO confirms this assumption.

This multi-case study shows that modern French CEOs must determine early in their careers how they will position and present themselves on a multicultural continuum that ranges from the typical elitist-educated CEO to the foreign "Francophile".

Introduction

Nearly 45 % of the capital of the 40 largest French companies quoted on the Paris stock exchange (i.e., the "CAC 40 companies") is owned by non-French investors. Sixteen of those 40 companies generate over 50 % of their sales turnover abroad, with a focus on emerging countries, and the trend is strongly increasing. Despite this globalization of historically

French companies, about 90 % of those same companies are led by French CEOs, a majority of whom have been educated in the same five highly elitist French postgraduate schools[3].

If CEOs represent the epitome of leadership (Porter and Nohria, 2010), it means that their leadership styles have a strong impact on the culture and the performance of their organizations. The seminal models on leadership styles are based on two independent variables that translate the leader's emphasis either on people or performance (Blake and Mouton, 1964; Hershey and Blanchard, 1988). However, these analysis grids do not take into account the influences of the national culture and of education on the way the leader interacts with others.

Linking leadership with cultural context has been the goal of a major project launched in the 1990s called GLOBE (Global Leadership and Organizational Behavior Effectiveness Research Program), which surveyed 17 000 managers in 62 societies (House et al., 2004). Because of the project's very large scope, they reduced the pool of data to six global leadership elements; in doing so, they slightly blurred the image of the culturally contingent aspects of leadership. They have nevertheless provided crucial information that led researchers (Beechler and Javidan, 2007) to define "global mindset" as a key variable for global leaders to succeed in influencing others (especially middle managers) who are different from them. A global mindset is a set of individual attributes based on intellectual, psychological and social attributes (Beechler and Javidan, 2007; Cohen, 2010).

Here I present the specificities of French national culture and the leadership style that derives from it. I provide an examination of four leaders and show how they develop (or fail to develop) a global mindset, which I call "multiculturalism", while entrenched in this French national culture.

Characteristics of the French National and Business Culture

Hall (1976) refers to "low-context" and "high-context" cultures to explain the difference in culture orientation: low context cultures rely on the message itself, in its spoken or written form, whereas high context cultures decode the message using some elements surrounding it. On a continuum of low-context to high-context cultures (Usunier et al., 2005), France is positioned right in the middle, which is not easy to interpret.

More clear-cut results are derived from Hofstede's (2003) analysis, which shows that French people score high in the power distance dimension.

3 Ecole Polytechnique, HEC (Hautes Etudes Commerciales), ENA (Ecole nationale d'Administration, IEP Paris (Institut d'Etudes Politiques), Ecole des Mines.

This may reflect a strong sense of hierarchy and very formal relationships among a company's employees. Although the Anglo-Saxon influence has lowered the level of conservatism, especially in French branches of American companies, a level of formalism persists among French civil servants and typically in French companies. The use of *tutoiement and vouvoiement* is quite interesting. The French language has retained these two levels of language, which give people the choice to address others in an informal or formal manner, respectively. In most companies rooted in the French culture, colleagues will tend to use *tutoiement* and given names, whereas *vouvoiement* and surnames names are used with staff members from a different hierarchical level. Within the C-suite, *vouvoiement* may prevail, except among executives who graduated from the same elitist school: regardless of differences in age or position, alumni will use *tutoiement*. In conservative French companies, the same applies to kissing, which may be used only to greet female colleagues of the same hierarchal rank, whereas the handshake prevails with superiors and between men. This formalised code of behaviour relaxes as soon as the company opens to the influence of other cultures, especially via mergers or a strong level of internationalisation.

"Masculinity" scores high according to Hofstede's study, but again this has to be analysed in a very nuanced way: French managers may appear quite assertive and unafraid of confrontations, especially if they include some emotional elements. These managers do not especially seek consensus, but again, the power of hierarchy is quite strong and in a top-down decision-making process managers will avoid confrontation unless the group power is strong. They will mostly use the organisational "slack" (Cyert and March, 1963) to overturn hierarchical hurdles.

CEOs of French multinational companies may experience a conflict between the characteristics of French culture (sometimes due to the influence of a founding family or a history of being state-owned) and their company's development in other countries in which the national cultures are extremely different.

1. How Philippe Varin changed the "code" within the PSA group

PSA Peugeot Citroën is a major French automotive group that was founded by Emile Peugeot in 1810. Their sales turnover in 2010 was 56 billion € and the company is present in 160 countries worldwide. Today, the Peugeot family still owns 46 % of the voting stock, although they only own 30 % of the capital. A family member is the president of the supervisory board, but the CEOs are chosen outside the family and have always been French.

Philippe Varin, who is French, has been the company's CEO since 2009. Varin is the first Peugeot group CEO that also previously headed a foreign company (Varin spent six years in London, where he managed Corus, an Anglo-Dutch conglomerate). The Peugeot family wanted "an experienced industrialist with an international outlook"[4] who could come to terms with the family interference and lead the development of the group through rough times.

Varin claims that "he is no visionary boss, but his teams are"[5] and The Economist describes him as "unflappable", but he has changed the managerial mindset within the top management by introducing behavioural practices from other managerial cultures. From Japanese practices, he has adopted the obeya: his subordinates meet standing up and circulating in front of a partition covered with Post-It notes, where everyone can present issues to be solved. From Anglo-Saxon culture, he has introduced the use of given names and tutoiement, which is a drastic change from his predecessors' formalized behaviour in a company famous for its conservatism.

The introduction of this informal code of behaviour may sound insignificant, especially for an Anglo-Saxon reader, but in a French company this reflects a completely new and more relaxed management style. Additionally, the change acts as an exemplar for middle management, which will naturally feel inclined to mirror the behaviour. In an "unflappable" way, Philippe Varin has opened the door to multiculturalism in an organization deeply rooted in the French national culture. He thereby acts as a "culture bridger" leader (Segil et al., 2003), introducing the organization to a multicultural path that will be key to its future development.

2. How Carlos Ghosn became a multicultural hero within the Renault-Nissan group

Renault is a major French automotive group founded by Louis Renault and his brothers in 1898. The company became state-owned in 1945, but returned to the private sector in 1996. That same year, the company recruited Carlos Ghosn as deputy CEO. From 1999 on, he was in charge of managing the new partnership with Nissan, becoming CEO of the Japanese company in 2001. When he arrived in Japan, Nissan was on the verge of bankruptcy. Within a few years, however, he restored profitability by applying management methods no one thought possible to introduce in

4 The Economist, "A question of trust", 06/08/09.
5 Enjeux les Echos n° 276, 01/02/11.

Japan: he dismantled the keiretsu (a uniquely Japanese form of corporate organisation), slashing more than 20 000 jobs and closing assembly plants. He changed, in a forceful way, the company culture, introducing a management method based on quality and innovation performance. In less than three years, Ghosn's "Nissan Revival Plan" saved the company from bankruptcy: he became a hero. In 2005, he became President and CEO of both Renault and Nissan.

Carlos Ghosn is presented in France as the prototype of multiculturalism: he is Lebanese, born in Brazil and educated in France within the typical elitist track that creates French CEOs (he graduated from both École polytechnique and École des Mines). He is multilingual. Nevertheless, he knew little about Japanese culture and did not agree with the assumption that one must adopt one's behaviour to the national culture of the organisation you lead. In fact, he used his own multiculturalism to enact managerial decisions, which were antagonist to the Japanese culture. His blurred cultural belonging helped him to create a new company culture that prevailed over the national culture.

Although his results since 2005 at the head of the Renault-Nissan group have been more mitigated and he has recently been involved in the mismanagement of industrial spying allegations[6], his resignation has been ruled out since he appears to be the only person that can maintain the right managerial and cultural balance between Renault and Nissan.

Ghosn is the only French CEO simultaneously running two major companies listed on the Fortune Global 500. His elitist French education and multicultural background represent a combination of traits ideal to French business culture. He successfully ensconces French cultural values in a globalised inter-company partnership.

3. How Lars Olofsson set up a "French -foreign" leadership as the CEO of France's largest retail group, Carrefour

Carrefour is the second largest retailer worldwide (after Walmart), with a sales turnover in excess of 90 billion €, almost 16 000 international outlets under their brands, and nearly 500 000 employees. It was created in 1959 in France and introduced a new store concept: the hypermarket. It moved beyond France in the 1970s and started to expand in China in the late 1980s. Today, the French market represents less than 40 % of the global sales turnover.

6 http://www.telegraph.co.uk/finance/newsbysector/industry/8382158/Renault-chief-Carlos-Ghosn-sorry-over-spying-allegations.html

In 2007, Colony Capital (an American private equity firm) and Bernard Arnault (the French chairman of LVMH, a luxury-goods group) invested in Carrefour. These activist investors pushed for a change of strategy and governance. Shortly after their arrival, the Spanish CEO, Jose Luis Duran, had to leave, although he had been quite successful at Carrefour for the past 20 years.

In 2008, Lars Olofsson (a Swede) was appointed CEO. Observers were stunned by the appointment of an outsider with a Scandinavian background to the helm of the biggest French retailer. The economic press echoed their sentiments about the nomination of this new profile, with an article titled "Who is Lars Olofsson, new boss of Carrefour?" [7].

This article stressed that Olofsson had already spent a large part of his career in France with Nestle, having led the French branch of the company from 1997 until 2001 (before becoming deputy CEO of the Nestle Group in 2005). It was also stressed that he spoke fluent French and that he was "very Francophile". The need to stress his understanding of the French culture signalled a French-foreign leadership to be set up at the head of Carrefour. The new investors had a global view of business and thought that this leader from Nestle would share their vision, since Nestle (with its small Swiss domestic market) had turned itself into a global company with a variety of nationalities on its executive committee. Still, because of Carrefour's French roots, they wanted to ensure that the new CEO would understand the idiosyncrasies of French culture.

Nevertheless, in May 2012 Lars Olofsson was "forced" to resign and replaced by a French CEO…

The three cases described above demonstrate how French multinational companies try to solve the discord between the French culture of the central head office and the need to have a multicultural leader who can direct company developments in international markets. The specific history and culture of each firm dictates the acceptable trade-off between enlisting an elitist-educated, internationally experienced French leader, or hiring a foreign "Francophile" leader.

The next question is: what happens when the leader's own culture is quite different from that of the French, and he/she has little insight into French culture? A possible outcome to this scenario is presented with a fourth case.

7 Le point – 18/11/2008 - http://www.lepoint.fr/actualites-economie/qui-est-lars-olofsson-nouveau-patron-de-carrefour/916/0/292267

4. The relationship of a French Managing Director (MD) with its New Zealand CEO

A multinational Scandinavian company set up its pan-European headquarters in Belgium. A CEO headed the company with a nationality different from that of all the company's European branches: he came from New Zealand. Although this CEO had extensive international experience, having always worked as an expatriate on international assignments, he had little interest in dealing with intercultural issues. His leadership style (Warrick, 2011) was very result-oriented and focussed on performance; he would also reward employees' accomplishments.

A French MD led the French branch of the organisation. His laissez-faire style was influenced by good psychological insight. This led him to be in an emotional relationship with, and quite manipulative of, the members of his management team. Because of cultural differences, however, his manipulative skills could not be applied to his CEO. The relationship between the two was troubled and fraught with misunderstandings.

The MD feared the negative relationship would jeopardize his career and so decided to offer a job in the French branch to a French manager who was working in the Belgian head office, close to the CEO. The idea was to use this manager as a kind of "invisible Sherpa" that would help establish a link to the CEO. Of course, her official position was to manage the sales department and she was appointed as such in the French management team.

The French MD took it for granted that the new sales manager understood their CEO. As a result, she was always positioned in the front line whenever a meeting took place with the CEO, as a sort of PR officer. She was also in charge of dealing with some reporting to make sure it would match the CEO's expectations. In addition, she represented the French organisation in regular meetings at the pan-European head office, and she was sent to coach sales managers in French plants in preparation for visits from the CEO.

Interestingly, she gradually developed a new business and cultural understanding of the CEO. Her "Sherpa" role helped to ease the tensions between the CEO and the MD, and their relationship slightly improved. The MD further relaxed after he became convinced that the CEO had a romantic interest in the sales manager and that she represented a kind of "relational shield" that protected his position. However, the French MD did not understand that the CEO's behaviour towards the sales manager was derived from culturally based notions of friendliness and lower power distance. In fact, the CEO's level of trust towards his French MD remained quite low. The acquisition of a new French company gave the CEO an opportunity to create a new Deputy CEO position in France. The successful candidate for the position was a French manager who had previous managerial experience in an Anglo-Saxon environment. The French MD was furious about having to report to an additional hierarchical line.

This last case may explain why French boards are so cautious when dealing with multiculturalism and when appointing CEOs to French companies. It is still culturally difficult to become a foreign CEO of companies that internationalize themselves, while remaining grounded in French culture and business practices.

This case is based on personal observation and since those involved avoided public scrutiny, their identities are not disclosed here.

Discussion

1. Discuss your understanding of the situation French multinational companies face with predominantly French CEOs running the companies with French cultural traditions. Be sure and identify the specific cultural issues involved and the implications for running multinational companies.
2. Discuss if you think it is important for leaders of multinational companies to have a "global mindset" or is being a skilled leader enough?
3. Discuss what the leaders did in each of the first three cases to help build successful multicultural cultures.
4. If you were the CEO in case 4 how would you have dealt with the MD?
5. What are the most important lessons you learned in this case about building successful cultures in multicultural organizations?

Key Lessons

1. "Multiculturalism" does not mean you should abide by the national and business cultural rules, as Carlos Ghosn has demonstrated. Rather, it is your ability to bring organizational change and ability to demonstrate that you understand the national and business culture while offsetting the rules.
2. Leaders are the key to building successful organisations. It is very important that those who are selecting leaders are well informed about the role of national cultures and choosing leaders that are likely to be successful in the culture they will be in or in a multicultural environment.
3. Leaders of the future, and in this case particularly future French leaders, will increasingly need to have a global mindset.
4. Multiculturalism can be gained while studying and working abroad (e.g., internships, first jobs abroad). This can help one become a culturally aware leader.

References

Beechler S. and Javidan M. (2007). *Leading with a global mindset,* in Advances in International Management, in Javidan M., Hitt, M.A. and Steers R. M. (Eds;), vol. 19, 131-170. Oxford, UK: Elsevier.

Blake, R. and Mouton, J.S. (1964). *The managerial grid.* Houston: Gulf Publishing Co.

Cohen, S. L.(2010). Effective global leadership requires a global mindset. Industrial and commercial training, 42, 1, 3-10.

Cyert, R.M. and March, J.G. (1963). *A behavioral theory of the firm.* Englewood Cliffs: Prentice Hall.

Hall, E.T. (1976). Beyond culture, New York: Anchor Press–Double.

Hersey, Paul and Blanchard, K.H. (1988). *Management of organizational behavior: utilizing human resources, 5th ed*, New Jersey: Prentice Hall.

Hofstede, G. (2003). *Culture's consequences, comparing values, behaviors, institutions, and organizations across nations, 2nd ed*., Thousand Oaks: Sage Publications.

House, R. J., Hanges P.J., Javidan, M. Dorfman, P.W. and Gupta, V. (2004). *Culture, leadership and organizations: the Globe study of 62 societies.* Thousand oaks: Sage Publications.

Porter, M.E. and Nohria, N. (2010). What is leadership? In Nohria N. and Khurana R (Eds.), *Handbook of leadership theory and practice,* Boston: Harvard business press.

Segil, L., Goldsmith M. and Belasco J. (Eds.), (2003). *Partnering: the new face of leadership.* New-York: AMACOM.

Usunier, J.-C. and Lee, J. (2005). *Marketing across cultures, 4th ed*., Harlow: Pearson.

Warrick, D.D. (2011). The importance of leadership style on morale, culture and performance, in Warrick, D.D. and Mueller Jens (Eds), *Lessons in leadership*. Oxford: Rossi Smith Academic publishing.

BIOGRAPHY

Sylvie Lacoste held senior management positions in international business development and global key account management in multinational corporations before moving recently to academic pursuits, having gained a doctoral degree in marketing. She has joined a Business School (France) as an associate professor. She has published a book, entitled Key Account Management (Pearson Education, France) and her research deals with business-to-business marketing topics, with a focus on interactions between suppliers and key accounts and change management.

Sylvie Lacoste
Associate Professor in Marketing
Rouen Business School
Boulevard Siegfried
76130 Mont Saint Aignan
France
Tel. +33 1 30 06 50 63
Email: sylvie.lacoste@profecogest.com

9

Learning To Manage Diversity: The Impact Of Organizational Culture As Experienced By An African American Employee

Norma Carr-Ruffino

Case

This case focuses on employee diversity, how it has increased dramatically at all organizational levels, and its impact in the workplace. In fact, greater workplace diversity is one of the most important organizational changes in recent years. Treatment of employees who are diverse – in gender, ethnicity, ability/disability, sexual orientation, religion, age, and appearance – is not only covered by certain laws but also has a major influence on organizational performance. Nearly five-sixths of employees entering the workplace, both currently and in the coming decade, will be women and ethnic minorities. Currently Euro-American men comprise only about 35 percent of the workforce but about 95 percent of top management in Fortune 1000 companies (U.S. Census Bureau, 2000, 2007; U.S. Dept. of Labor, 2000; Pew Research Center, 2005). In order to survive and thrive, organizations must expand their cultures in ways that include and support the entire range of diverse employees, helping them to achieve their needs and their goals.

Introduction

Tomora is a bi-ethnic woman, with an African American father and a Euro-American mother. Because of her straightened hair and her olive skin tone, some people assume she is Latina American; some think she is probably Asian American; and most probably assume she is African American. But Tomora has decided not to try to "pass" as someone other than an African American. She typically thinks of herself as African American.

Many of the difficulties she has encountered at school and in the workplace stem from being categorized as an African American woman. This case describes some ways that an organizational culture rife with stereotyping, prejudice, and discrimination can affect a woman like Tomora at various stages of her career. It offers some lessons that are presented by distinguishing the surface problems of the case from the underlying root problems, and formulating leadership strategies and tactics that can be used in response to root problems.

Scenario 1. Tomora is Hired at Blueberry

Tomora applies for a sales position at Blueberry Electronics in Jacksonville, Florida, one of a chain of retail stores run by the large Blueberry, Inc. which develops, produces, and retails computers, cell phones, and other electronic devices. Tomora is looking for opportunities to learn and grow in her career. Her ultimate career goal is to become CEO of a large corporation. With her degree in business administration and plans to complete an MBA, she thinks she has a chance.

When Tomora is escorted around the Blueberry Electronics branch, she sees no African Americans among the sales force of 20 persons. She notices five Euro-American women, and the rest are Euro-American men. During her orientation, the sales force mostly seems too busy to pay much attention to Tomora or spend time with her. But she really believes in Blueberry Inc. and decides to accept their job offer.

Soon after she begins work, she notices that ethnic jokes and comments are common at this Blueberry store. She speaks up several times, saying she doesn't appreciate jokes and comments that belittle people from any ethnic group. Most of the comments stop, but so does the already-sparse friendliness of Tomora's coworkers. While the environment is not particularly warm, Tomora still believes she can achieve career success here because she loves the work itself.

During her first year, Tomora is a very successful salesperson, so she makes a good salary plus commission. In fact, she made top salesperson of the month three times this year. Tomora enjoys her work, but she feels isolated from most of her coworkers. The manager James is Euro-American and has been very supportive of Tomora's training, development, and sales work. He praises her work and encourages her to "keep it up."

Rachel is the only salesperson who has seemed willing to spend much time with Tomora during coffee breaks or at lunch. While Tomora does not think of Rachel as a close personal friend, she does view her as more than just a business colleague. She's also a friend.

From time to time Tomora has overheard comments of her coworkers about the good times they have had together at various parties and outings that they plan. She can't help thinking about the fact that she is never included. Last week as Tomora approached the employees' lounge, she heard someone saying, " ... at Rachel's party last Saturday." Tomora stopped dead in her tracks. She felt as if someone had punched her in the stomach. What a blow to discover that even her friend, her only "real work friend," had thrown a party and had excluded her.

Since then, in the past week or so, James has noticed that Tomora seems quieter and more withdrawn than usual. He is concerned because he believes that Tomora's success as a salesperson is largely due to her outgoing, cheerful personality. When he gets a chance to talk privately with her, he says, "Is everything okay, Tomora? You've been awfully quiet the past few days."

Analysis Of Scenario 1

1. **Surface problems:** Tomora as a new employee feels excluded and isolated, which in turn is negatively affecting her job performance and therefore overall sales revenue of the store.
2. **Root problems:** The culture at Blueberry Electronics appears to be one that condones stereotyping, prejudice, discrimination, and exclusion of minority employees. Such a culture frequently results in lower performance, reduced sales revenue, and lower profit.
3. **Tomora's strategies and tactics:** Tomora can continue to do excellent work while fulfilling her social needs outside the company. She should be friendly, outgoing, and as natural as possible with her coworkers, not closing the door to business friendships. If the situation does not improve, she can consider finding another location or firm with a more open, inclusive environment.
4. **James' leadership strategies and tactics:** He can consider several possibilities for creating a more open, inclusive work environment.
   a. Hold office social events that include everyone. Make sure that he's friendly to Tomora at these events, bringing her into conversations, asking her to assist, etc. He can role model the kind of inclusive behavior he wants to establish in the workplace.
   b. Institute a team approach to selling. The type of contact that changes prejudice is the type where members get to know each other well because they are dependent upon each other to achieve goals that are important and meaningful to all parties.
   c. Hold some training seminars that focus on effective strategies and tactics for managing diversity, inclusiveness and similar issues.

Scenario 2. Tomora and the Traveling Sales Rep Opportunity

Tomora's manager ***James*** has just learned that the South Carolina division needs a traveling sales representative to call on corporate offices that might use Blueberry products and on retail outlets that might sell them. James realizes that the position calls for someone with just the kind of experience and qualities that Tomora has. However, the last time an African American was transferred into such a position in South Carolina, he faced many problems. The major issue was that key customers didn't accept him in this role, and he lost a number of large accounts.

The electronics field has become very competitive, and accounts are often won or lost on the basis of the personal relationships between sales representatives and buyers. The sales manager periodically travels with sales reps to call on major accounts and potential accounts. The sales manager also enters the picture when thorny customer problems arise.

Leonard, who is head of the South Carolina regional office at Columbia, was enthusiastic about Tomora's resume until he heard that she was African American. He called James and talked over the touchy situation with him. "Maybe it wouldn't be fair to Tomora to ask her to move here and then be faced with a no-win situation," he said.

Now James must make a decision. He knows that two other well-qualified candidates are being recommended for the position, but actually Tomora is better suited to the job than the others. Shall he recommend Tomora for the position? Tomora has a child in the fourth grade, who would have to adapt to a new school and the environment. If it didn't work out, James would feel responsible.

Analysis Of Scenario 2

1. **Surface problems:** Store manager James must decide whether to recommend Tomora for a job requiring a move to another city. She would be working in an area where African Americans have not been accepted or successful in the sales representative position. If James recommends Tomora, then Leonard would need to decide whether to accept her in the position.
2. **Root problems:** Stereotyping, prejudice, and discrimination in the society in general and in the technical business community in particular in the South Carolina region. Another aspect of the problem may be the belief that it is appropriate to block opportunities for African Americans in job situations that they might find challenging. Related to this may be the belief that it is appropriate for Tomora's managers to make this decision without consulting her.

3. **James' leadership strategies and tactics:** James must realize that Tomora is the only person who can logically take responsibility for the impact a move to Columbia would have on her and her daughter. She therefore has the right to know all about the challenges and opportunities that such a move presents. James must find a way to candidly but tactfully give Tomora all the relevant information that is available about the job situation.
4. **Leonard's leadership strategies and tactics:** Leonard must also work with Tomora regarding the challenges and opportunities offered by this job position. If Tomora wants to apply for the job, she and Leonard might discuss her taking the job on a trial basis, keeping the door open for her to return to her current job if things don't work out. Leonard can also smooth the way in introducing Tomora to key buyers she will be calling on, apprising them of her skills, and coaching her in sales approaches that might work in the various situations.

Scenario 3. Tomora Is Promoted to Store Manager

Tomora decided she would not apply for the traveling sales representative position, mainly because she did not want to uproot her daughter. Now, about a year later ***James*** is being promoted from manager of the Jacksonville store to a middle management position at the Blueberry headquarters office, and he recommends Tomora as his replacement. Tomora has mixed emotions about taking the job, feeling that the Jacksonville store employees still do not accept her as a social equal but they do seem to respect her sales ability. She is hoping that they will accept her as manager and that she will be able to win their respect for her leadership ability.

During her first several months as manager, Tomora senses a degree of resistance from the employees. She has seen them joking and laughing, glancing over at her as though she were the butt of the joke. Sometimes they seem to be dragging their heels in responding to her requests, and in some instances she has had to follow up and repeat the request a time or two.

However, during the past month, Tomora has noticed some distinct changes. Employees suddenly seem more cooperative, amiable, and respectful. A couple of them have even invited her to social events after work. Tomora realizes that it is time for her to conduct yearly performance reviews of all employees. She feels somewhat conflicted about how to rate the employees. She is really enjoying their changed attitudes and behaviors and does not want to jeopardize the improved relationships.

Analysis Of Scenario 3

1. **Surface problems:** Tomora is uncertain about whether store employees will accept her as their manager. She experiences a lack of cooperation from employees in responding to her requests. The employees' suddenly shift their behavior, becoming more cooperative and friendly, which causes Tomora to question how she wants to approach employee evaluations.
2. **Root problems:** Discrimination and exclusion are still driving some employees' behavior, apparently. As the time for performance reviews nears, these employees seem to believe that they can influence Tomora's assessment of them by changing their attitudes and behavior toward her.
3. **Tomora's leadership strategies and tactics:** Tomora might base the performance reviews on both types of employee behaviors—those exhibited previous to the past month and those recently exhibited. Her assessment should be based on each employee's achievement of mutually-agreed-upon goals. She must find a way to tactfully assess the entire range of attitudes and achievements—including lack of cooperation and poor responses to requests as well as recent improvement in these areas. She can encourage employees to build upon any improvements they have made during the time she has been manager. Tomora can also use the review as an opportunity to build productive relationships by being tactful but candid about performance that needs improvement, fair in her assessment of observable achievements, and supportive in her encouragement of further achievement.

Scenario 4. Tomora Applies for an Executive Position

Tomora hears about an available job opening at the Atlanta headquarters and applies for it. She believes she has all the necessary qualifications for the position as well as an exemplary performance record. She realizes that she might be breaking new ground for African Americans. Although there are some African Americans men working in various non-executive positions with Blueberry, so far there are no African Americans in mid-management or top-management positions at headquarters.

Tomora researches the requirements for the position, and the process for applying for it. She fills out all the required forms, updates her resume and photograph, copies appropriate documents such as performance evaluations, submits all this paperwork to the headquarter office, and makes an appointment with ***Jim Evans***, the executive who will conduct initial interviews for the position. He will then make recommendations to the executive team members, who will conduct further interviews with the candidates who are approved by Jim.

Jim, in going over the applications, notices that all except one seem to be from Euro-American men. He peruses Tomora's resume curiously, realizing that he has never worked with an African American executive.

When Tomora arrives for her interview with Jim, she is left waiting in the lobby for an hour. Then a secretary comes out and tells her that Jim is still interviewing another candidate and will be with her in a while. About 45 minutes later, Jim appears in the lobby with Brian of the Memphis regional office. Jim is talking warmly with Brian, then thanks him and shakes his hand before turning to welcome Tomora.

They walk to Jim's office, where Jim waves toward a chair across from his desk, and Tomora seats herself. Jim and Tomora talk for about 10 to 15 minutes, mainly about how Tomora feels about her current job and the company. The phone rings. Jim takes the call, puts his hand over the receiver, and says to Tomora, "Thank you for coming in. Could you show yourself out? I must take this call." Tomora was shocked, but she found her way out.

Sometime later, Tomora receives a telephone call from Jim, who tells her the executive team has selected Brian for the job. He says the executive team felt the position called for someone with Brian's experience. Later, Tomora says to her friend Jennie, "I know I've been with the company at least as long as Brian, and I've been manager-of-the-month eight different times. I heard Brian has only won it twice. I don't understand how his experience could be any better than mine. What would make it better?"

Analysis Of Scenario 4

1. **Surface problems:** Tomora follows all the required procedures in applying for the job. She travels to Atlanta to meet with interviewer Jim at the appointed time. Yet she is kept waiting for nearly two hours while the interviewer spends this time with another candidate, Brian. Jim apparently spends more than two hours interviewing Brian, escorts him to the lobby, and shakes his hand warmly. When Tomora finally gets into her interview, it lasts only 10-15 minutes when it is cut short by a phone call and she is waved out of the office.
2. **Root problems:** Executive Jim's differential treatment of African American Tomora and Euro-American Brian appears to reflect his own stereotyping, prejudice, and discrimination – and probably that of the organizational culture.

Being kept waiting for nearly two hours with no explanation is in itself an upsetting and stressful experience. Virtually anyone would feel neglected and demeaned by such rude treatment, especially in contrast to the warm, respectful treatment that she observed Jim giving to candidate Brian.

Because African Americans have historically been treated so differentially in the United States, it is especially noticeable in this case and could be easily interpreted as prejudice and discrimination.

3. **Tomora's strategies and tactics:** Tomora could ask for a meeting with the executive team concerning her failure to get the promotion and her future with Blueberry, Inc. She should prepare extensively for this meeting, being ready to suggest what types of skills she must develop and goals she must achieve in order to be considered promotable. She can ask the executive team for their recommendations for skills and goals. Then, if they have nothing specific to suggest, she can offer her own plan for their approval. She wants to come away with some clear specific skills, goals, and activities, the achievement of which will make her eligible for promotion – and a clear agreement that successful completion will mean that she is qualified for a promotion. In this meeting Tomora might tactfully raise the executive team's awareness that she received differential treatment during her interview, that she was passed over even though highly qualified, and that she wants to prevent a recurrence. This tactic may put her in a good position to receive the next promotion that becomes available. In effect, the executives "owe her one" and have agreed on what she must do to earn it.

   Tomora could also talk with someone in the Human Resources area about the differential treatment she received from Jim. Rather than file a formal complaint at this time, which would put her in an adversarial role, she could simply report the occurrence in order to get it in the record.

4. **Changes in organizational culture and leadership for Blueberry**

   Blueberry Inc. must make a major shift in expanding the organizational culture to include the whole range of it diverse employees. Some specific recommendations are as follows.

   a. **Avoid pre-judging by ethnicity or gender.** The requirement to submit a photograph with the job application raises questions of fairness. Does this practice contribute to an interviewer pre-judging candidates according to ethnicity or gender? Jim could easily determine Tomora's ethnicity by asking her manager, of course. However, some experts suggest that principles of fairness call for a certain level of anonymity and neutrality regarding the ethnicity of job applications. The idea is to give candidates a chance to impress the interviewer in person rather than being prejudged or even eliminated before the interview.

b. **Give diversity training.** Certainly Jim needs some intensive training and development regarding diversity awareness and skills, and most likely all the Blueberry executives need such training.

c. **Develop a diversity plan.** Blueberry could hire a consultant to conduct a diversity audit and develop plans for managing diversity more effectively.

d. **Gain the benefits of managing diversity.** Clearly Blueberry Inc. is neglecting the many benefits and advantages that result from including diverse persons at all levels of the organization, including the executive level. The following types of benefits have been suggested by Norma Carr-Ruffino (2012), all based on published research studies.

1) attracting and retaining the best available human talent
2) reducing costs
3) increasing organizational flexibility
4) attracting and keeping customers and suppliers
5) gaining greater market share
6) improving the quality of management
7) problem-solving and innovating more powerfully
8) increasing productivity
9) contributing to social responsibility
10) bottom line: increased profits

Discussion

1. Workplace diversity is one of the most important organizational changes taking place in recent years. What are some of the implications of having a more diverse workforce for organizations and their leaders?
2. Even organizations with strong cultures may overlook the impact their cultures have on a diverse workforce. As you look at how Tomora experienced the Blueberry Electronics culture, what are some cues leaders should be aware of that indicate a need to evaluate how the culture may be impacting a diverse workforce?
3. In Scenario 1 what are the main issues, what alternatives would you recommend to Tomora, and what alternatives would you recommend to James?
4. In Scenario 2 what are the main issues, what alternatives would you recommend to Tomora, and what alternatives would you recommend to James and Leonard?
5. In Scenario 3 what are the main issues, what alternatives would you recommend to Tomora?
6. In Scenario 4 what are the main issues, what alternatives would you recommend to Tomora, and what alternatives would you recommend to Jim?
7. An important aspect of building successful organizations in today's changing times is **developing skills in managing diversity and developing an organization culture that brings out the best in a diverse workforce**. What are some alternatives that Blueberry Electronics could pursue to improve in these two areas?

Key Lessons

1. Leaders throughout the organization and especially at the top serve as powerful role models for all employees in the organization. Their attitudes and actions set the tone for how people from diverse backgrounds are viewed and treated by everyone in the organization. This step adds a top-down approach to cultural change.
2. The organization can do a comprehensive diversity audit, both an initial audit and periodic follow-up audits to assess how well it is managing diversity. This can be the first step in promoting change in the organizational culture.
3. The organization can include in its mission statement the intention to managing diversity more effectively by finding ways to expand the organizational culture so that it more fully includes all employee groups. This action should be followed up with periodic specific statements of goals for achieving key aspects of managing diversity. This can be the second step in promoting cultural change.
4. Everyone in the organization can benefit from diversity training, both initial basic training and regular follow-up specific training. This step will help spread cultural change throughout the organization.

References

Carr-Ruffino, Norma. *Managing Diversity: People Skills for a Multicultural Workplace, 9th ed*. Pearson, 2012.

Catalyst, "More Women in Top Management," www.CatalystWomen.Org , November 19, 2002.

Catalyst, "The Bottom Line: Connecting Corporate Performance and Gender Diversity" catalyst.org, 2004.

Pew Hispanic Center, "Hispanics: A People in Motion," www.pewhispanic.org, January 2005.

U.S. Bureau of Labor Statistics, http://stats.bls.gov, 1999, 2002.

U.S. Bureau of Labor Statistics, "Monthly Labor Review," April 1997, 2000.

U.S. Census Bureau. "We the American Women." U.S. Department of Commerce, 1993, 2001.

U.S. Census Bureau, "Census 2000," www.census.gov, 2001.

U.S. Census Bureau, Current Population Reports. "Average Earnings of Year-Round Fulltime Workers by Sex and Educational Attainment." 1991, 2001, 2002, 2003.

U.S. Census Bureau. "Current Population Reports, Male-Female Differences." Department of Commerce, 1987, 2002.

U.S. Department of Labor. *A Report on the Glass Ceiling Initiative,* 1991.

U.S. Department of Labor. Better for Business. Report of the Glass Ceiling Commission,1996.

U.S. Department of Labor, Women's Bureau, http://www.dol.gov/dol/wb, 1999.

U.S. Department of Labor Women's Bureau, "Facts on Working Women." 1990, 1992, 1993, 1998.

BIOGRAPHY

Dr. Norma Carr-Ruffino is professor of management at San Francisco State University, where she has been teaching since 1973. Currently she teaches courses in Managing Diversity and Leading Innovation. She developed the diversity and innovation courses, as well as a course she formerly taught, Leadership Skills for Women. She is the author of textbooks used in these courses at San Francisco State and over universities. Managing Diversity is used in over 40 colleges and universities. Her other books include Leading Innovation, The Innovative Woman, Diversity Success Strategies, Making Diversity Work, Business Students Guide, and The Promotable Woman which is available in Spanish and Cantonese as well as English and has sold a half million copies worldwide.

Norma Carr-Ruffino
Professor of Management
College of Business
San Francisco State University
1600 Holloway
San Francisco CA 94132
Tel. 650 345-8372
Email: ncr@sfsu.edu

10

The Impact of Organizational Culture in Leading Change: Enabler or Barrier?

Deborah C. Calhoun

Case

Organizations today must find ways to embrace large-scale change in a timely manner if they hope to exploit opportunities and deal with threats effectively. An organization's culture plays an important role in how an organization will respond to change. Organizational culture, as defined by norms, values, and beliefs, can either facilitate or block change within an organization.

This case examines the leadership styles of two mid-level academic leaders responsible for implementing significant change at a small liberal arts university with an innovative "can do" culture where everyone contributes to getting the job done and respect for the individual is paramount. In the first change instance (C1), the leader chose to execute a change strategy that honored the university's existing organizational culture, while in the second instance (C2), the leader chose to disregard the longstanding organizational culture. Although the scope and short-term objectives of the two changes discussed are different, the long-term goals were the same—to create a more efficient student centered organization as well as academic programs, which better meet the needs of the part-time adult learner while maintaining academic integrity.

Change one (C1) moved two popular undergraduate majors from a traditional semester model to a year-round accelerated format for adult part-time learners. Change two (C2) involved the reorganization of the staff (directors, advisors, and recruiters) hired to work with the part-time adult learners. This case offers insight into the role organizational culture plays in either supporting or hindering large-scale change, as well as illustrates the connection between leadership style and organizational culture.

Introduction

Large-scale change is mentally difficult for many people because it often upsets organizational equilibrium and implies modifications to an organization's culture, that is its values (i.e., what is important), norms (i.e., how we do things around here), and beliefs (i.e., what we stand for). Culture also includes the attitudes, behaviors, and practices of the employees of the organization. Organizational culture establishes the framework and limits on the organization's activity. For example, it establishes how members treat each other, the status of customers and attitudes toward work in general (Pendlebury, Grouard, & Meston, 1998). These elements of organizational culture determine an organization's readiness for change as well as effect patterns of employee behavior by influencing power structures and informal group dynamics. Schein (1992) defines organizational culture as "a pattern of shared basic assumptions that a group learned as it solved its problems… to be taught to new members as the correct way to perceive, think, and feel in relation to those problems" (p.12). Therefore, an organization's culture entails shared and at times unspoken, values, meaning, and understanding (Eagly& Carli, 2007).

Blanchard (2010) contends that culture is the organization's personality. A key element of any successful organizational culture is trust. According to Kouzes & Posner (2007) "authentic leadership is founded on trust, and the more people trust their leader, and each other, the more they take risks, make changes , and keep organizations and movements alive" (p.21). This is especially true when change is implanted rapidly with little explanation.

University Background

A school with a rich heritage of innovation, the University was founded as a church sponsored college for women in the 1890s. At its core, the university's mission is focused on educating women as leaders to transform the world. The university provides a liberal arts education in the religious tradition of its founders and is known for its student-centered orientation and for its faculty commitment to superior teaching.

The University strives to offer a values-centered education that emphasizes total development of the student —intellectual, professional, social, and spiritual. One strength of the University is the personal attention and respect provided to students and encouraged among all campus constituencies. With a low student/faculty ratio, professors have opportunities to engage with students in meaningful and substantive exchanges both inside and outside the classroom. The faculty and staff of the university include religious and lay individuals who value intellectual and professional excellence, inclusive communities, service to others, and social responsibility.

Since its founding, the college has grown to a university by living the tenet “trust and dare.” The entrepreneurial spirit of the University community has continuously responded to the needs of students through its innovative programs. In addition to the women’s college, the University includes two other colleges, four schools, and two institutes who serve men and women pursuing courses for personal development, certificates, bachelor’s degrees, master’s degrees, and doctorates. Courses are offered on the main campus, three higher education extension sites, and more than a dozen organizational partner worksites. The University’s total enrollment of approximately 3,000 includes roughly 500 traditional aged female undergraduates, 800 adult undergraduates, and 1,700 graduate students. Overall, university enrollment reflects 30 percent students of color and is one of the most ethnically diverse post-secondary institutions in the state. The University employs approximately 110 full-time faculty and 170 non-faculty employees. Roughly 70% of the University’s operating budget comes from tuition revenue.

When the University began offering accelerated degree programs (C1) to student cohorts meeting on the main campus and various extension sites, almost every office on campus was forced to make significant changes in the way they conducted business. Traditional semesters were eliminated, new cohorts began five different times a year, and courses offered within the cohort began and ended at various times throughout the traditional semester. The impact of this new accelerated degree program on the faculty and administrative offices was significant. Faculty and student support services, such as tutoring, now needed to be available year round. Similarly, countless University processes and activities needed to be completed differently and more frequently during the year. For instance, it was no longer acceptable to process final course grades and requests for student ID’s and passwords four times a year. Similarly the University’s bookstore had to maintain a larger inventory of textbooks continuously, not just when a new semester was scheduled to begin. Furthermore, the business office and financial aid office had to significantly modify their processes to meet the needs of the accelerated students and their employers. No longer could these offices/departments cycle their work with the beginning and ending of a traditional academic semester. Any week during the academic year could be the beginning or end of a semester for an accelerated cohort of students.

For more than 30 years, the college of adult undergraduate studies had its own associate dean (C1 leader), academic advisors, and recruiters to support part-time undergraduate adult learners. The C1 leader built a student-centered organization that honored the organizational culture of the University and valued cooperation, honesty, trust, tenacity, and hard work. The graduate programs also had a dean (C2 leader) with similar staff and responsibilities who built a task- focused organization that valued efficiency, notoriety, and connections. After the undergraduate associate dean (C1 leader) left the college, the University decided to bring together the undergraduate and graduate staff under the graduate dean (C2 leader), whose title was changed to associate vice-president for undergraduate and graduate part-time studies, in an attempt to improve both efficiency and effectiveness.

The following analysis examines change one (C1) and change two (C2) from several theoretical change leadership perspectives.

Diagnosing the Type of Change Needed

When the C1 proposal for an accelerated undergraduate degree program for part-time learners was first introduced at a Faculty Senate meeting, the initial reaction was extremely negative. One faculty member stated that offering an accelerated degree program was tantamount to the University becoming the "McDonald's of higher education." While the faculty accepted that something needed to be done to revitalize the college for adult undergraduate studies, whose enrollment had been dropping for almost 20 years, the faculty were not sure an accelerated degree program was the answer to the problem. The C1 leader argued for the addition of the accelerated degree option; the majority of the faculty supported fine-tuning the existing program instead. After roughly four months of discussion and debate moderated by the C1 leader, the faculty unanimously approved the C1 change of launching an accelerated undergraduate degree program. Senior staff and directors of key administrative office had approved the proposal before it was taken to the faculty. Once the change was agreed upon by all those impacted, the C1 leader worked with three different university teams (administration, admissions and marketing, and faculty) to develop the needed infrastructure and implementation plans for the change. All key stakeholders of the university were given a voice into the specific design of the new accelerated programs and its supporting infrastructure.

Conversely, the C2 organizational changes were announced to the college community as a "done deal." Discussion and debate with the individuals directly impacted by this developmental change was very limited. All discussions were moderated by the new combined team's boss, the associate vice-president for undergraduate and graduate part-time studies, i.e. the previous graduate dean. Unfortunately, the associate vice-president began her first meeting with her new staff by telling them that they were broken and that it was her job to fix them. In reality, the college of adult undergraduate studies was functioning well, but the success of the accelerated degree programs put pressure on existing policies and procedures, which required some fine-tuning to function more efficiently. Unlike C1, C2 ended unsuccessfully with the associate vice-president eventually losing her job.

Importance of Clear Organizational Culture and Values

It appears to be common knowledge among most organizational leaders that "People don't resist change: people resist being changed" (Cawsey, Deszca, & Ingols, 2012, p. 181). This was true for both C1 and C2, but the leader of C1 chose to venerate the University's culture of innovation and respect for the individual. The actions of the C2 leader disregarded University culture and actually destroyed the student-centered culture the C1 leader had previously built with the staff that supported the college of adult undergraduate studies. Furthermore, the C2 leader seemed to show little appreciation for the University's organizational values, particularly the value of respect for the individual. Employees reported that their autonomy was significantly reduced and their ideas to improve operations were ignored.

Values are chosen freely by the organization and are important because they provide the organization with a consistent moral compass. Values provide a degree of assurance in an uncertain world. In order for an organization to be a proactive change agent or have the ability to embrace change, organizations must have leaders who can maintain the aspects of the culture that embrace change and have a solid vision. The leader of C1 was able to do this while the leader of C2 dismissed the importance of organizational culture.

In C1 the leader was able to implement change by taking advantage of the "can do" values embedded in the University culture. In fact, faculty were treated as an extremely important asset in both developing and implementing the C1. Without the Faculty Senate's endorsement to proceed with the change and the roughly thirty faculty members who helped to design the policies and curriculum of the accelerated degree programs, there would not be accelerated degree programs at the university. Disagreement among the faculty over the development of an accelerated degree program was extensive, yet valued, by the administration. The C1 leader indicated that honest, intelligent disagreement helped to expand alternatives which, in turn, made the program stronger. This is consistent with the University's culture of being respectful of the individual, as well as the ability to accept risk in an attempt of remaining relevant.

During C2, the leader did her best to take advantage of the University's can do" values, but stumbled considerably in her ability to avoid the values that sabotage change. In fact, a case can be made that she reinforced many of the troublesome values: 1) a general lack of communication between the leader and the staff most directly impacted by the change, 2) obvious favoritism toward certain members of the staff, and 3) disagreement or questioning of any kind was frowned upon. Even questioning a minor change such as moving the department's mail box to the front office was disallowed. Unfortunately, all of these troublesome values lead to the student / customer becoming incidental. In summary, the C2 leader failed to see the value of using the University's organizational culture as a springboard for accepting change.

Beliefs that Fuel Change Resistance

In the course of the change process for both C1 and C2, the University culture was one of low trust among the staff, faculty, and administrators. When C1 was proposed, the faculty distrusted the administration and their objectives for the development of accelerated undergraduate degree programs. Some faculty worried that academic integrity was being thrown out the window for enrollments, while other faculty perceived the year-round accelerated course schedule to be an evil plot by the administration to force faculty to teach year round for ten months of pay. After much discussion, the faculty came to realize that the University's goal was to better meet the academic needs of part-time undergraduate students, thereby increasing enrollment. The implementation of C2 was also difficult, because a shared value system between the new leader and the staff was almost nonexistent. For example, the staff of the college of adult undergraduate studies believed that the students came first and as such made sure the main phone line to the unit was always answered by a person and that student requests and questions received an answer within 24- 48 hours, but in many cases within an hour of receiving the request or question. Conversely, the associate vice-president told the staff not to worry about answering the main phone line of the unit since they had other tasks to do and there was an answering machine. Furthermore, the students are too demanding and should get use to waiting for help and information.

Matching the Leader's Power Sources with Organizational Culture

The individuals directing C1 and C2 both embraced change leadership. The C1 leader had no choice but to rely on intrinsic motivation and expert and referent power since many of the individuals needed to establish the accelerated degree programs did not report to her. According to French and Raven (1968), referent power means that others work with the leader because they like and respect them. Expert power refers to a situation where others comply with the leader because they view them to have relevant expertise and knowledge. Conversely, the C2 leader relied heavily on legitimate, reward, and coercive power to gain cooperation, because all of the individuals directly involved in the change reported to her. French and Raven state coercive and reward power is based on the leader's ability to either punish or reward the individuals involved in the change. Furthermore, the C1 leader relied heavily on the collective wisdom of many people to design and launch the accelerated degree programs. The C2 leader worked secretly with select members of the University's senior staff to design and implement the new organizational structure.

During C1, the leader built strong alliances with three different campus groups; faculty, marketing, and administrative operations. The C2 leader only built an alliance with the University's senior staff. Throughout C1, the leader worked to engage faculty and staff in discussion about the proposed changes through faculty senate meetings as well as separate special focused discussions with faculty and staff. The C1 leader relied on legitimate, expert, and referent power to accomplish change, all types of power that are consistent with the University's organizational culture and values. Through the guidance of the C1 leader, the faculty eventually persuaded themselves that an accelerated undergraduate degree program was the best approach to enhance the University's offerings for the working adult and hopefully increase enrollment. Once the faculty senate voted to approve the accelerated programs, no academic department was forced to participate, and all but one department did. Regrettably, the C2 leader did not engage her staff or any of the stakeholders at a parallel or lower level in the University in a discussion of the proposed organizational changes, but rather tried to use legitimate, coercive, and reward power to gain acceptance. These types of power are inconsistent with the University's organizational culture and values.

Discussion

1. Discuss your understanding of what makes up an organization's culture and why culture is so important to the success of an organization.
2. How important is culture in making organizational changes and do you think that most leaders take culture into consideration in making changes?
3. What were the cultural characteristics of the university before the changes were made?
4. Discuss the leadership style of the C1 leader, how she took into account the organization's culture in making changes, and what she did that made the C1 changes successful.
5. Discuss the leadership style of the C2 leader, how she failed to take into account the organization's culture, and why her changes were not successful.
6. What did you learn in this case about how to effectively manage change and the importance of culture in managing changes?

Key Lessons

1. Before a leader can help an organization effectively implement change, she/he must have a thorough understanding of an organization's culture. According to Cawsey, Deszca, and Ingols (2012) an organization's "culture is a product of both the organization's history and its current organizational leadership. It acts as a control system in the sense that it defines acceptable and unacceptable behaviors, attitudes and values and will vary in strength and impact, depending upon how deeply held the clearly understood the culture is."
2. Individuals and organizations are incredibly resourceful when it comes to avoiding and resisting change. Defensive behavior often appears when change is initiated because in the minds of many, the need for change implies that something is wrong or that the organization is broken and in need of repair. How the leader conceives of the change is of¬ten based on the implicit or explicit language used to discuss the change. The words a leader uses when speaking with their staff about the change influences how the staff will understand and respond to the change.

3. Spector (2010) contends that an organizational culture which exhibits the following interrelated sets of values and assumptions is better able to adapt to change (pp.168-174).
   a) An organizational culture that values leaders who focus attention and resources on multiple stakeholders; in particular their customers and employees.
   b) An organizational culture where the vast majority of employees are expected to exercise self-direction, self-control, and seek responsibility.
   c) An organizational culture that demands excellence from employees and provides the support needed for outstanding performance.
   d) An organizational culture where employee participation in both problem definition and solution design is expected. Participation has been shown to enhance commitment, open lines of communication between involved employees, and enhance motivation to accomplish goals.
   e) An organizational culture that nurtures and values individual learning and diversity.
4. "Research indicates that 70 percent of organizational changes fail, and these failures can often be traced to ineffective leadership" (Blanchard, 2010, p. 194). He also argues that many leaders fail to respect the power of the organization's culture to kill the change. Blanchard (2010) has observed that many leaders spend too much time crafting and announcing the change and not enough energy building a cohesive team to manage the change process.
5. Blanchard maintains that if those asked to change are not involved in planning the change, it is a recipe for disaster. He contends that "people don't resist change – they resist being controlled" (p. 213). The C2 situation is a good example of the adage; change that is "done" to people rather than "with" people creates more resistance. Pendlebury, Grouard & Meston (1998) maintain that even when change is imposed, it must subsequently attain a certain level of agreement from those impacted to be successful.
6. Organizational values such as "competence, teamwork, personal trustworthiness, respect of others and oneself, as well as initiative and risk taking" help to create a culture of "willingness" to accept

change (Champy, 1995, p. 79). Conversely, cultural values which can sabotage organizational change include “employees are overhead, not assets, the customer is incidental, and disagreement is bad” (Champy, 1995, p. 81). Disagreement is necessary because change often begins with disagreement.

7. Proposed changes should align with the existing culture and values of the organization. If it is necessary to make changes to the culture or values of an organization in order for it to succeed, these changes should be announced, explained, and discussed with the community members well before a strategy of change is implemented. Covey (1992) cautions change leaders of the types of organizational problems that complicate the change process including the absence of shared vision or values, inadequate alignment between structure and shared values, and low trust. Covey (1992) contends that “trust determines the quality of the relationship between people” (p. 170) and that without trust communication and cooperation are poor which results in weak problem-solving.
8. Bolman and Deal (2008) argue that many leaders fail because of flawed thinking rooted in inadequate ideas and a narrow view of organizational life. Instead, leaders should reframe, that is, use multiple lenses, to examine the situation until they have a solid understanding of what they are up against. “A frame is a mental model- a set of ideas and assumptions-that you carry in your head to help you understand and negotiate a particular territory” (Bolman & Deal, 2008, p. 11). Organizational structure and organizational culture are two of the frames that are important to use. Whereas the C1 leader assumed a more decentralized, interactive lateral organizational structure, the C2 leader assumed a top-down command and control structure where coordination is vertical. The lateral structure fit better with the University’s culture than the top-down command and control structure. Studies have revealed that the ability to use several frames such as organizational culture, structure, politics, and human resource frames is connected to greater leader effectiveness. Using multiple frames allows leaders to realize that there is more than one way to respond to the situation.

References

Blanchard, K. H. (2010). *Leading at a higher level.* Upper Saddle River: FT Press, Blanchard Management Corporation.

Bolman, L.G. & Deal, T.E. (2008). *Reframing organizations: Artistry, choice and leadership.* San Francisco: Jossey-Bass.

Cawsey, T.F., Deszca, G., & Ingols, C. (2012). *Organizational change: An action-oriented toolkit*. Los Angles: Sage Publications, Inc.

Champy, J. A. (1995). *Reengineering management: The mandate for new leadership*. New

York: Harper Business.

Covey, S.R. (1992). *Principled-centered leadership*. New York: Fireside Book-Simon & Schuster.

Eagly, A. H. & Carli, L.L. (2007). *Through the labyrinth*. Boston: Harvard Business School Publishing Corporation.

French, J.R. & Raven, B. (1968). The bases of social power. In D. Cartwright & A. Zander (Eds.), *Group dynamics* (pp.259-270). New York: Harper & Row.

Kouzes, J.M., & Posner, B.Z. (2007). *The Leadership challenge.* San Francisco: John Wiley & Sons, Inc.

Pendlebury, J., Grouard, B., & Meston, Fr. (1998). Successful change management. West Sussex: John Wiley & Sons Ltd.

Schein, E. H. (1992). *Organizational culture and leadership. (2nd. Ed.)* San Francisco: Jossey-Bass.

Spector, B. (2010). *Implementing organizational change: Theory and practice. (2nd Ed.*) Upper Saddle River: Pearson Education, Inc.

BIOGRAPHY

Deborah C. Calhoun is the Chair of the Business and Economics Department, and Associate Professor of Business at Notre Dame of Maryland University (NDMU) where she has also served as Acting Dean of Part-time Undergraduate Studies, Associate Dean for Accelerated College and Weekend College Director. Deborah teaches courses in marketing, leadership, teamwork and negotiation. She has served on numerous university committees including the Faculty Senate, Strategic Planning, and Budget. Prior to joining the faculty at NDMU, Deborah was a marketing manager at Westinghouse Electric Corporation where her team received awards for quality improvement and marketing excellence. Deborah holds a MBA in management and post-graduate certificate in International Business from Loyola University Maryland and is currently a Ph.D. candidate in Instructional Leadership for Changing Populations at Notre Dame of Maryland University.

Deborah C. Calhoun
Associate Professor of Business
Chair, Business and Economics Department
School of Arts and Sciences
Notre Dame of Maryland University
4701 North Charles Street
Baltimore, MD 21210-2404
Tel. 410-532-5505
Email: dcalhoun@ndm.edu

11

The Influence of an Australian CEO's Philosophy and Personalty on Shaping Culture

Theodora Issa & David Pick

Case

It is acknowledged that a Chief Executive Officer (CEO) has a significant influence on the organization's culture. The aim of this case study is to highlight the importance of CEOs and their influences on contemporary organization's culture. A CEO's morality impacts on organizational culture and its actions towards community, society, and the environment.

This case study is about Tim Tatchell. He is the CEO of Gippsland Personnel Open Employment Association Incorporated. It is imperative to note here that our first contact with Tim was through his completion of an online survey[8] managed by us that investigates ethical mindsets, spirituality and aesthetics. This tells us plenty about Tim's personality. In the final section of the survey, Tim included a note offering to assist us further in our research, providing his contact number. This gesture alone, points to some unique characteristics of Tim's personality. Indeed, Bos (2011) explored the concept of gesture in relationship with its moral significance. Bos argues that some of gesture significance might well be related to popular concepts such as 'transparency', 'authenticity', 'integrity' and 'responsibility'. Truly, Tim has been transparent and authentic demonstrating both integrity and responsibility in providing us the chance to have access to such personal information assisting us in the development of this case study. Certainly, we took his offer seriously, and we interviewed Tim to discuss his perspectives on the relationship between CEOs behaviour, their moral identity, and how this affects their life, work, and the environment, and most importantly the organization's culture.

The Main Character of the Case – Tim the CEO

Tim the CEO is involved in the services of human welfare. Tim is of the belief that individuals no matter what position they hold in an organization,

8 The online survey is a slight revised version of the framework that formed part of the outcome of Issa (2009) PhD thesis.

need to be involved in a self-regulatory mechanism that motivates their moral identity. Nonetheless, Tim considers that the CEO would shape not only the organization's morality but rather its culture. Tim views harmony, happiness, and co-operation, a solid base for successful and harmonious organizational culture, which relate directly to individuals' happiness, well-being and health. Tim considers that individuals' behaviours are a matter of familiarity and adaptation. Nonetheless, this familiarity needs to be based on desire and motivation to change. Tim considers that the task might be easier with the existence of idols or mentors who might 'positively' influence individuals under their leadership, or even challenge them, thus impacting the development of their 'Moral identity' that will enhance the morality of the organizational culture. Therefore, it is a combination of familiarity, desire; motivation coupled and intertwined with the influence of mentor(s), in this case the role that the CEO might play in enhancing the organizational culture moving it further into the realm of morality.

Shao, Aquino and Freeman (2008) indicate that 'Character perspective' is one of the two conceptual perspectives on 'Moral identity'. Thus, it is important to identify Tim's character, as we believe that the CEO's character is the base of his way of influencing the organization's culture. Our knowledge of Tim's character, we teased out from Tim's own responses to our online survey and the follow on interview questions. Tim's character was empowered and influenced by several forces. As a young boy, Tim owned a horse, spent much of his free time riding, usually alone in the mountains, this allowed him time to reflect and might have contributed to building his strong personality. Nonetheless, Tim considers his parents, uncles and aunts, older brothers and local leaders in community such as his school's Headmaster, Local CFA Captain and others had their great influence on the way Tim's personality was shaped. Being a member of a small country community Tim was acquainted with all. Tim's father was an artisan (Master Carpenter) who practiced carpentry following the war where he was a leader, and during World War Two. Tim's Mother was a Nursing Sister who held several positions such as a Deputy Matron, and evening supervisor of a Major Hospital. Tim's favourite Aunt was also a Matron of a hospital. In addition, Tim's mother and Aunt exampled similar traits, professionally all of these people seem to converse and lead naturally and were at least outwardly communicative. Tim's father and uncle were much quieter but to a fault steadfast, loving and brave. From these mentors a sense of professional mastery and competence was a key trait Tim aspired to, that he tried to put in words to embody his philosophy in life 'keep calm and carry on'. Such philosophy that he carried through in his position as a CEO thus affecting the organization's culture positively.

Forces influencing Tim's Personality and morality

Tim's life demonstrates the influence family has on individuals, coupled with the professional leaders, nonetheless, no matter how excellent the family, the leaders, the mentors are, if individuals themselves do not have the capability and capacity to change, do not maintain self-awareness, it will be difficult to witness the change that moral family, moral mentors and moral business culture might do on individuals.

Once in service Tim discovered that promotion (management and leaders) was by a combination of merit, further training and years of service, seniority. The last element seniority was at that time being overtaken by mainly merit and further training. Access to the further training was however competitive, usually candidacy by selection. Tim discovered that different people are different in their styles and traits but each would have an influence in their own way. Nonetheless, all leaders had shared elements, such as competence and mastery, calm in adversity, fair to a fault, fearless and uncompromising. Tim wanted to embrace these elements, yet wanted to be his own man.

Tim's interpretation of Management and leadership

Tim states, management, no matter the common language of the day in essence still revolves around planning, organising, staffing, communicating, controlling and evaluating. Of these the critical element is planning and the ability to harness the resources and efforts of the collective to achieve objectives and goals. The key is to define the goal, and communicate that goal in such a way that all people know the goal (or mission) and more importantly bond to it to achieve it through harnessing efforts, including strengths and weaknesses, which is fundamental. Thus, communication is a key element but this amounts to little, without good planning capacity. Most other management skills and elements are supportive of these platform elements, such as fairness, clear thinking, [leading by] example, leadership, good listening, mindfulness etc. Here, Tim's interpretation would very much match Groves and LaRocca (2011) description. In their study on transformational leadership that is a form of ethical leadership, which would have almost similar characteristics as described by Tim above, Groves and LaRocca (2011) conclude that only transformational leadership would be associated with follower beliefs in the stakeholder view of corporate social responsibility. This re-confirms the idea that it is not only the leader who would affect the change in the organization's culture, but it should be a two-way discussion between the leader and the employees who are keen to work together for the change and are totally convinced of the goals that need to be achieved.

Does leadership differ from Management – Tim thinks there is a difference!

Tim is of the opinion that management can be learnt (is learnt) it is a cluster of skills and competencies in many environments management is assisted by codification and systems. A competent manager develops a range of skills and competencies, tools, and selects tools and application as needs dictate. Indeed, a high order of skill and mastery should be developed, an element of authority can also be 'lent' to the incumbent, even if not the overall responsibility. As for leadership, this is a different matter as Tim confides. Leadership is 'a bargain' or a 'state of relations', in as much as people have great choice to buy into it, the key element is 'agreeing to be led' and 'wanting to follow', classically, allowing that leader to influence their actions, conduct and behaviour. Indeed, we always hear the slogan 'Leaders are born' or 'Born leaders'. Tim, spending his lifetime in both management and leadership roles, came to understand some critical elements that can be learnt or refined.

Leadership is more ethereal to define and quantify but many of following traits or elements will usually be evident. These are clarity of purpose, example of excellence or mastery, example of fairness, a sense of wanting this person to lead or to achieve for them, just to name a few. Often people will allow themselves to be lead, or influenced by a leader, even if the mission or the goal is not particularly worthy. There are powerful leaders in as much as they have strong influence or ability to get others to follow but in the 'wrong' way or to an inherently 'bad end'. Having said this, a number of elements hold true for both good and bad, and should not be underestimated or discounted by the difficulty to define or quantify them. Charisma, bearing, confidence, tone and notably the 'perception of power or influence', I learnt very early (through real experience) if people perceive you to have power and influence, or perceive you as a leader, then you are. Perception of power and influence is power. However, good leadership is enduring, as are good leaders. Leaders can and do have many faults, many shortcomings, however most are accepted by others being seen as eccentricities or personality; in the Australian parlance, 'a bit of character'.

Tim thinks that leadership should show or enlighten 'the way', leadership does influence even codify the expected actions, conduct and behaviour of others, good leadership influences others to aspire to and exhibit these actions, conduct and behaviour. Those led like conformity too are less pervasive as wanting the 'leaders' approval or to 'measure up to the leaders example'. Reflecting on his experience, Tim argues that leaders and their influence can be both formal and informal, they may possess a high order of management skills but not necessarily so, leaders are not managers and alas many managers are not leaders. But whereas a leader can probably function well without a high order of management skill, a manager is profoundly handicapped if they do not have or develop leadership or leadership like skill.

Tim the CEO affects the organization's culture

For Tim, Management no matter the common language of the day in essence still revolves around planning, organising, staffing, communicating, controlling and evaluating. Of these the critical element is planning and the ability to harness the resources and efforts of the collective to achieve objectives and goals. The key is to define the goal, and communicate that goal in such a way that all people know the goal (or mission) and importantly bond to it. This would make this mission important to them thus they work to achieve such a mission. Harnessing efforts, including strengths and weaknesses, is fundamental, so communication is a key element but this amounts to little without good planning capacity. Most other management skills and elements are supportive of these platform elements. Examples: fairness, clear thinking, example, leadership, good listening, mindfulness etc. ***Figure 1*** depicts these traits and other valuable capabilities that would allow the CEO to influence the organization's culture, and that is what Tim did.

Figure 1: **CONCEPTUAL MODEL OF HOW THE TRAITS OF THE CEO AFFECT THE ORGANISATION'S CULTURE**

Figure 1 was generated from discussions with Tim. Tim is of the opinion that by and large management can be learnt (is learnt) it is a cluster of skills and competencies in many environments management is assisted by codification and systems. A competent manager develops a range of skills and competencies, tools, and selects tools and application as needs dictate. Tim says 'Don't misunderstand me' a high order of skill and mastery should be developed, an element of authority can also be 'lent' to the incumbent, even if not the overall responsibility. But leadership is a different matter. In Tim's opinion leadership is 'a bargain' or a 'state of relations', in as much as people have great choice to buy into it, the key element is 'agreeing to be led' and 'wanting to follow', classically allowing that leader to influence their actions, conduct and behaviour.

Further, Tim states that after a lifetime in both management and leadership roles, he come to understand some critical elements (that can be learnt or refined) 'true leadership is inexorably linked to service'.

Leadership is more ethereal to define and quantify but many of follow-on traits or elements will usually be evident, clarity of purpose, example of excellence or mastery, exemplar of fairness, staff in the organization having a sense of wanting that this CEO lead them having high hopes of what his influence can do to improving the organizational culture, and through which how much they can achieve as an organization. Tim is of the opinion that a number of elements hold true for both good and bad, and should not be underestimated or discounted by the difficulty to define or quantify them. Charisma, bearing, confidence, tone and notably the 'perception of power or influence', Tim had learnt very early (through real experience) if people perceive you to have power and influence, or perceive you as a leader, then that person is truly a leader who would impact the organization culture. The perception of power and influence is power and influence. Nonetheless, Tim contends that leaders can and do have many faults, many shortcomings, however most are forgiven by the majority often written off to, eccentricities or 'personality'. Leadership should show or enlighten 'the way', leadership does influence even codifies the expected actions, conduct and behaviour of others, good leadership influences others to aspire to and exhibit these actions, conduct and behaviour, thus forming the organization culture. Drivers like conformity too are less pervasive as wanting the 'leaders' approval or to 'measure up to the leaders example'. Leaders and their influence can be both formal and informal.

It is an arcane argument, CEOs are appointed by Boards of Management or others by another name. CEO's are hopefully good managers, hopefully good leaders but there is evident proof this is not necessarily so. However like leaders some will have innate traits or characteristics, but most have diligently learnt and developed a host of skills and competencies. Most CEOs have had a number of posts or tasks to enable them develop themselves to be ready for the role. However close associations with CEOs, will often uncover how once they acquired their first post as a CEO it came with the rude shock of how much they all had to learn and keep learning in a never ending process. The demands made of most CEOs are complex, and more profoundly disparate, it is often true that CEOs are far more singular and alone in perspective than most would initially perceive. The CEO truly has many customers, the Board is customer, and it comprises individual customers, the staff team are customers, as are the organisations customers, but importantly the collective customer is the organisation itself.

The three usual CEO postings: to build a new organisation (even if from the collective of several old ones), to some way 'fix' or heal an ailing one, or to maintain an existing one, thus having their mark on the organization's culture. The latter usually will have the 'benefit' of a useful culture and codified conduct, a sort of collective wealth. The 'fix and heal' posting will have the baggage or collected debt of its history. The 'build it' posting will usually be asset poor, resources poor and 'big hurdles' start line premise. Each has significant differences and requirements of approach, and tasks, but share common elements of skills and competencies, which are essentially combined management and leadership in nature.

Well Tim is old now, but he does not have any regrets as he puts it: 'I am unusual as a CEO that I have worked permanently part time and have done for many years despite the cost. Most of the people who work for me do the same although I provide the choice. Finally, Tim concludes 'To be fair I want to record that I have met both men and women whom I admire and respect that 'are' in effect their vocation, they lived for their work and fine vocations some of them are healing, teaching, farming and the like'.

This, and the issues highlighted throughout this case have influenced Tim's personality, which in turn affected the culture of the organizations that Tim was responsible upon.

Certainly, CEOs are beacons to their organizations and if they display morality, this echoes what Kubal et al (2006) they must model integrity, which could translate into doing the right thing versus doing the easiest or most expedient thing. They are required to lead by example. They are expected to investigate and swiftly resolve ethical issues even if they involve personal risk. They are responsible for advancing the culture by making sure that policies and practices are aligned to support an ethical culture and values.

Discussion

1. Evaluate the influence Tim's family members had on his personality, and ability to be a successful CEO
2. CEOs may be known of their high salary packages, would Tim's story inspire you and others to concentrate more on the change that you can make rather than the package that you generate.
3. Would Tim's concentration on 'making change' be a positive or negative criterion if a young CEO takes the route that Tim took in his life.
4. Do you agree with Tim's interpretation of management and leadership?

5. What in your opinion are the major strengths of Tim's personality that led him to maintain that 'moral identity' and 'ethical mindset'.
6. Using *Figure 1* try to identify issues in your personality that might fit in there

Key Lessons

- To always maintain focus and energy for the wellbeing of others, by not surrendering yourself to simply complying with what you know will be measured and valued by the funding agency or department.
- To realize and become profoundly comfortable with the balance, that nearly every external personality (cohort) cares little of the CEO as an individual but only of how they perceive his or her actions, conduct and behaviour and results achieved.
- The maintenance and protection of 'your people' to 'shield' them from eroding elements, and to energise them by nurture and nourishment, usually done by continual vigilance of a culture that supports the mission, the goals and 'the way'.
- To promulgate the feeling and deep belief that each individual in your sphere of influence is valuable and that you will be fair, honest and constant in your dealings with them.

References

GROVES, K. S. & LAROCCA, M. A. 2011. An Empirical Study of Leader Ethical Values, Transformational and Transactional Leadership, and Follower Attitudes Toward corporate Social Responsibility. *Journal of Business Ethics,* 103, 511-528.

KUBAL, D., BAKER, M. & COLEMAN, K. 2006. Doing the Right Thing: How Today's Leading Companies Are Becoming More Ethical. *Performance Improvement,* 45, 5-8.

SHAO, R., AQUINO, K. & FREEMAN, D. 2008. Beyond Moral Reasoning: A Review of Moral Identity Research and its implications for business ethics. *Business Ethics Quarterly,* 18, 513-540.

BIOGRAPHY

Dr Theodora Issa is the Unit Coordinator and Lecturer at the Faculty Office, Curtin Business School, (on secondment at the school of Management), Curtin University, Australia. Theodora's PhD thesis on ethical mindsets, spirituality and aesthetics was the recipient of the 2010 EFMD/Emerald Outstanding Doctoral research award. Theodora's research interests include teaching, online teaching and learning, ethical mindsets, ethical climate, prevention of corruption, spirituality, aesthetic judgment, sustainable business development and ethical strategies, which ignited her interest in Green IT and cloud-computing. Theodora participated in several conferences on ethics, teaching and learning, and sustainability, and has been the recipient of 'best paper award at different conferences in the years 2009, 2010, and 2011. Theodora was nominated for the 2011 Australian Museum Eureka Prize for Research in Ethics, jointly with Associate Professor David Pick. Theodora was also nominated for the 2010 Curtin Student Guild's Award for Excellence in Teaching for Post Graduate Research Supervisor category. In August 2011, Theodora was awarded 'The New Researcher of the Year' prize of the Curtin Business School, Australia. In July 2012, Theodora was named one of the 2012 Distinguished Alumni Awards Finalists in the category of Law, Business and Information Technology. Theodora had published in several peer-reviewed journals, member of editorial committees, and member of different governing bodies.

Dr. Theodora Issa
Unit Coordinator and Lecturer, Faculty Office
Curtin Business School, (on Secondment at the School of Management)
Curtin University, Perth, Western Australia, Australia
Email: theodora.issa@cbs.curtin.edu.au

BIOGRAPHY

Dr David Pick an Associate Professor at the School of Management Curtin University. He has published research work in the areas of business ethics, education, public policy, in journals including Journal of Business Ethics, Journal of Human Values, Higher Education Quarterly, and Globalization, Societies and Education. He is currently involved as co-researcher in projects including ethical mindsets, ethical climate and endeavours as to how to prevent corruption and workplace stress. David participated in several conferences on ethics, teaching and learning, and has been the recipient of ‘best paper award in 2009. David was nominated for the 2011 Australian Museum Eureka Prize for Research in Ethics, jointly with Dr Theodora Issa. David had published in several peer-reviewed journals, member of editorial committees, and member of different governing bodies.

Dr David Pick
Associate Professor, School of Management
Curtin Business School, Curtin University
Perth, WA, Australia
Email: d.pick@cbs.curtin.edu.au

12

The Critical Role of Language in Changing Culture: Cross-Border Mergers and Acquisitions

Cecilia Bjursell

Case

In cross-border mergers and acquisitions, culture clashes are expected. To manage the post-merger integration process well is crucial, as a dysfunctional integration process can destroy much value for the organization. Since the 1980s, companies and business schools have paid serious attention to culture issues in cross-border mergers. In today's global world, most leaders are aware of and knowledgeable about both national and organizational cultures and their impacts on business. Many consultancy firms have traditionally worked with culture variables as a way to address culture clashes in the integration process. To stimulate new learning, additional perspectives for understanding culture are called for. In this text, I will approach culture as language: to change culture is to change language, national language and/or conceptual language. This approach holds the potential to explore communication as an important part of managerial work. This paper discusses the case of the Cloetta Fazer cross-border merger, focusing on culture and its relation to language, with the aim of aiding our understanding of what goes on in the post-merger integration process.

Introduction

In international business, models of cultural dimensions are frequently used as a first step to approach and manage differences in culture. To simplify Schein's (1985) classic definition of culture, we could say that culture represents shared assumptions that guide a group's activities. When developing these assumptions, a group agrees on a common language. The common language thereby becomes a cultural product. At the same time, language is used to reach agreement on assumptions. Approaching the relation between culture and language is a relevant perspective considering that the main body of management work is communication. Already in

1973, Mintzberg found that managers spend two-thirds to three-fourths of their time engaged in verbal activity. In this sense, saying is doing.

> "For it is through patterns of discourse that we form relational bonds with one another; that we create, transform, and maintain structure; and that we reinforce or challenge our beliefs. The very act of communicating is the process through which we constitute experience." (Barrett, Thomas and Hocevar, 1995, p. 353)

Research has shown that language skills can be a source of power in organizational communication. Language skills can contribute to the construction of superiority or inferiority and they are associated with professional competence and the creation of new social networks (Vaara, Tienari, Piekkari and Säntti, 2005). Managers often have an unrealistic understanding of the level of language competence in the organization and can be unprepared for the strong emotional reactions that a change of language can give rise to (Piekkari, Vaara, Tienari and Säntti, 2005). In mergers, conflicts can arise due to lack of communicative competence. Auer-Rizzi and Berry (2000) describe how previously acquired communicative competence in an organization – the ability to use resources within a particular culture – acts as a hidden barrier to communication in an intercultural setting. When a company moves into a new cultural context, the pre-existing meaning of firm assets goes through a process of sense making in which language evolves in (new) social contexts and results in new meaning (Brannen, 2004). Managers use language to create meaning in an organization, while organizational meaning simultaneously influences how language is used. Talking about organizational language, in addition to national language, can be a way to draw attention to the social dimension of language. Language is more than a mere tool for communication: it transcends inner and outer worlds, past and present, and it is a bridge to the shared creation of tomorrow. The following case illustrates how the change of culture can be understood as a change of language.

Background on the Merger between Cloetta and Fazer

This case is based on a study of the merger between the companies Cloetta and Fazer Confectionery, two medium-sized confectionery companies operating mainly in the Nordic market (Bjursell, 2007). Cloetta was founded in 1862 by the Cloetta brothers in Copenhagen and the company was later sold and moved to Sweden. Fazer was founded in 1891 by Karl Fazer in Helsinki, Finland, and is still owned by the Fazer family. Fazer Confectionery is a subsidiary of the Fazer group. When the companies merged in January 2000, they advanced from being national market leaders to dominating the Nordic confectionery market. After the merger, Cloetta Fazer had five production units – two in Sweden, two in Finland and one in Poland, and the Cloetta Fazer group established its headquarters in Stockholm.

The main motive of the merger was to combine the two strong brand portfolios and to achieve cost synergies in production, sales, marketing, purchase and administration, with a total effect of SEK 75 million per year in the period 2000 to 2002. Because they used the pooling-ofinterests accounting method for business combinations, the merged company did not have to recognize goodwill as an asset on financial statements; however, this method required that the merger be a merger of equals. Fazer made an apportionment of the business unit Fazer Confectionery in exchange for a new issue of shares in the listed Cloetta equivalent to a relative valuation of 1:1. This enabled the organizations to merge on equal terms, similar in size and financial statements, which required the managers to cooperate to create value in the new combined organization.

During the first year after the merger, the company formed an integration board and started about 10 integration projects to manage the prioritized areas. The merger of the sales forces in Sweden was completed in May 2000. During the first year, the management team also began to meet in a forum for long-term development and integration. The merger was communicated as a collaborative enterprise, but in practice, the managers experienced frequent problems which they referred to as culture clashes. The CEO of the merged company gave top priority to uniting the management group, and this work took place at regular integration meetings. In the discussions that took place at these meetings, references to culture often emerged as a way to make sense of problems in the ongoing process. The aim of these meetings was to create a shared culture and a common view of how to work in the new organization. In practice, creating a shared culture meant creating a shared language to overcome communication problems.

Creating a Shared Language

National language

In the merged Cloetta Fazer, the managers started off by speaking Swedish. In Finland, the Finland-Swedish population has Swedish as their mother tongue, and in Fazer, Swedish was already the official company language before the merger. Nevertheless, there were people in Cloetta Fazer who spoke only Finnish or Polish, so after some time it was decided to change the company language to English. The change of language in the company was not a controversial decision, as it was necessary in order for some people in Finland and Poland to be able to participate. A Polish manager interpreted the change of language as a sign that they were welcome in the group.

– *Well, for me it was a big difference, of course, because I understand English and not Swedish, so I didn't participate earlier. It was also a signal that we are welcome.*

English was the second language for all managers. The rhetoric was that with English, people worked under the same conditions; it was perceived as fair. When it came to individuals' skills in using the English language, these were quite varied. Some managers felt quite comfortable speaking English in a work situation.

– *For me it's not an issue. Sometimes it's even an advantage. Sometimes it's harder because we don't have English as a mother tongue, but I know from our previous cooperation that I think in Swedish and then translate to English, and then they think in Finnish and translate to English, and things don't always turn out the same, even if we start at the same place. So one has to be careful to not take the words literally but to think contextually all the time. But for me, English is not a problem.*

There was a general understanding of language problems and misunderstandings following the use of a second language. The top managers, however, were expected to have better linguistic skills than average.

– *Well, some people had difficulties with speaking English. And I think that one could expect that managers in those high positions could be sent to an intensive course in English because it gets harder for others to understand if the managers that are supposed to tell us what to do can't speak English well enough. Besides that, it's positive that we have a common language.*

There were also some critical voices raised against using English as the company language. One argument was that since the great majority of the top managers spoke Swedish, it was a waste of knowledge and experience to use another language that people did not know as well; the thinking was that the discussions would not reach the same heights due to linguistic limitations. At the same time, using English as the company language was in line with ideas of future growth through continued acquisitions in other countries.

Organizational language

For the managers in Cloetta Fazer, communication was not only about using the same national language. It was also about creating a shared vocabulary and agreeing on the meaning of the concepts within that vocabulary. Examples of central concepts for production people were quality and delivery precision. For marketing people, the central concepts were market share and brand impact. Finance people used concepts such as turnover and ROCE. HR concepts were recruitment and education. The following excerpt from a conversation illustrates the paradox of using the same words but meaning different things when it comes to measurements in production:

Manager: – We have almost the same measurement system, but still, they are not the same.

Researcher: – In what way do they differ?

Manager: – There are small differences. Everybody has a measurement for quality, productivity and so on, but we look at it from a different point of view.

Researcher: – So you have the same measurements, but the way you calculate these measurements is not the same?

Manager: – Yes, the aim of the measurement is the same, but we have different ways of calculating, so they are not comparable.

In the different production units, they worked with variations of quality systems related to Total Quality Management (TQM) ideas and concepts. At Fazer, they had implemented a system in the factory in Helsinki and they were trying to implement it in Poland. At Cloetta, one factory worked with a set-up of key figures, and in the other factory, they had developed key figures in relation to a TQM philosophy. While all units wanted to achieve good production processes and high quality products, they focused on different things. In Fazer, production quality generally referred to superior taste, while in Cloetta, quality centered on a smooth production process. The organizational language made business concepts into so called false friends: words that look the same but differ in meaning. There were more differences in terms of using the same words with different meanings in the marketing and the production groups. The finance department presented working together as unproblematic:

– *We have not had any controversy at all and we find it easy to cooperate. We are speaking the same language when it comes to finance and we don't have different views on how to work with* *finance, accounting or taxes. I think they have more problems with that in marketing and production. Finance is an international language in a way.*

The process of adapting management philosophies, control systems and models to fit the new organization involved adjusting terminology to the specifics of the merging organization. This meant that some words which were previously used in each separate company to mean different things were then expected to be used to express a single concept. In the merging organization, managers were in the process of unlearning their previous understanding of concepts and filling these in with new organizational meanings. This process occurred at the

interface of language in management literature, consultants' definitions, managers' previous experiences of using concepts, interpretations of concepts made within a national, organizational and functional context, and interpretations of hands-on experiences in the everyday activities. There is no quick fix for this kind of process. Managers need to recognize what is going on and address it openly if they want to progress towards a shared culture.

Discussion

1. Mergers and acquisitions are rarely successful unless they are effectively managed. What were the key challenges facing the Cloetta and Fazer merger? What efforts were made to successfully manage the merger?
2. Culture clashes are common challenges in mergers. This is particularly true where the people merged speak different languages. Do you think it is necessary to know a language spoken by a group in order to fully understand the group's culture?
3. What is the relevance of language skills in relation to other skills when working in international business?
4. In the merger discussed, one means of creating a shared culture was the choice of English as the company language. Evaluate the advantages and disadvantages of this decision and what you would do given that the people involved previously spoke Swedish, Finnish, or Polish at work.
5. Even with a common language, what are some of the challenges that need to be taken into account in communicating when people are accustomed to thinking in another language? What were some

of the critical concepts that needed common understandings in the various functions? Where people may have different meanings for different words, would it be helpful to create a dictionary explaining key terms and concepts?

6. If you were part of the leadership team in charge of successfully managing the merger and the integration of the different cultures, what would you do different or in addition to what is being done?

Key Lessons

In cross-border mergers, changing culture can be addressed on at least two levels: the level of national culture and the level of organizational culture. These levels are connected to two aspects of language. One aspect is that it might be necessary to change national language in the organization. Another aspect, independent of the first, is the compatibility between organizational languages; people might use the same terminology but with different understandings of concepts.

To create a new culture after a merger is to create a shared language. This is a dual process: language is used to create shared assumptions, and current assumptions influence how language is used. Concerning language, a first step is that people need to be able to literally understand each other. A second step is that people need the same or similar assumptions to be able to interpret language in a way that enables communication.

Management philosophies, control systems and theoretical models can be seen as conceptual systems that can support coordination in an organization. At the same time, they are also linguistic systems that have terminology connected to them, and this terminology is constituted within each organization on a local and everyday level.

To approach culture change as language change can be a way to create the distance needed to be able to discuss assumptions, values and norms. An example is that it is sometimes necessary to define concepts (i.e., What do you mean when you say quality?) as a first step towards shared meaning. This can shift focus from people being right or wrong to elaborating on the meaning of an object.

References

Auer-Rizzi, W. & Berry, M. (2000). Business vs. cultural frames of reference in group decision making: Interactions among Austrian, Finnish, and Swedish business students. *The Journal of Business Communication,* 37(3), 264-292.

Barrett, F. J., Thomas, G. F. & Hocevar, S. P. (1995). The central role of discourse in large-scale change: A social construction perspective. *The Journal of Applied Behavioral Science,* 31(3), 352-372.

Bjursell, C. (2007). *Integration through framing: A study of the Cloetta Fazer merger.* Doctoral dissertation. Linköping Studies in Arts and Science, Linköping University.

Brannen, M. Y. (2004). When Mickey loses face: Recontextualization, semantic fit, and the semiotics of foreignness. *Academy of Management Review,* 29(4), 593-616.

Mintzberg, H. (1973). *The nature of managerial work.* New York: Harper & Row.

Piekkari, R., Vaara, E., Tienari, J. & Säntti, R. (2005). Integration or disintegration? Human resource implications of a common corporate language decision in a cross-border merger. *The International Journal of Human Resource Management,* 16(3), 330-344.

Schein, E. H. (1985). *Organizational culture and leadership.* San Francisco: Jossey-Bass.

Vaara, E., Tienari, J., Piekkari, R. & Santti, R. (2005). Language and the circuits of power in a merging multinational corporation. *Journal of Management Studies,* 42(3), 595-623.

BIOGRAPHY

Dr. Cecilia Bjursell is Director of Encell, the National Centre for Lifelong Learning, at the School of Education and Communication, Jönköping University, in Sweden. Previously, Bjursell has worked at Jönköping International Business School with research, development projects, program responsibility and teaching. Bjursell received her BSc in Psychology and MSc in Business Administration at Lund University and her PhD degree at Linköping University. Bjursell's research, carried out in empirical settings such as mergers and acquisitions and family business, focuses on organizing, change, the concepts of role and identity, and on narratives and learning.

CHAPTER FOUR

13

Get Real… This is Not a Class Project…

Dolphy M. Abraham, Mohan Gopinath & Edwin Castelino

Case

The case is a fictionalized account based on real characters and is centered on two brothers who are responsible for the operations of a 40-year old garment manufacturing company in India. The unit at which they are based is one of 3 the company runs in South India. The publicly traded company has additional units in North India. The South Indian units are newer and have up-to-date weaving and manufacturing technology while the North Indian units are older and rely on manual labor. The company specializes in custom weaving of the fabric and adding embellishments as per the specifications of the customer. They are also able to produce garments as per the customer's specifications. They have made their name in the world of garments by focusing on working with silk yarn. The majority of their customers are international retail store chains who typically purchase through exclusive buying agents located in India.

The business of the company is suffering as the silk garments are losing market share due to the higher cost of the finished product. This trend has exacerbated after the worldwide slowdown starting in 2008. The younger brother Rahul has recently returned after his undergraduate studies at a prestigious business school in the UK and is raring to take the company to new heights. The older brother Adithya has been involved in the business for about 10 years and has a much more laid-back approach to the business. Having weathered the ups and downs of the business for a longer time, Adithya feels that there is no need for radical change. Rahul therefore feels he has to lead the change process while at the same time battling a reluctant Adithya.

The case presents a sequence of events that happens when Rahul initiates a program to get the company moving while Adithya applies the brakes to those changes.

Adding fuel to the fire

To Abhinav, Rahul appeared like a peacock strutting around with the tail feathers fanned out for the entire world to see. He spoke with a great deal of pride when he took the 3 interns on a tour of the shop floor and design studio at Orion Silk's facility in Jigani, an industrial park south of Bangalore.

It was Abhinav's first day on the project he was working along with Raghu and Venkat, his classmates in an MBA program at a local business school. They were on a summer internship project required for their MBA program. Their professor, Dr. T. N. Modi had got this lead for them. Dr. Modi had told them that Rahul Parekh would be their point of contact at Orion and that he was the son of the founder of this 30-year old company.

Dr. Modi told them that the project would be related to identifying new market segments to which this garment manufacturer could diversify from its current specialty in silk based garments. Abhinav, Raghu and Venkat, none of whom had any prior work experience, were looking forward to their first stint in the "real world."

As the tour came to the last stop in the inspection and packaging facility, Rahul mentioned that the idea for this project came from a project he himself did at retailing company in the UK. The project was in his final term of his bachelor's program in consumer retail. He told them in some detail how he had analyzed data from residents in the neighborhoods of several of the retailer's outlets in the UK and had advised the owners to undertake an expansion strategy. The owners, he said, were sufficiently impressed to take a close look at his ideas and were planning on implementing some of his suggestions. The three interns got the strong impression that they were expected to come up with recommendations that Orion could actually implement.

Adithya, Rahul's brother, was heading to his office after meeting clients, when he saw Rahul and the three interns coming out of the packaging facility. He nodded to Rahul who came by and said that the students were sent by Dr. Modi to visit the facility. Adithya smiled and thought that his brother seemed to be getting involved with the activities at Orion. Rahul had returned only a few months back from the UK and did not have a formal designation within the company. Rahul did not tell his brother about the internship. The students were not being paid and he felt it better to keep the project under the radar till he had an idea of the recommendations the students would make.

What went into the pot

As he left the interns at the factory gate and returned to his desk, Rahul was nervous but felt he could pull it off. He wanted to shake up the company. His suggestions thus far had not been taken too seriously and he was hoping the data the interns collected would help him make his point. Since his return from the UK, Rahul had been yearning to take on a greater role at Orion.

He felt that Orion was stuck in its past. Orion had a history of being a quality producer of silk garments. They had numerous buyers who regularly placed orders with them for international retail chains. But they had gotten complacent as well. When the global slowdown came in 2008, it caught them unawares. The buyers were looking for less expensive garments with lower silk content. Orion did not have the processes in place to respond to these requirements quickly. Adithya's response was to wait it out as he felt the economy would swing back. He felt that changing to lower value products would make it harder for Orion to reclaim the position of high value-high quality producer in the future.

Rahul saw it very differently. His recent experience in the UK had shown him how retailers there had responded quickly. Rahul felt that Orion needed to be more nimble. Orion, he felt, had to make better use of the manufacturing facilities in South India that were modernized at great cost. Right now, those factories were running at less than 50% capacity. Including lower cost products would increase the utilization of the factories and bring in much needed revenues. This was a decision a professional manager would consider but that was not how things were done at Orion.

Adithya's and Rahul's father ran the company with an iron hand. But he was feeling his age. He knew he would have to hand over the business to one of his sons before too long. Adithya, the older son, would have been the traditional choice. But watching Rahul since his return from the UK, Manohar could not but remember his own past and the excitement he felt when he started Orion.

The pot boils over

Abhinav, Raghu and Venkat stopped at a coffee shop when they left the factory. They were eager to get to work. They chalked out a plan to meet with current and potential customers. They divided the customer list by regions each taking a different part of the city. They decided early that they did not have the time nor could they afford to go to other cities to meet with customers.

The next day each of them went about their rounds. They had planned on visiting six customers each per day. They had about two weeks to get through the list that Rahul had given them. Meeting the Procurement Managers at these companies was not easy. The interns did not make appointments and when they got to the offices, could not meet with the Managers. Raghu managed to speak a purchasing clerk at one of the companies. That was all the success for the first day.

They regrouped at the dining facility on campus and started calling the offices trying to set up appointments. This time they were a lot more successful and lined up about four appointments for the following day.

The next morning each of them went to their appointments. All of the appointments were with current customers. Venkat met with one Procurement Manager, Mr. Jayesh Prasad, who spent a lot of time describing the history his company had with Orion and how Rahul's father Manohar, was an ideal business partner. Venkat spent some time with Mr. Prasad discussing their textile and garment requirements beyond silk fabrics and garments.

As soon as Venkat left, Jayesh picked up the phone and called Aslam, the sales representative from Orion who had been dealing with Jayesh for more than six years. Jayesh asked Aslam if there were any new product lines that Orion was planning to offer. Aslam did not have a clue about what Jayesh was referring. He thought it was just Jayesh fishing for more information and let it go.

Abhinav and Raghu also met with current customers that day and had similar questions about demand for non-silk fabrics. Each of those customers called their sales representatives and asked the same question that Jayesh had asked Aslam. The sales representatives let it go but met in the evening at Orion's sales office in Bangalore City. Aslam was the one who brought up the topic which immediately got the other three sales representatives all excited. Aslam slowed them down and over a few cups of tea each of them described the conversations they had earlier in the day with long term customers.

There was a lull in the conversation when Ravi, one of the sales representatives, thought aloud, "Since when does Orion introduce a new line without giving us details first. How can they expect us to answer questions from customers if we do not have any information?"

Chandru, who had been at Orion for the least time, piped in, "I think it's our jobs that are going. Mine first, of course."

Aslam just shook his head.

Vinay, the senior most of the four was the one who brought up the idea of Adithya being involved. “It has to be him; he has been after us to cut costs off-late, I think the older brother is thinking of bringing in new people. No experience… he could pay them less… more control over them.”

“What about us,” said Aslam, “We’ve been the reason Orion has done well so far. He can say that things have slowed down, but we are the reason it is not as bad as it could be. Other companies are doing much worse.”

The four of them marched into Adithya’s office. He was used to them dropping by at the end of the day to shoot the breeze but they did not look very pleased. Vinay was the one who spoke up. He had joined Orion at the same time that Adithya had come on board. The two of them got along very well with each other.

As Adithya listened to Vinay, he grew very upset. He felt that he was being blindsided. He had no idea of what was going on. But he had an inkling that Rahul may be behind this. From Vinay’s description, it sounded to Adithya that the three people he saw with Rahul a couple of days back may be involved. He told the four that he would get back to them after he found out what was going on. In the mean while, he told the four to keep quiet as it could be a competitor trying to get information about Orion’s operations and customers.

He shut down his computer and headed home. He knew that Rahul would be meeting with his father in the next few days. He wanted to apprise his father of the situation and also to check whether his instincts were true.

Banking the flames

Adithya told his father that he and the team of four sales reps would like to meet him the next morning at 9.00 am. Mr. Manohar Parekh agreed to this and said, “I have a couple of important things to tell all of you. This will be an ideal time to do this.” This seemingly innocuous statement only increased Adithya’s suspicions.

The next day when all of them came to the board room, Adithya was surprised to find his younger brother also present. The finance, operations and sales managers were also there. “What are you doing here,” asked Adithya to his younger brother in a slightly rough tone. “This is a private meeting.”

“That may be so, “retorted Rahul. “But I have been asked to come by the MD. You can tell him if you have a problem in my being here.” (‘MD’ was the way in which Mr. Manohar was referred to by everyone in the company).

At this moment Mr. Manohar walked in. "Good morning and please sit down," he said to everyone. "I will come straight to the point. Adithya, Rahul, I sense that you both are not pulling together for some time now. What is the problem?"

"It's Rahul', said Adithya without missing a beat. "He seems to have some crazy ideas which will ruin this company. Just because he has been abroad does not mean that he has understood the textile industry and how it works. And he has been talking to customers behind my back through some flunkeys he has hired. My sales team does not know about this and they are getting calls from these customers which they cannot handle." The sales manager's jaw dropped; he had not heard about this from the sales people. But he kept quiet.

"That's nonsense," said Rahul. "I am only trying to get this company out of the Stone Age and into the twenty first century. All I did was to get some interns to do some basic checking on what our customers wanted. Surely you don't have a problem with that?"

"Why was I not involved? Or do you think you own the company after your trip abroad?"

"I am not in the habit of asking permission for every move I intend to make. Especially from a..." He stopped.

"Especially from a what?" roared Adithya, "Have the guts to say what you want, I have had enough of your backstabbing tactics."

"Just one moment," said Mr. Manohar. "If I hear raised voices once more, I will bring this meeting to an immediate close. And I mean it. Just who do you think you are to shout in my presence?" He glared at his two sons."Proceed," he said curtly.

"Look," said Rahul, addressing everyone, "all I am trying to do is trying to get our customers' preferences. The market for silks is dying globally and we have to change the product line. I have visited many companies when I was abroad and they all say the same thing. They have also acted based on the new trends they have seen. Another thing, we also have to modernize our North Indian operations. It's a joke at the moment."

"You don't know what the hell is happening in this company," said Adithya. "And do you seriously think a bunch of inexperienced interns can show us how to go forward? I have some ideas of my own which are time tested and will pull us through this bad patch. And that includes our North Indian operations. You know I am an ideas man essentially."

"That's what I am worried about," said Rahul under his breath to no one in particular. "This is getting us nowhere," he said aloud.

The meeting continued in this vein for another 20 minutes. At the end of this time Mr. Manohar checked and found that the newly hired operations manager supported Rahul, while the finance and sales managers supported Adithya.

"Right," he said. "I have this to say and all of you will follow my instructions to the letter." (He knew he had the clout to say this and also knew he would be obeyed. He was a great admirer of the Godfather and Marlon Brando's interpretation of the role). "Starting from today, I want all of you to work on a plan which will combine Adithya's and Rahul's ideas. I know both have merit and we can put these ideas to good use; and no more bickering and back stabbing in my company. Things are changing in our market and we have to change in tune with them. You have four days to do this. And one final thought to all of you." He looked penetratingly into everyone's eyes and said very slowly and deliberately, "Get real….This is not a class project…"

List of Individuals Appearing in the Case

- Manohar Parekh: Founder and Managing Director, Orion Silks and father of Adithya and Rahul
- Adithya Parekh: Older son of Manohar Parekh
- Rahul Parekh: Younger son of Manohar Parekh
- Vinay, Aslam, Ravi and Chandru: Sales staff at Orion
- Abhinav, Raghu and Venkat: The three MBA students interning at Orion

Discussion

1. This case is an example of how not to change culture and motivate change and how important it is to understand culture before initiating change. What are some cultural norms Rahul should have been aware of? What mistakes did he make in his efforts to change the culture and change the company? What could he have done different that would have been much more effective?
2. Do you believe the company culture needs to change and what are your reasons?
3. If cultural changes are needed, list some guidelines for how not to change the culture and some guidelines for successfully changing the culture.

4. What would you recommend that the father, sons, and leaders do to resolve their differences and effectively lead the company to a successful future?
5. Is this a case where the leaders can likely work together and change the company on their own or do they need outside professional help?

Key Lessons

1. Culture is an important factor in making changes. Leaders are the primary shapers of culture. They need to understand the present culture, define the desired culture, have a well thought out plan for changing the culture, practice any new cultural values, and involve people at all levels in the changes.
2. Organization cultures are powerful motivators in how things get done, how improvements are made, and how leaders lead. It is important to do occasional culture checks to understand the behaviors the present culture is motivating and assure that the behaviors are consistent with the behaviors needed for the organization to succeed.
3. Leaders at all levels are often out of touch with the cultures they are creating and behaviors they are motivating.
4. Leaders who have shaped cultural norms that are not likely to make organizations successful in a changing organization world are not likely to be able to make needed cultural changes without professional help.

References

Lewin, K. (1952) "Group Decision and Social Change," in Newcombe, E. and Harley, R. (Eds.) *Readings in Social Psychology,* New York: Henry Holt, pp. 459-473.

Burnes, B. (2004), Kurt Lewin and the Planned Approach to Change: A Re-appraisal. *Journal of Management Studies,* Vol. 41 pp. 977–1002.

BIOGRAPHY

Dr. Dolphy Abraham is Professor of Systems and Operations Management teaching courses in the Information Systems and E-Business areas. Prior to joining Alliance University, Dr. Abraham was the Dean at St. Joseph's College of Business Administration, Bangalore. Dr. Abraham was also Professor of Computer Information Systems at the College of Business Administration in Loyola Marymount University, Los Angeles, USA for 15 years.

Dr. Abraham earned his Ph.D. from the Joseph M. Katz Graduate School of Business, University of Pittsburgh, Pittsburgh, USA, along with an MBA from the Whitman School of Management, Syracuse University, Syracuse, USA and a B.Com. from Bangalore University (Christ College).

Dr. Dolphy Abraham
Professor of Systems and Operations
School of Business
Alliance University
Chandapur-Anekal Main Road
Bangalore 562 106
INDIA
Tel. +91-80-3093-8180
Email: dolphy.abraham@alliance.edu.in

BIOGRAPHY

Dr. Mohan Gopinath holds a BA (Hons) degree and a Masters degree in English from St. Stephen's College – Delhi University. He earned a Ph.D. degree which he obtained from Osmania University on the topic, Organizational Learning (in the banking industry).
Dr. Gopinath worked at the Hong Kong and Shanghai Banking Corporation as a senior level banker for almost 21 years in India, UK and Hong Kong. His career in HSBC also included an attachment to the all India HR function.
After obtaining his doctoral degree, Dr. Gopinath worked as a management consultant in India and the Middle East. Dr. Gopinath has also worked as a lead consultant for a World Bank funded Institutional Development Study conducted for the Andhra Pradesh Forest Department.
Dr. Gopinath has presented and published papers in national and international conferences/ journals in his areas of specialization as well as on aspects of Indian dance and music. He has also written a novel 'The Intruder – a Nocturnal Interlude' which is privately published.

Dr. Mohan Gopinath
Professor of Organizational Leadership and Strategy
School of Business
Alliance University
Chandapur-Anekal Main Road
Bangalore 562 106
INDIA
Tel. +91-80-3093-8108
Email: mohan.g@alliance.edu.in

BIOGRAPHY

Prof. Edwin Castelino is a PGDM from the Indian Institute of Management – Ahmedabad. Prof. Castelino has also done an advanced management program from the Wharton Business School, University of Pennsylvania. Prof. Castelino has over 25 years of work experience in the area of Financial Markets, Mutual Funds, and Derivatives and has worked with SBI Capital Markets, SBI Mutual Funds, SBI New York and the India Magnum Fund, a joint venture of Morgan Stanley Asset Management, USA. Prof. Castelino also worked as a consultant to Inter Commercial Bank Ltd, Trinidad.
He has conducted corporate training programs in the areas of Financial Markets, Derivatives, International Payment Systems, and Analysis of Financial Statements etc. for a number of companies that include: IBM, EDS, Deutsche Bank, Perot Systems, etc.
Prof. Castelino is the presently the Dean of Academics at St. Joseph's College of Business Administration.

Prof. Edwin Castelino
Dean of Academics and Professor of Finance
St. Joseph's College of Business Administration
18 F. M. Cariappa Road
Bangalore 560 025
INDIA
Tel. +91-80-2212-7781
Email: edwin@sjcba.edu.in

14

Merging of Two Cultures: National City Bank and PNC Bank

Tracy H. Porter & Kelly T. Gillerlain

Case

In 2008, PNC Financial Services Group and National City Corporation announced a definitive agreement for PNC to acquire National City Bank. The merger was precipitated by a denial of U.S. government bailout funds to allow National City Bank to remain solvent and independent, and this merger has subsequently made PNC the fifth-largest bank in the United States.

Both PNC and National City have extensive roots in their respective communities dating back to the mid-19th century. National City Bank was founded as the City Bank of Cleveland in 1845, while PNC was founded in Pittsburgh, Pennsylvania as the Pittsburgh Trust and Savings Company in 1852. Each of these institutions had definitive organizational cultures before the merger.

According to the Vice-President of Human Resources for PNC, the greatest challenge for the new PNC has been the merging of two vastly different organizational cultures. Upper level management has been so involved with the" business" side of the merger that the "people" side of the merger has suffered. The level of anger within the new PNC from both National City Corporation's employees and customers has been rampant. Customers have demonstrated their anger by taking their money to other banks; while employees have been shuffled between departments and have developed a great deal of resentment toward the newly merged organization. Problems were only compounded by a number of factors during the merge which included: the process of renaming the National City branches to PNC, the downsizing and reengineering of employee positions, and the creation of a new organizational structure.

In today's turbulent economic environment, leaders must be proactive and embrace change in order to institute the necessary steps needed to maintain a successful and profitable enterprise.

Introduction

In 2008, PNC Financial Services Group and National City Corporation announced they had signed a definitive agreement for PNC to acquire National City Bank. Prior to this merger the National City Corporation, headquartered in Cleveland, Ohio was one of the nation's largest financial organizations with an extensive banking network primarily in Ohio, Florida, Illinois, Indiana, Kentucky, Michigan, Missouri, Pennsylvania and Wisconsin. Central to the National City Organization was their focus on commercial and retail banking, mortgage financing and servicing, consumer finance and asset management.

Background of the Companies

Each of these institutions was built upon extensive histories with strong organizational cultures. PNC and National City date back to the mid-19th century as National City was founded as the City Bank of Cleveland in 1845 and PNC began as the Pittsburgh Trust and Savings Company in 1852.

Within the region, the long standing football rivalry between Cleveland and Pittsburg is well known. To many, the merger between the two institutions was seen as an attack on Cleveland by its enemy. Quickly turf wars began in an effort to protect National City Bank from the takeover.

The integration of National City into PNC was from the very beginning a difficult undertaking.

What Happened to National City Bank?

The downfall of National City Bank began in 2007 when the United States' housing bubble burst and consumers began to default on subprime mortgages. National City had a large portfolio of subprime mortgages. While National City displayed a healthy balance sheet, the substantial losses from the mortgage arm wiped out the company's profits. Following the catastrophic losses, the company CEO put the bank up for sale in March of 2008 fearing bankruptcy.

As the Great Recession unfolded in 2008, the U.S. government began to allocate funds from the $700 billion TARP bailout package to help stabilize the banking industry. By October 2008, National City Bank had entered into serious sale discussions with PNC. This quick move was fueled by the recent failure of Washington Mutual Bank and the forced sale of Wachovia to Wells Fargo. On October 23, 2008, PNC made an offer to buy National City, becoming the white knight to the failing bank. The following day, after National City was denied TARP funds by the U.S. government, they accepted PNC's offer.

The deal made PNC the largest bank in Pennsylvania, Ohio, and Kentucky, as well as the second largest bank in Maryland and Indiana. PNC was now the fifth-largest bank in the United States. Although National City and PNC had minimal overlap with respect to their previous markets, this announcement brought speculation that massive layoffs in both cities were on the horizon.

The Merging of Cultures

According to the Vice-President of Human Resources for both the former National City Bank and the newly emerged PNC Bank, the greatest challenge was the merging of the two cultures.

Prior to the merger, both banks were regional banks with unique organizational cultures and values. The merger did not merge both cultures but propelled PNC's culture onto the National City employees. This coupled with the fact that employees were worried about their job security made the transition difficult. The major problem was communication. National City employees believed that the merger would allow them to keep some of the traditions and values from their company. Instead, PNC was seen as swooping-in and vanquishing all references to the old National City Bank. Furthermore, PNC allowed rumors to build and did not effectively communicate their goals and objectives in a timely manner. In particular, PNC was not efficient at communicating the new organizational structure and possible layoffs.

While belated, PNC made an effort to pro-actively manage the process. The new PNC developed a 3-year plan for the restructuring and merging of the two organizations. The restructuring focused on three main areas: the name change, designing the downsizing of employees and lastly navigating how these changes would affect the organizational culture of the new organization.

Now We Are All PNC: The Name Change

In the first year, the newly formed organization decided to keep the National City name on the branches and literature to allow the current National City customers time to adjust to the merger. During the second year, 2009-10, new signage was placed on all National City branches proclaiming the new name of PNC. During this second year of transition the PNC name was also used for all advertising and marketing, but incorporated the disclaimer "previously used to be National City". In October 2010 the National City Bank name would no longer be used in any form. The goal of the three year roll-out was to ease customers into the new name.

Who Stays and Who Goes: The Decision on Downsizing

PNC and National City Bank each had extensive infrastructures and when the merger took place many of these operational areas overlapped. Layoffs were therefore inevitable but, how should these decisions be effectively made? When first announced, many National City employees assumed they would be terminated, and the PNC employees would be untouched during this process. This was also the prevailing belief among previous PNC employees. The new organizational leaders knew this would be a tremendous hurdle to overcome. Therefore, they decided to hire the National City Vice-President of Human Resources (HRVP) to implement the downsizing plan as a way of extending an olive branch to the former National City employees.

The HRVP proceeded to spend 1 ½ years conducting interviews, job analyses and needs assessments in an effort to determine how to best structure the human capital within the new organization. This process allowed PNC to choose the best employees for the available positions, while offering severance packages to those being asked to leave. To ease the employee's minds during this transition, those employees being laid off were given six months to find a new position outside the organization, three month's severance pay, and offered tuition packages.

Who Are We Now: The Forming of a New Organizational Culture

As noted, the main challenge was the merging of the two cultures as each organization had distinct cultures prior to the change. The leaders of the new organization did not realize this fact and failed to spend the appropriate amount of time gathering information prior to the merger. The leaders felt their approach would simply set up an environment where a new culture would "just emerge" on its own; however this tactic was not successful.

For example, when the new organization was making decisions regarding human resources, the decisions were based solely on an employee's skills and abilities. No effort was made to bring in both PNC and National City Bank employees together; therefore, many of the final departments were composed primarily of National City or PNC employees. An “us against them” mentality quickly began to surface amongst the ranks. A great deal of infighting ensued between departments. PNC had committed to focusing on job fit while neglecting to deal with individual personality issues. This philosophy brought on harsh repercussions. To further complicate the situation, upper-level management was so involved in the business side of the merger they did not give enough attention to the effect the merger would have on their most valuable asset, their people.

Currently PNC is in year two of their three year restructuring plan however; managers are complaining about having to spend a great deal of their time dealing with interpersonal battles in and between departments. This has left the leaders frustrated as they are left with little time to address the real work environment issues that they feel are being ignored.

Discussion

1. Was the 3 year restructuring plan the correct amount of time to expect the two organizational cultures to merge.
2. What suggestions would you offer the human resources manager regarding the hiring of employees from National City Bank and PNC? How would you decide who to fire and who to let go during the merger?
3. Should PNC have changed the names on all of the branches and in all the advertising immediately? Why or why not?
4. How do you believe the new PNC can gain acceptance from the Cleveland market, the hometown of National City Bank?
5. From a strategic (long term) perspective how could the new PNC have better handled the merging of the two organizational cultures?

Key Lessons

1. The leadership needs to understand the importance of careful and detailed planning during a merger of any type. Perhaps each organization would have been better served if an outside consulting firm was brought in to manage each step of the merger for an extended period of time. By placing this process in the hands of only one individual, who was also the previous Vice President of Human Resources for National City Bank, there was the potential for bias to cloud the merger process.
2. The leadership of the new organization did not fully appreciate the strong position the National City Bank name held in the neighborhoods in which it had conducted business for many years. Perhaps if PNC had chosen not to change the National City branches to PNC branches the public would have been more accepting of the sale. The merger could have occurred but, the Cleveland branches would remain under the National City Bank name.
3. The leaders did not take the time to understand the culture fully. They did not appreciate the importance of understanding the organizational culture of each organization independently before the merger took place. A new culture cannot be properly formed unless the leadership of the new organization fully understands the inherent culture of each separately. This step is exceedingly important and should not be rushed. Through a detailed analysis of each culture the leaders can gain an understanding of the similarities which can be built upon and the differences which will need to be actively managed.
4. The leadership did not understand the repercussions of panicking. For example, in this particular case the previous CEO of National City Bank allowed himself to be overcome with panic and consequently sell the bank to the first available buyer. This case portrays an excellent example of “groupthink”; where the decision was made too hastily and without proper information. Therefore, the outcome according to many in the industry was a poor decision; National City sold itself to PNC for pennies on the dollar.
5. If this venture had been well structured from the beginning as a true merger and not a takeover perhaps much of the anger and resentment which prevailed through both organizations could have been minimized.

BIOGRAPHY

Dr. Tracy H. Porter is a College Associate Lecturer with the Department of Management of Cleveland State University. She has taught in the higher education field for 15 years and has served on the faculty of numerous institutions. Prior to entering higher education she was a management consultant who specialized in the health care industry.

Dr. Porter received her Ph.D. in Organizational Leadership from Regent University with a concentration in human resource development. Dr. Porter's current research interests are in leadership development, organizational sustainability and workplace spirituality. Her research has been presented at a variety of regional and international conferences and published in scholarly and practitioner oriented outlets.

Tracy H. Porter
College Associate Instructor
Cleveland State University
Department of Management
1860 E. 18th Street, BU 428
Cleveland, Ohio 44115
T.H.Porter@csuohio.edu
216-687-3785

BIOGRAPHY

Kelly Gillerlain, MBA is a Professor of Business at Tidewater Community College, one of the 50 fastest growing community colleges in the United States with an enrollment of over 46,000 students. She has taught in higher education in both the 4-year and 2-year colleges for over 14 years. She has extensive experience in leadership, management, sales training and consulting and has owned and operated several businesses. Professor Gillerlain's current research interests include: self-leadership, leadership development, strategic leadership, and organizational change. She is currently a Ph.D. candidate in Organizational Leadership at Regent University and will graduate in May 2013.

Kelly T. Gillerlain
Professor of Business
Tidewater Community College
1428 Cedar Road
Chesapeake, Virginia 23322
kgillerlain@tcc.edu
757-513-1552

15

Why Leaders Need to Understand the Importance of Organization Culture

Glenn H. Varney & Amy Kincaid

Case

Edgar H. Schein (pp. ix 1985, Jossey Bass) noted that "organizational culture helps to explain organizational phenomena, that culture can aid or hinder organizational effectiveness and that leadership is the fundamental process by which organizational cultures are formed and changed."

This true story clearly demonstrates the wisdom of Schein's words, when leadership fails to recognize the significance of cultural fit, dire consequences can and will befall the organizations.

Introduction

As you read and study this case, keep your eyes on the leader Walt Meyer. Notice how he seems to do all of the right things before he was promoted and yet he seemed to not exhibit those behaviors once he became the CEO of his organization. Ask yourself what happened that caused Walt to disregard what he had learned and demonstrated. The learning in this story is in understanding the reasons for Walt's change in leadership style.

The Story

Walt Meyer received his Bachelor of Science in Accounting and was promptly hired by one of the top accounting firms. He enjoyed his work for several years, but became restless because he did not see any career progression into leadership. So, Walt decided that he needed to go back to school. He signed up to get his Executive MBA from a nearby college. It took him two (2) years to get his degree. With his MBA in hand, he started looking for leadership positions within finance and accounting.

In just over three (3) months, Walt was hired as an assistant to the Chief Financial Officer (CFO) of an assisted living organization owned by a large protestant church. In less than a year in a half, the CFO retired and Walt was promoted to his position. Wow! He thought, "I have arrived".

Now Walt is no ordinary person. He did not see himself stuck in the "money side of the business." He had his eye on a higher position and in less than two (2) years, he became the Executive Vice President, Administrative Services responsible for finance, accounting, information technology and human resources.

Here is where the story starts to get interesting… His organization was preparing to expand into a new "client service model" that focused on the client in a personal, individual manner. The model was termed the "clusters". Walt was assigned the responsibility for developing and building these five house clusters as part of his expanded Executive Vice President role.

You need to understand that the church related organization had a well-established "caring" and people oriented culture that Walt would be responsible for moving into the "cluster" home concept while adding a team focused management approach to the operation of each household unit. The cluster household model per site staffing was 5 houses with 10 dedicated associates per house (50 associates).

To assure that this was completed in a professional way, Walt engaged a group of faculty members from the IO psychology department at a local university. They were asked to study the current, well established culture while blending in the team focused culture and to design a survey to be used in selecting people to be hired into the "cluster" units. The survey was designed following standard psychometric practice to meet EEOC requirements and to assure a good cultural fit for the new associates.

The survey was tested and validated as a reliable method for assuring that individuals hired to work in the new concept would fit into the well-established culture of the organization. About this time, Walt was also being considered as a replacement for the CEO/President of the organization who was retiring in about one year. Walt's record of kicking off and building the new "cluster" client service model stood well for him. It appeared to all that he had proved his leadership skills and within six (6) months was appointed as CEO/President.

Initially, Walt seemed well organized and started to apply his leadership skills to his new team. However, within just a few months a challenge appeared in the first "cluster" location. The state accrediting agency cited the following concerns:

- Ineffective training of the new associates.
- Ineffective preparation regarding how to make care decisions when the nursing model is "home health" related.

- Houses met I-9 occupancy; however they contained home-like appearances, finishes and monitoring systems; and yet, the accrediting agencies raised questions about the quality of service in this new environment.

There were other concerns regarding the operation of the “clusters”, but they were not as significant as the items noted above. The leadership acknowledged that the associates hired were selected and trained using traditional methods of interviews, background screens, and peer to peer shadowing. However, the culture survey was not being used.

Unfortunately, having the state question some of the operations was not the only challenge for the “cluster” model of care. Given that the team structure was new to the organization, Walt and the other leadership took for granted how different the culture really was… so, this led to a higher turnover rate than expected. The leadership team was hoping to have a lower turnover rate in the new model of care than they had been experiencing in their more traditional settings. Unfortunately, this was not the case.

The cluster model experienced similar high rates of state tested nurse aide turnover, as well as higher than average turnover in nursing, including the Director of Nursing. This was very discouraging to Walt and the local leadership team, because they had assumed that the “team centered” model would have decreased turnover rates. Walt and his leadership team were very concerned about this problem and wanted to know the cause of the unexpected turnover. They made assumption after assumption including that training was ineffective; the pay was not adequate; the leadership did not support the team focused environment; etc.

During this period, the organization changed its leadership in Human Resources not once but twice. In addition, Walt expanded his executive leadership team by hiring a Vice President of Operations, John Smith, who was responsible for the new cluster model. When John was hired, Walt had completely forgotten about the culture survey as a means to assure acceptable personal values fit for the newly hired associates to the “cluster” model. Neither Walt, John, nor others seemed concerned about the issue of “fit” as a possible culprit for the higher turnover.

Since the leadership team failed to focus on “fit” in the hiring process, Walt and his leadership team were completely unprepared for what happened next – a union organizing drive at one of the “cluster model” sites, Site A.

The leadership team at site A was comprised of an Executive Director, Sally Smith, a Coach, Josh Born, and a Director of Nursing, Mike Jones.

This team hired new associates on a hit or miss basis, because of timing and the need for staff. The result of a poor selection process meant that they hired "misfits." The results might have been different if they had used the survey tool designed that focused on matching a "personal fit" with the organization culture. The inadequate screening enabled the hiring of people from well-established union environments. The leadership team apparently did not understand how to build a culture suited for "caring" to deter union interests. The leadership team was battling a union drive, and they were ill prepared to win the hearts and minds of the new associates.

Walt's leadership team had no experience with union organization efforts, and therefore reached out to the Corporate Vice President, Human Resources for assistance. Unfortunately, Walt had just recently hired this person, Louis Good, and he too had minimal experience with a unions. It was clear; the union had the upper hand.

John Smith, who was scheduled to visit the site at least weekly, began to discontinue his visits. He almost seemed disinterested. This behavior alienated the remaining leadership team, which caused increased friction between the associates and leadership. The associates wanted to discuss their concerns with leadership, and yet leadership was nowhere to be found.

Given that the Vice President of Human Resources, John Smith, and the local leadership did not have experience with unions, Walt chose to engage a "union buster" attorney for assistance and advice. The attorneys implemented all of the union busting techniques while the leaders stood by and observed. These techniques failed, and the union won the election. Unfortunately, for site A its fate was sealed long before the union took its vote. The organization selection practices had hired a significant group of associates that simply did not "fit" the "caring" culture. Moreover, the union took their cue and started to organize the main campus and remaining cluster sites. This time Walt hired a "high powered" union buster consultant and started the fight of their life to keep the union out of the remaining sites.

This whole episode cost the organization hundreds of thousands of dollars and the anguish of fighting such a drive. However it could have been avoided had Walt and his leadership team understood the value of the "culture fit" screening of new associates. Leaders in general are not tuned into the concept of "culture fit." They often learn the hard way like Walt did. This is a costly way to understand the role of culture in changing organizations.

Discussion

1. Discuss the importance of organization culture and how culture affects organization behavior, performance, and practices.
2. New challenges can cause leaders to take their eye off the ball and begin to move away from the very leadership principles and practices that made them successful. What caused Walt to lose perspective and what can leaders do to assure they don't lose sight of what is important?
3. What could Walt have done to implement the new changes and assure that they reinforced the desired organization culture?
4. Effective leaders also have effective leadership teams. What could Walt have done to build an effective leadership team and involve them in the change process and issues that needed to be addressed?
5. What would have been a better way to approach the union issues?
6. Assuming that Walt came to his senses, what should he do now?

Key Lessons

1. Leaders need to have sound philosophies about leadership and to encourage feedback, especially when they are faced with important new challenges, to assure they haven't lost sight of what is important.
2. Leaders must understand what culture is[9] and the role culture plays in organizational performance.
3. Organizational culture must be defined and ways developed to measure individual values and beliefs to assure reasonable fit when people enter the organization.
4. Disregard for "culture fit" allows alternative values and beliefs to invade the organization leading to untimely disruptions, radical change of norms, and unacceptable behaviors.
5. Cultures are ever changing as people come and go in organizations, thus it is important to continuously monitor the changes that are occurring and the impact on organizational effectiveness.

9 "a pattern of basic assumptions-invented, discovered, or developed by a given group as it learns to cope with its pro and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems." Organizational Culture and Leadership; Schein, Edgar H., 1995, Jossey Bass, pg. 9.

BIOGRAPHY

Glenn Varney is a recognized scholar/practitioner who has written extensively in the field of Organization Development and Change. He is active in the Academy of Management, OD&C Division and received the OD Network Life time Achievement award in 2009. Glenn has devoted his career to teaching leaders how to apply the scientific process to changing organizations.

Glenn H. Varney
Professor Emeritus of Management
College of Business Administration
Bowling Green State University
Tel. 419.352.7782/419.261.7023 (cell)
Email: gvarney@bgsu.edu

BIOGRAPHY

Amy Kincaid is a Human Resource and Organization Development practitioner who has experience in manufacturing, acute healthcare, long-term elder care, and recruiting industries. She applies the scientific process in assisting organizations achieve superior results through an engaged workforce.

Amy Kincaid
Human Resource and Organization Development Practitioner
Perrysburg, Ohio
Email: amylkincaid@gmail.com

16

An Acquisition of Leadership: Cultural Differences and Difficulties

Thomas W. Nichols & Sinan Yildirim

Case

With the dissolution of East Germany and the Soviet Union, Eastern Europe has moved from economies dominated by the state to privatization free from strict government regulation. It is generally agreed that foreign direct investment plays a vital role in the revitalization of Eastern Europe. Leaders in the region must find ways to draw, and keep, multinational companies. One of many difficulties such leaders face is a stark contrast in preferred leadership styles between themselves and the managers of the multinational companies they are trying to attract. One such difference in leadership style is highlighted in the GLOBE studies, which indicate Eastern European leaders/followers prefer an autonomous leadership style, a style that most Western leaders view negatively (Dorfman, Hanges, & Brodbeck, 2004). As well, Westerners tend to have a high performance and future orientation; Eastern Europeans tend to rank low on these scales.

Societal culture has a strong impact on leadership style which in turn influences organizational culture (Dorfman, 2004). Societal culture leads to patterns of thought and behavior that are highly routinized. People within these cultures get used to these schemas, not even realizing that there are other ways of perceiving their environment. Their behavior becomes chronic, difficult to change. The leaders within these cultures are no different; they take on personalities and leadership styles that reflect their culture. These leaders then shape the organizations to which they belong.

This case centers on the relationship between two such leaders, Eastern European and American. It highlights the painful differences in style that lead to true business problems and dichotomous organizational cultures. It allows students to role play each side of the case, illustrates the need for cross-cultural leadership training, and provides opportunity to discover how to reconcile innate differences in leadership.

Introduction – The Insurance Industry

In the emerging markets of Eastern Europe, the increasing wealth of large populations has resulted in a higher demand for insurance products. According to a report prepared by Baur, Birkmaier, and Rüstmann (2001) to the United Nations, insurance has three roles in economic development: risk transfer, informational, and a capital markets role. A developed insurance industry promotes economic growth by encouraging domestic production, innovation and trade. Considering the need of infrastructure investments such as power plants, airports, railways etc. in emerging economies, risk transfer is a crucial element in attracting foreign investments. Insurance facilitates the flow of information in an economy by helping companies to assess risk and return profiles. Finally, insurance companies are long-term institutional investors. They collect premiums and invest in capital markets.

Despite the necessity of a strong insurance industry, insurance penetration, which is measured by the share of the income spent on insurance, in Central and Eastern Europe is significantly lower than in Western Europe. Premiums as a percentage of GDP account for only 1.7% in non-life business. This is almost half of the average level in Western Europe.

In this context, Skipper (1997) summarizes the benefits of liberalization of the insurance industry in emerging markets as follows: Foreign insurance companies increase the efficiency of local insurance markets by providing superior customer service, introducing new products and technology and bringing managerial know-how. Moreover, due to their international operations and strong financial structures, foreign insurers possess superior risk diversification capabilities.

Background – Two Companies from Different Worlds

Company A is a U.S. based insurance company with a heritage spanning more than 40 years. Ranked among the top 20 insurance companies in the world, Company A has chosen to concentrate its business activities in North America, Europe and Asia, which together make up the largest share of the global insurance market. Company A provides auto, home, boat, non-life and life coverage to over 22 million customers around the world. They distribute their services through a range of channels including brokers, IFAs (International Franchise Association), intermediaries, affinity partners and the Internet, as well as various wholly or partially-owned companies. Company A operates successful partnerships in Belgium, UK, Luxembourg, Italy, Portugal, Turkey, China, Malaysia, India and Thailand

and has subsidiaries in France, Germany, Hong Kong and UK. It is the market leader in four countries for individual life and employee benefits, as well as a leading non-life player, and in two countries it has a strong presence as the second largest player in private car insurance.

Company A's unique and innovative multi-distribution capability enables them to deliver products face-to-face, by phone, over the Internet and via SMS technology. Company A is extremely flexible in aligning their business activities with their partners' general insurance strategies. Thus, they offer end-to-end white label capabilities in product development, marketing, campaign management, sales, fulfillment and claims. In this respect, they are very successful in providing a seamless integration with partner brands.

Company A has high standards of customer service. Their successful customer-focused strategy is founded on aligning activities to how customers want to buy insurance to meet individual needs. They are committed to delivering high quality products at competitive costs and to respond quickly and pro-actively. As a corporate policy, Company A values accountability, honesty and transparency. It employs more than 20,000 people and last year they posted a gross inflow of $ 35.5 billion, and a net profit of $ 440 million. The insurance activities had a solvency ratio of 195%.

Company B is a major insurance provider in an Eastern Europe country. Previously it was an SOE (state owned enterprise), with less than 300 employees. They have no expertise in cooperating with an international company. The products that they offer are limited to compulsory car insurance and house insurance. Company B enjoys a market share of well above 60%, making them a perfect candidate for acquisition.

Last year, Company A proposed an acquisition of Company B. The negotiations proceeded very quickly and the transaction was completed in 6 months. Company A's motivation to acquire Company B was to gain market access in a country in which they did not have operations, to benefit from local market knowledge/contacts, and utilize the highly skilled human resources of Company B. Company B, on the other hand, gains access to the new technologies (Company A built a computerized insurance system to be used in the local market), superior management skills, and financial resources of an international company.

A New Division

Sally Jenkins has been chosen to oversee Eastern European operations, having successfully led Company A's integration into Belgium, running the division for five years. She has been challenged with creating a new

Travel Insurance division. With her hands full trying to inject Company A's customer-focused corporate culture into a resistant Eastern European employee base, she has chosen two men to assist her in taking advantage of the virtually non-existent travel insurance market. The new division would be a great asset, to both the company and her career. Lajos Varga is a Hungarian who previously led Company B, having been with them for more than 30 years. She has also hired Phil Shoemaker to co-lead the team, an American with 10 years of insurance experience with Company A; he is fairly young, and impressed Jenkins with his knowledge and charisma. She allowed both men to choose twenty people each to fill out the rest of the division. She then arranged a cross-cultural training course for the new division. Such training looks at one specific culture/country and covers areas such as values, morals, ethics, business practices, etiquette, and protocol. The aim of such training is to better equip participants with the key skills that will help in building successful business relationships.

Jenkins was confident that she had chosen the two best men for the job, both well-liked and experienced with excellent performance records. She decided to allow them free reign on assembling the new division. Shoemaker took to the new challenge with enthusiasm, though Varga gave some resistance, complaining that a man of his experience did not need help.

Jenkins set up weekly meetings to monitor the progress of the new division development. In the first two meetings, she noticed tension between the two men and contradictory progress reports. She set up individual meetings with them; Shoemaker complained of Varga's tendency to make independent decisions without consulting him or anyone. Varga complained of Shoemaker's insistence on wasting time with many team meetings. Next, she interviewed the rest of the team members; she quickly noticed two distinct camps—those that Varga had hired completely supported him (all Eastern Europeans from Company B), and those that Shoemaker brought on completely supported him (all Americans from Company A). Each group claimed that his/her leader was doing well, but was hampered by the inability of the other to lead.

In her interviews, Jenkins quickly put together a picture of each of the two men, as well as their employees. Varga is a man used to running things his own way. His leadership style is quite autonomous, Varga being individualistic and independent by nature. Like many Eastern Europeans, he is quite assertive, though doesn't stress planning and performance in his leadership; he has never seen a need to do so. Further, those team members he brought with him praise his style of leadership. Shoemaker, on the other hand, takes a more participative and team-oriented approach to decision making. He often engages in planning and preaches investment in the future. As well, he encourages and rewards his employees for excellence and performance improvements. His team members describe Shoemaker as an excellent and effective leader.

Based on their differing personalities and leadership styles, Jenkins notices that the travel division also has two distinct personalities. Both camps have cohered to their leader, cooperating well with their peers, though not at all with their foreign co-workers.

However employee morale is quickly sinking. She is hearing whispers of employees looking for new jobs; both inside and outside the new division. Productivity is at a standstill in the new division, and has taken a sharp decrease in other key areas as well.

Jenkins' boss has put pressure on her to get the division up and running, as already two months have passed. Jenkins' future with the company and the success of the new Eastern European operations are now at stake.

Discussion

1. How would you describe the corporate culture in Company A? Company B? The new division?
2. What is the key problem here?
3. What are some possible alternatives Jenkins could have considered for building a strong and united culture?
4. Who is a more effective leader, Varga or Shoemaker?
5. As an advisor to Jenkins, what would you suggest? What are her options?
6. What effect does societal culture have on organizational culture?

Key Lessons

1. Societal culture has a strong influence on leadership style which, in turn, strongly influences organizational culture.
2. Leadership is complex. Issues such as age, team dynamics, cultural differences, leadership style, and leadership preferences all complicate the leadership process.
3. Implicit leadership theory plays an important role on perceptions of leadership effectiveness, and is influenced by societal culture.
4. Cultural leadership development is an important aspect of global operations. Classical cultural training is insufficient.
5. Effective leadership is a key component of success during organizational change.

References

Baur, E., Birkmaier U. and Rüstmann, M. (2001). "The economic importance of insurance in Central and Eastern Europe and the impact of globalisation and e-business", Committee for Trade, Industry and Enterprise Development, Fifth session, 13-15 June 2001.

Dorfman, P. W., Hanges, P. J. and Brodbeck, F. C. (2004). Leadership and cultural variation: The identification of culturally endorsed leadership profiles", In House, Hanges, Javidan, Dorfman, and Gupta (Eds.), *Culture, Leadership, and Organizations: The GLOBE Study of 62 societies*, Sage, Thousand Oaks, CA, pp. 669-732.

Dorfman, P. W. & House, R. J. (2004). Cultural influences on organizational leadership: Literature review, theoretical rationale, and GLOBE project goals. In House, Hanges, Javidan, Dorfman (Eds.), *Culture, Leadership, and Organizations: The GLOBE Study of 62 societies,* Sage, Thousand Oaks, CA, pp. 51-73.

Skipper, H.D. (1997) "Foreign insurers in emerging markets: Issues and concerns", IIF Occasional Paper, Number 1.

BIOGRAPHY

Tommy Nichols is an assistant professor of management at Texas Wesleyan University. His primary research interests include ethical and cultural leadership. He earned his BS and MBA from Texas Wesleyan University and his doctorate from the University of North Texas.

Sinan Yildirim is an assistant professor of finance at Texas Wesleyan University. His primary research area is corporate finance. He earned his BS from Bogazici University, Istanbul and his doctorate from the University of Texas at San Antonio.

17

Changing an Anti-Team Culture

Tracy H. Porter & Sharon E. Norris

Case

Organizational culture and the way culture influences the workplace represents an important consideration in businesses today. Organizational culture has been described as the basic patterns of thinking and behaving that develops among people in groups. As people work and learn together, group members tend to think, feel, and act in similar ways. The familiarity that develops among group members offers a sense of belonging and security. When new members join an organization, they carefully observe the way people interact and work together. New members usually attempt to fit into the group. Edgar Schein (1994) has explained that organizational culture is not only learned, but it is passed on to new members of an organization.

Introduction

When new members join an organization, they experience uncertainty about how well they will be accepted into the new group. At the same time, the senior members of a group may initially reject new members or perceive them with lower status. If senior members are concerned that the new members are a threat to their positions, they may intentionally or unintentionally send the message to newcomers that they are not part of the in-group.

In an effective team environment, the social interactions among members help facilitate task performance: everyone works together to accomplish a task. When members join a healthy team, there is an opportunity for newcomers to learn from the senior members, and the fresh perspectives of the new members may also energize the senior members. Newcomers may be viewed as individuals who will help the group reach higher levels of productivity and improve quality.

In dysfunctional work environments, the addition of new group members may challenge senior members. Senior members may be concerned that the newer members are a threat to their positions, and they may give the newcomers a sense that they are not part of the in-group. As the proportion of new members increase, subgroups of newer members and senior members may develop, and an "us" and "them" culture may develop. Newer members may attempt to innovate while senior members may tend to anchor into the status quo and protect tradition.

The Impact of Leaders on Team Cultures

Leaders either contribute to the development of team cultures or anti-team cultures within their organizations. In a team environment, leaders reward group members for their collective efforts and show appreciation toward all team members. Leaders in a team culture unite team members and help them draw upon their diverse viewpoints to make effective decisions and raise performance. In contrast, leaders in an anti-team culture listen to opposing viewpoints and take sides. Anti-team leaders play favorites and only develop high exchange relationships with members who appease them or agree with them. Anti-team leaders may have low exchange relationships with members who challenge the status quo or express diverse views.

The Benefits of Building a Team Culture

Groups of people may form and even become close-knit without the intervention of an authority figure or manager based upon shared values, assumptions, norms, and expectations. These groups of people may even work together to accomplish goals; yet, there is a difference between working in groups and working in teams. People who work in groups are typically held responsible and rewarded for individual performance. Groups are typically formed out of a need for administrative conveniences, and group members may be cautious about what they say to certain people, distrust their colleague, are sometimes skeptical of their leaders. People who work in groups may shift positions depending on self-interests (Maddux & Wingfield, 2003).

In effective teams, people interact and depend on one another as they perform work tasks, and team members are held responsible and rewarded for collective performance. In a team culture, members show support for one another, they take ownership for their collective performance, trust one another, openly express their ideas and concerns, listen to understand, work to solve problems together, and keep their commitments. There are numerous benefits of teams including open communication among team members and between leaders and team members. The trust, openness, and honesty that develop among team members contribute to effective problem solving based on meaningful performance feedback. In a healthy team environment, conflict is not feared but rather recognized as a normal phase in problem solving (Maddux & Wingfield, 2003).

Effective teams are established and preserved with the support of organizational leadership. Some leaders may recognize the potential benefits of creating teams, but they may fail in recognizing their responsibility in ongoing team building (Maddux & Wingfield, 2003). Leaders who are serious about creating a team culture may find it beneficial to first engage in team leadership development. Otherwise, the leader may mistakenly believe that a trainer can be contracted to do the work while he or she sits back, waits, and expects employees to walk out of the training session as a team.

If the leader fails to engage in the team building process, the opposite effect may occur: an anti-team culture may develop. Robbins and Finey (2000) have explained that an anti-team culture develops when an organization is not truly committed to teams or team building. Robbins and Finey have recommended that leaders translate their vision into something concrete and real that engages peoples' hearts and minds. Leadership vision and involvement is crucial during any organizational change effort, but it is particularly important when an organization attempts to create and preserve a team culture.

Case Example

In 2011, the CEO of the Parker-Hill & Associates, Steven Miller, (not the real name of the organization or person) was interested in creating a team-oriented culture within his organization. For many years, he had heard about the numerous benefits that other organizations had gained from establishing a team culture and was anxious to bring similar changes to Parker-Hill & Associates.

Mr. Miller had been the CEO of the organization for 10 years. During this time, he had seen many changes occur and many employees come and go. He knew that something needed to be done about it and believed a culture change was necessary. Mr. Miller was concerned that culture change would not be easy; therefore, he made two decisions. First, he decided that he would focus the culture change on only one department rather than the entire organization. Second, he decided that he needed to hire a team-building trainer to create the team culture.

Mr. Miller selected the marketing department because in recent years numerous problems had arisen. In the past three years, conflict among employees began to create productivity problems. He knew that people in the department were not getting along. There were reports that some of the newer employees were upset with the senior members of the department. The newcomers felt that they "knew better" how the organization should be run and felt the more tenured employees needed to "catch up with the times". The senior members of the department believed that the newcomers were disrupting things and resented the new hires for not respecting their positions. The senior members quickly shunned the newcomers. Eventually, all of employees within the marketing department became involved in the conflict and many began to take sides. Some people sided with the senior employees and others the newcomers.

The Team Culture at Parker Hill & Associates Begins

To start things off, Mr. Miller brought in a well-known consultant, Donna McMullen, (not the real name of the trainer) who recommended a team-building seminar. Mr. Miller compiled a list of participants who should attend the training and provided the list to the consultant. Prior to the training seminar, Ms. McMullen distributed online assessments to each individual on the list. The results of the online assessments would be used on the day of the seminar.

The day of the seminar arrived, and the room quickly filled with participants. There were seven managers from the marketing department and 22 employees. Ms. McMullen quickly noted that more people were entering the room than completed the online assessments. Because the results of the assessment were crucial to the learning, she was concerned and contacted Mr. Miller. She wanted to find out how he would like to handle the situation, and she began to panic as her planned seminar was falling apart.

Mr. Miller told her, "Do whatever you feel you need to do." Based on his feedback, Mrs. McMullen called the participants who had not completed the online assessment into the hallway, explained the situation, and asked them to leave the seminar.

As the employees left the room, the remaining employees appeared confused and questioned where they had gone. When she explained the situation, some of their colleagues were not pleased for various reasons but followed her instructions. Other employees complained, “How can a teambuilding seminar be effective without everyone present?” Still, they continued with the seminar. The so-called team members who were asked to leave did so feeling as though they had been kicked off the team. Several were heard saying, “If we are not part of the team, what are we?”

After the seminar, Mr. Miller listened to the various complaints from the employees. He acted as though he was trying to appease all parties, but he also indicated that the employees who were left out were simply overreacting. Ms. McMullen reported that she felt the seminar was a tremendous success so Mr. Miller decided to dismiss the employee complaints as unimportant.

How to Develop a Team Culture

Organizational leaders can create a team culture by creating an environment that supports the development of teams. Environments that support teams and teamwork among employees are those that value diversity and inclusion, reward and recognize collective performance, and demonstrate the value of teams and teamwork over individualistic accomplishments and pursuits. In building a team culture, leaders need to:

1. Communicate their commitment to a team culture along with the benefits that a team culture will bring to both employees and the organization.
2. Have team leadership development themselves in order to be prepared with the appropriate attitude and aptitude for building and preserving a team culture.
3. Model team leadership in their interactions with others. They also need to be good team players to model appropriate attitudes and behaviors.
4. Reward and recognize teamwork.
5. Encourage team members to take ownership of situations and become involved in problem solving situations, especially those that related to team building and team performance.

Discussion

1. Evaluate the approach the CEO used to build a team-oriented culture and discuss how successful the approach is likely to be.
2. Evaluate the approach that the consultant took in the team building seminar. Could she have approached this in a better way ?
3. Briefly discuss your understanding of each of the five guidelines leaders should take in Building a team-oriented culture and then discuss anything you would add to the list.
4. What other methods could the CEO use in order to bring a team-oriented culture to Parker-Hill and Associates ?

Key Lessons

1. Leaders need to be involved in team building at all stages of the process, but involvement at the onset is particularly important.
2. Leaders need to communicate their vision for a team culture in a way that engages and includes all employees. If certain employees are left out, or disinterested employees are permitted to opt out, it will be challenging for a productive team to develop.
3. Leaders need to share some of their power with team members. When problems or challenges arise, the team members need to be involved in the evaluation of the challenges and also with the proposed solution.
4. Effective teams do not occur by accident. Creating effective teams requires careful team design.
5. Interdependence among team members in terms of tasks and rewards are required for team success. Otherwise, members will work toward individual goals for which they are independently responsible and rewarded.
6. Cohesiveness among members of a team is important for meeting objectives; yet, too much cohesiveness results in groupthink. Diversity and respect for diversity is necessary for innovation and creative problem solving. When team members realize that each member contributes something unique to the team, there is less of a tendency for infighting and "us" versus "them" scenarios among team members.

References

Maddux, R. B., & Wingfield, B. (2003). *Team building: An exercise in leadership. Menlo Park*, CA: Crisp Learning.

Robbins, H. A., & Finey, M. (2000). *The new why teams don't work: What goes wrong and how to make it right.* San Francisco, CA: Berrett-Koehler Publishing, Inc.

Schein, E. (1994). Coming to a new awareness of organizational cultures. *Sloan Management,* 25(2), 3-16.

BIOGRAPHY

Dr. Tracy Porter is a Lecturer with the Management and Labor Relations Department at Cleveland State University. She has extensive experience teaching at both the graduate and undergraduate levels and as a management/health care administration consultant.

Tracy H. Porter
Lecturer
Cleveland State University
Department of Management and Labor Relations
1860 E. 18th Street, BU 428
Cleveland, Ohio 44115
Tel. 216-687-3785
Email: T.H.Porter@csuohio.edu

BIOGRAPHY

Dr. Sharon Norris is an Assistant Professor of Business and Director of Graduate Studies, MBA Programs with the Gainey School of Business at Spring Arbor University. She holds a Ph.D. from Regent University in Organizational Leadership with a major in Human Resource Development.

Sharon E. Norris
Assistant Professor of Business
Director of Graduate Studies, MBA Programs
Spring Arbor University
Gainey School of Business
106 E. Main Street, Station #35
Spring Arbor, Michigan 49283
Tel. 517-750-6536
Email: snorris@arbor.edu

CHAPTER FIVE

18

The Organizational Challenge: Building a Change-Adept Culture

Janet McCollum & Ken Murrell

Case

Given the rapidly changing environment in which most organizations find themselves today (Cameron & Quinn, 2006, pp. 9-10; Lawler III & Worley, 2006, pp. 1, 4), it is imperative that organizations meet the challenge to become adept at change while maintaining a high level of performance (Lawler III & Worley, p. 16). An organization may fail to change "because the fundamental culture of the organization—values, ways of thinking, managerial styles, paradigms, approaches to problem solving—remains the same" (Cameron & Quinn, 2006, p. 11). To develop an organizational culture that no longer clings to the static ways of doing business of the past but rather embraces the dynamic business environment of today and the foreseeable future is the challenge that organizations and management teams face. This case study explores how one field location within Acme Waste (a pseudonym) moved toward a more change-adept organizational culture.

In this case study we will investigate the influence and actions taken by Acme Waste's President and Chief Operating Officer (P/COO), the core team, the district management team, the employees of the district, and the coach/facilitator of the process to create a more change-adept organizational culture. Toward that end we will review employee surveys and employee listening sessions results, interviews with the management team members, management culture assessment results. Also included in the discussion are the field notes of the OD coach/facilitator's interviews with and observations of the management team and its individual members as well as her reflections on the process and her role within the process.

Organizational Culture

Organizational culture has many definitions. The following discussion highlights some ways organizational culture has been defined.

Schein (1992) describes culture as a pattern of basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems (p. 12).

Cameron and Quinn (2006) state that culture represents "how things are around here" (p. 16). Gergen and Thatchenkery (2004) offer that "cultural life largely revolves around the meanings assigned to various actions, events, or objects; discourse is perhaps the critical medium through which meanings are fashioned. ...With each fresh current of understanding the phenomenon is altered" (p. 240). Van Maanen and Barley (1985) state "cultures are not static" (p. 35) and maintain that cultural manifestations evolve over time as group members collectively confront and cope with situations by devising strategies that are remembered and passed on to new members (p. 33). Therefore, organizational culture embodies the assumptions of the group on how things are done and the process of collective adaptation that evolves as meanings, understanding, and strategies are altered and then taught to new members.

Change-adept culture expands on the definitions of culture. Organizations can increase the likelihood that they will be able to meet the need for continuous change by developing a more change-adept culture. A change-adept organizational culture "anticipates, creates, and responds effectively to change" (Kanter, 1997, p. 3) and is "open to new possibilities, challenge, learning, and change" (Kanter, p. 25). A change-adept culture requires a different perspective of and approach to change; one in which the cultural life of an organization becomes a dynamic process—continually co-created and evolving, rather than static (Gergen & Thatchenkery, 2004, p. 240). According to Kanter, change-adept organizations are "open, dynamic systems with many active pathways for participation and influence, with many people involved in the search for better ideas, and with rapid feedback loops extending within and without the organization" (p.5) where "influence flows up and down" (p. 10). When an organization experiences turbulence in the environment, cultural foundations for a system must be created that not only adjust to change, but are be open to change and attempt stay a step or half step ahead of some of the major forces of change are perceivable.

Of particular importance in business is the need to continually improve organizational performance; not just for the short or medium term, but over a longer and more sustainable path of development. As Cameron and Quinn (2006) point out, "Without culture change, there is little hope for enduring improvement in organizational performance" (p. 16). There is "abundant evidence that corporate culture makes a difference to corporate performance" (Schein, 1999, p. xiv). Cameron and Quinn (2006) concur, stating that "organizational culture has a powerful effect on the performance and long-term effectiveness of organizations" (p. 5).

The Case Study Beginning

This case study focuses on a pilot study to create a more change-adept culture at one field location in Acme Waste. At Acme Waste, field locations are judged on profitability and key business metrics that include, but are not limited to customer service, productivity, safety, truck breakdowns, and employee turnover. In addition, Acme places a premium on relationships; story telling which interprets and gives meaning to the cultural creation and development of practices is enthusiastically pursued by everyone from the drivers to the P/COO and the CEO. In general, field participation and approval determines whether a program survives, therefore, buy-in from the field is critical to success of any program instituted from corporate.

The Acme culture is described by members of the organization as action biased, hard working, results focused, and metric driven. From the view of the OD consultant, positive results did not always follow. Acme managers are fond a saying that "we are a ready-fire-aim culture." The subtext would read "and proud of it." Over time as Acme's P/COO analyzed the financial and business performance metric trends, he recognized that this reactive approach did not yield the best business results. On a tacit level, the field locations also recognized the problems with this reactive approach, but did not explicitly express concerns or take action to change the way they operated. This inaction was due to the constant reactive state required to survive each day and reach the goals set by market area and corporate management. The need to change the culture to a more proactive approach of "ready-aim-fire" became a priority when the P/COO began analyzing the metrics of the company. He noted that this particular market area was more profitable than other market areas; a finding which prompted him to look further into the data. In an interview with the P/COO, he described his concern with the metrics and need to improve working conditions for employees (culture change) stating the following.

> *I kept coming back and looking at their [the market area's] turnover, maintenance costs, safety problems, and productivity. Something was wrong. Equipment costs indicated that we were working the equipment too hard. That in turn indicated that we were working the employees too hard which made me think – even though they were good, how could they be even better? Maybe they were most profitable because of market conditions. Maybe they would do better in metrics if people enjoyed work and were proud of the place where they worked. I decided that I wanted to experiment and address conditions that caused people to leave.*
> (This is a direct quote)

Therefore, the P/COO commissioned a pilot initiative of which he was also the prime sponsor to explore the issues that he surfaced. From the beginning of the pilot, the terms "experiment" and "best place to work" emerged and continued to be used throughout the pilot. This and similar language effectively set expectations that this initiative was different from previous company initiatives.

The Pilot Field Location. Approximately 200 people participated in the pilot at the field location described in this case study. A brief introduction of key district managerial positions follows. The District Manager (DM) is responsible for the overall profitability and operations of the district, establishing and maintaining local government and business relationships, and short to medium-range planning. The District Operations Manager (DOM) is responsible for the day-to-day tactical running of the operations and supervising Route Managers (RMs). RMs are responsible for the day-to-day running of their respective line of business (LOB), residential, commercial, or industrial, and supervising drivers. Those participating in the pilot from the district included the people described above, in addition to the drivers for all LOBs, the Manager of Dispatch, Operations Specialists, and the Fleet Maintenance Manager.

The market area supports several districts and includes approximately 600 employees. At this field location, the market area and district personnel share the same building and interact on a day-to-day basis. The people from the market area that participated in the pilot included the Customer Service Manager, Customer Service Representatives, the Billing Manager, and Billing Specialists. The senior author for the case study acted as the internal OD coach/ facilitator to the field location.

The P/CCO Perspective. To address the issues, the P/COO brought together a "core team" of field managers—five District Managers (DMs) and five functional managers (both mid-level), led by the Area Vice President (upper level manager). Two internal coach/facilitators provided ongoing support, coaching, and process facilitation to the core team and pilot field locations. The P/COO believed that because the core team was from the field, they "knew the issues and were the people who could help solve them." No external consultants were used during the pilot. Acme used a "do it yourself" approach to strengthen organizational learning through dialogue, discovery, and experimentation to build greater capacity and ownership of the process through the field location management team's direct involvement in and leadership of the pilot project at their location. To strengthen accountability for success of the overall project, the P/COO set update meeting times that he and other members of the executive team and relevant upper level managers would attend at the field location offices. It is important to note that the P/COO stated that after a visit to the field location approximately four months into the project, he became concerned about the progress that was being made and in the background created his own plan to be implemented if necessary. The P/COO returned to the field location a month later ready to offer his plan for implementation. However, he held off until the DMs of the field locations and the rest of the core team gave their progress update. At that point the P/COO put away his plan unmentioned and allowed the change process to progress as outlined by the core team. Near the end of the pilot project, the P/COO shared his actions with the core team stating that he realized that they had created a better plan than he had developed.

The Core Team Perspective. The core team provided support, commitment, and ideas to each other that contributed to the success of the project. After analyzing the data from the market area and discussing their experiences, the core team identified five key focus areas for the pilot—compensation, organization and standardization, recruiting/retention, training, and culture. The Area VP chose two pilot field locations to experiment and test the core team's recommendations. Because the DMs of the pilot locations were active members of the core team, the core team provided peer group support to the DMs. The core team created a vision of making the field locations "the best place to work." This positive vision created excitement and commitment among the core team members. For the purposes of this case study, we will focus on the culture change at one field location.

The Field Location Managers' Perspective. The DM's initial reaction was, "Corporate is always coming up with ideas for the field to implement without asking the field what might work. We already do these things, we know our business, and we are profitable. We don't need to change." As the core team created a vision and defined what that vision meant for the field, the pilot DM became committed to the idea and process for becoming the "best place to work." He then spread the excitement and positive approach to the management team at his field location.

At the beginning of the pilot, managers held a negative opinion of the workplace environment and issues were viewed as single unconnected events, consisting of a list of complaints that needed to be "fixed." The managers viewed each issue as independent of the other issues. Finger pointing and blame of other departments or employees were common. Through interviews with the district management team, members expressed a need to better coordinate efforts among the managers and recognized the need to be able to respond more effectively to a constantly changing nature of the business environment. During the beginning stages of the pilot, litttle integration or collaboration occurred among the managers.

The Employees' Perspective. At the beginning of the pilot, an employee survey was administered to all pilot participants at the field location, except those who were out sick or on vacation. A total of 181 out of 200 employees responded to the survey. To establish transparency, the results of the survey and the listening sessions were posted for all employees to see. The employee listening sessions were held after the employee survey data was posted. The employee listening sessions conducted by the coach/ facilitator supported the survey results.

The results indicated widespread dissatisfaction within the employee ranks. However, there were some bright spots. Employees responded favorably (80% or greater agreed) to the survey items that the company's future and customer satisfaction were important to them and that overall the company was a good place to work. In the listening session, the employees clarified the results stating that the reason they rated the company's future as important was because the company provided "good benefits" and "having a job was important." They tied good customer service to the company's future and stated that the company was a good place to work because of "good benefits," "good people," and an "open door policy."

Employees responded unfavorably (40% or greater disagreed) to statements that there was trust between employees and management; management was fair and honest, cared about employees, provided recognition for a good job, kept employees informed or believed that employees are valuable assets. In addition, the employees reported that there was no spirit of cooperation and adequate training was lacking.

In the listening sessions, the employees stated that management demonstrated lack of fairness, valuing employees, and being concerned about employee well being when "suggestions were ignored" and "our opinion doesn't count." Evidence cited for lack of trust included "lack of confidentiality" and "favoritism." Lack of recognition took the form of not being appreciated when the employee did a job well. Lack of cooperation included the "need to work together" and "better communication between departments." The employees felt that lack of communication led to them being the "last to know what's happening," "miscommunication between departments," and "finding out what's happening from customer." Training issues included the need for "update training" and "understanding the big picture and how our job fits."

The Management Team Culture Meeting. Before the culture assessment meeting, each individual manager's completed the Organizational Culture Assessment Instrument (OCAI) (Cameron & Quinn, 2006). The individual results led to a structured dialogue process to develop a composite view of the current and preferred culture for the field location. The OCAI is based on the competing values framework (Cameron & Quinn). The competing values framework consists of two continuums—1) flexibility and discretion to stability and control and 2) internal focus and integration to external focus and differentiation (Cameron & Quinn, p. 67). The two continuum create four culture quadrants—family (flexibility and internal focus), entrepreneurial (flexibility and external focus), market (stability and external focus), and hierarchy (stability and internal focus). The underlying values of each of the four culture quadrants differ and compete within the organization (Cameron & Quinn, p. 67). The competing values framework makes explicit these competing cultures and provides managers with an avenue to dialogue and reach agreement on their views of the present culture and the preferred culture. The OCAI provides a vehicle to begin a culture dialogue.

During the management culture team meetings, the managers were initially given the employee survey and listening session data. Upon receiving the employee survey data and listening session data, each manager displayed shock and dismay of the results. Examples of comments made by the managers included "but I work so hard for the employees," "I am always available to help," and "some of these results are contradictory, what am I supposed to do?" The DM began the culture assessment dialogue by stating that understanding how the employees felt was a positive thing and provided the management team with an opportunity to address the issues to make the field location a "better place to work" and "taking the field location to the next level."

With the focus on opportunity and the future, the management team began to sort through the listening session data to identify patterns, reach agreement on the present culture, consider the direction for the preferred culture, and develop a plan of action that would to move the current culture in the direction of the preferred culture. Based on the employee listening sessions and the survey data, themes of communication and manager-employee trust emerged as key areas to address. Managers decided that these themes were best addressed by starting or doing more actions related to developing a family culture. Specifically, to foster a family culture, the management team agreed to "relay department or staffing changes to employees, communicate within the management team, and discuss policy changes" and also "schedule time for managers to spend in other departments to get to know the people." In addition, managers agreed to "set expectations," "follow procedures, but use systems thinking and root cause analysis," and "start employee teams to address teamwork/cooperation and employee recognition." The management team agreed that they would also take some action toward developing a more entrepreneurial culture and place less emphasis on the market and hierarchical cultures. The overarching theme became the "best place to work." Based on the culture dialogue, the management team agreed on the initial focus, actions, and priorities for the next 12 months and discussed ways to involve employees in developing and implementing solutions.

The Coach/Facilitator Perspective. At the beginning of the project, the coach/facilitator was somewhat taken aback by the DMs statement that there was not need to change and possibly holding some hostility towards corporate and those who represent corporate. However, as the discussion progressed, the coach/facilitator made it clear that she was there to gather ideas from the DM and to help support and facilitate the process. However, she did set expectations with the DM that she would at times challenge and question the DM to encourage him to reflect, consider other perspectives, and learn from his actions. The DM agreed to this approach and over time mutual respect and trust was built.

The coach/facilitator conducted informal interviews with the other managers involved in the field location pilot who now formed the new cross functional management team. Prior to the pilot, only operations managers participated in the management team meetings. These interviews were intended to begin to establish a one-on-one relationship with each of the team members and explore managers' views of their location. The interviews continued periodically over the 18 months duration of the pilot.

The Midway in the Pilot

During a three month period approximately half way through the 18 month pilot, many of the managers became uncertain and frustrated with the changes in the culture and unsure of how to move forward. It is noteworthy that during this period, the coach/facilitator observed no intervening internal or external events that might have triggered a negative response from the management team. Rather, this time period seemed to represent a critical decision point (tacit) among the managers on whether to retreat to the familiar or push on into uncharted territory that required continued experimentation, change, and potential discomfort in addressing the unknown. The initial trigger may have simply been a weariness that comes with adjusting to new rapidly changing conditions. By the end of this period, the management team became re-energized and ready to move forward again.

Coach/Facilitator. During the management team's time of uncertainty, frustration, and seemingly inability to move forward, the coach/facilitator met with each team member individually and then as a team to reflect on what had happened over the time period. This approach helped the team members discover and reflect on progress was being made and significant positive changes were occurring in their respective departments as well as the field location as a whole.

Throughout the time period up, the coach/facilitator held biweekly coaching sessions with the DM. The process followed during these coaching sessions included a discussion of a situation that the DM had encountered and then consideration possible alternatives for handling the situation. Many of the discussions centered on the DM's role in developing individual managers, the management team, or ways to encourage employees to participate and work together.

During the first conversation, the DM and coach/facilitator would talk about possible actions and consequences, both intended and unintended, that might occur based on the action taken. The DM would decide on an action and take that action over the next two weeks. In the next session, the DM would reflect on what happened and what he learned about the actions he took. The coach/facilitator used reflective inquiry and action research cycles to the structure of the session conversations. After the DM reflected on what he learned and how that learning might be applied in the future, the DM chose another situation to work on.

In addition, the coach/facilitator cut back on the district visits from weekly to monthly to once every two months as the DM and the management team began to grow into their roles as leaders collaborating together and develop their sense of team and commitment to each other and creating the new culture. At the end of this time period the coach/facilitator began to move from a supporting nurturing role into more of a slightly more hands off role and the DM and management team began to manifest collaboration and convergence, developing their own mechanisms for reflection and learning from each other.

Management Team Reflections. Half way through the pilot, the management team reflected on the culture changes that had been accomplished using Cameron and Quinn's competing values framework. The management team identified the following accomplishments related to the family culture – a company sponsored Christmas party, spring picnic, and bring your family to work Saturday activities planned by employees for employees and their families; employee planned and involvement in company sponsored charity events in the community; an employee created monthly newsletter and the development of employee teams. In addition, the management team recognized that the "managers starting to communicate with each other which started to tickle down to employees so that everyone started talking to each other."

The managers stated that to encourage an entrepreneurial culture, they "solicited opinions from employees and implemented an incentive pay plan for drivers." The managers also reported that they "conducted cross functional staff meetings and used a cross functional systems approach to resolving issues and consolidated services to be more responsive to customers and the external market."

As part of the market culture, the management team believed that they "set and communicated clear goals with regular progress updates [and] developed a better awareness of the drivers' role as the face of the company." In addition the managers' believed that there was "improved the customer perception of the company (e.g., better looking trucks by taking care of the trucks' appearance and maintaining the trucks)."

As part of the hierarchy culture, the managers reported that they started providing "better support and enforcement of policies and procedures" and "more training" to employees. Managers began "some informal mentoring" and "more sharing of information throughout the district."

Based on the management team reflections, both individually and as a group, progress was noted and a willingness to move forward ensued. At the end of the session, one manager stated, "I had forgotten how much we accomplished. We have come a long way." The DM refocused the management team's attention on the employees and becoming a "best place to work." The management team began to move forward.

Moving toward Sustainability

The Employees' Perspective. One year after the initial survey, the second employee survey was administered to all pilot participants at the pilot location, except those who were out sick or on vacation. A total of 199 out of 200 employees responded to the survey. In particular, items related to management caring about employees and being fair and honest showed important gains, 15% and 11% positive increase, respectively. Training was perceived to have greatly improved (14% and 10%) year-over-year as well as the company's ability to respond to customer needs (12%). Trust and cooperation/teamwork showed some improvement (7% and 8%, respectively). The "most positive" items did not see as much improvement, perhaps because there was less room for improvement, since they already received a high percentage of favorable responses.

The analysis of the employee listening sessions data showed that comments on the most positive survey items were similar year-over-year. Comments on the least positive items were also similar, generally remaining negative, year-over-year.

However as previously discussed, employee survey data indicated positive movement year over year, indicating that while employees recognized the occurrence of positive change, there was more work to be done. Employee positive perceptions lagged behind managers' positive perceptions of the impact of the culture change to create a "best place to work."

The Managers' Perceptions. During the final interviews with the managers, they reported greater adeptness in complex thinking and ability to dialogue; willingness to use a systems approach for addressing issues and experimenting with new ideas and processes; incorporation of a positive approach, increasing employee involvement, greater awareness of self and impact on others, and a willingness to engage in changing. The managers' initial understanding of change-adeptness occurred early in the process and deepened as the culture change progressed. The more experienced the managers became with the culture change process, the deeper and more robust their understanding of change-adeptness became.

The managers' second OCAI composite for the current culture indicated movement in the desired direction year-over-year. The family and the entrepreneurial culture approached the preferred culture set in the initial culture assessment meeting. The market and hierarchy culture trended in right direction with a decrease in both culture quadrants. In setting the direction for the next year, the management team's preferred family culture is only slightly higher than the current state. The preferred entrepreneurial culture increased over the current state. The management team continued to decrease the emphasis of the market culture and decided to leave the hierarchy culture at its current level. The overall culture is becoming more balanced between the four cultures and indicates a move toward greater flexibility and discretion necessary for a change-adept culture. In the final interview with the DOM, he made the following comments about culture change, "How to change a culture? Before I thought you needed a volcano to erupt or something to pull everyone together. Now I realize it's how you treat employees and what you expect of them. You can't do one thing to make a culture change; you have to do a lot of different things everyday to make a culture change. Now I believe you can make a culture change by how you are."

The Coach/Facilitator's Perspective. The coach/facilitator began the initial process of stepping away as the management team extended their leadership capabilities as a team. The coach/facilitator admitted that as the moment to step back approached, she felt bittersweet about leaving, experiencing sense of loss, sadness, and joy simultaneously. By the end of the pilot, the coach/facilitator visited the field location quarterly and had bi-monthly coaching sessions with the DM. At the last management team meeting, goodbyes were said and success was celebrated. The stepping away process was complete. The management team was fully capable to move forward and continue to support the change-adept culture and continue the development of the field location as the "best place to work." Based on the coach/facilitators observations, employees seemed to be more satisfied and involved in their work, proud to be a part of the company, and willing to work together within and across departments to get things done.

The P/COO's Perspective. The P/COO expressed satisfaction with the results of the pilot. From his perspective, the management team had become more effective, producing higher business performance measured by positive trends in the financial and metric data. He felt employee satisfaction had increased as by evidenced by reduced turnover and the positive employee survey trends. The P/COO invited the core team to tell their story at the annual companywide manager's meeting and announced that he wanted to leverage what had been learned in the pilot across the company.

Discussion

1. Based on what you read in the case about organization culture and the definitions given, what is your understanding of what shapes organization culture, what a change-adept culture is, and why a change-adept culture is so important in today's times.
2. Evaluate the major strengths and weaknesses of the culture of Acme Waste at the beginning of the case.
3. The probability of success in making changes and in this case in changing culture is significantly increased when the change is supported and sponsored by a top level leader. Discuss some of the attributes of the President and Chief Operating Officer (P/COO) that encouraged needed change and what he did to contribute to the change process.
4. For change to succeed, there need to be compelling reasons for change. What were some of the ways used to make a case for change and build momentum for change? In particular, discuss the value of organization assessments as one of the ways to discover reality and motivate change.
5. Describe the Action Plan that was developed by the Management Team to change the culture to a more change-adept culture.
6. What were some of the challenges that occurred in the change process and how were the challenges overcome?
7. Discuss the role of the consultant in the culture change project and the advantages and disadvantages of using a professional to help guide major changes.
8. Evaluate what was accomplished in the culture change project, what remains to be done, and what you learned about changing cultures and developing a change-adept culture.

Key Lessons

- The action of the company executive impacts the success or failure of a culture change.
- Moving toward a change-adept culture requires a change at the individual and team level to be successful.
- A culture change process evolves over time and must involve member of the organizational culture.
- The management team may experience setbacks as they attempt to move toward a more change-adept culture. It is important for the management team to reflect on progress pver time.
- Managers may experience the culture change more quickly than the employees. Trust in the process, patience and persistence is required.

References

Cameron, K. S., & Quinn, R. E. (2006). *Diagnosing and changing organizational culture: Based on the competing values framework (Rev. ed.)*. San Francisco, CA: Jossey-Bass.

Gergen, K. J., & Thatchenkery, T. J. (2004). Organization science as social construction: Postmodern potentials. *Journal of Applied Behavioral Science*, 40(2), 228-249.

Kanter, R. M. (1997). *Rosabeth Moss Kanter on the frontiers of management.* Cambridge, MA: Harvard Business Review.

Lawler III, E. E., & Worley, C. G. (2006). *Built to change: How to achieve sustained organizational effectiveness*. San Francisco: Jossey-Bass.

Schein, E. H. (1992). *Organizational culture and leadership.* New York, NY: Jossey-Bass.

Van Maanen, J., & Barley, S. R. (1985). Cultural organization: Fragments of a theory. In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg & J. Martin (Eds.), *Organizational culture* (pp. 31-53). Beverly Hills, CA: Sage.

BIOGRAPHY

Dr. Janet McCollum is currently an Assistant Professor at the University of St. Thomas, Houston, TX. Janet has more than 20 years of experience leading Organizational Development and Training departments in a variety of industries including waste, oil and gas, computer manufacturing, electronics, and real estate development. She has international consulting experience as well as international non-profit sector experience.
Her doctoral degree is from Pepperdine University in Organizational Change. Janet has a Master's degree in Telecommunication Management from Southern Methodist University and a Master's degree in Educational Research from the University of Houston. Janet has presented numerous papers and workshops at the Academy of Management, OD Network, OBTC, and ASTD. Her interests focus on organizational behavior and culture. Janet lived and worked in Moscow, Russia for five years and loves to travel and experience new places and cultures.

Janet McCollum
Assistant Professor
University of St. Thomas
3800 Montrose Blvd.
Houston, TX 77006
Email: mccollj@stthom.edu

BIOGRAPHY

Dr. Ken Murrell has been in the field of Organization Development for over 30 years and has had the privilege of working with many wonderful colleagues all over the world. His doctoral degree is from George Washington University and his MBA in international business was granted by the American University in Washington D.C. Whenever possible he also teaches in Europe, Asia and Latin America. Ken held corporate positions with G.D. Searle in Chicago and on his second sabbatical spent a year working with Bell South in developing their interrnal OD staff. He has had decades of experience consulting to several leading international organizations, three different Baldridge Award winning companies, and the United Nations Development Program. Ken's publications and research papers number over 100 and his interests range from Organization Devlopment globally to looking more deeply into the nature of human development and the ethical considerations that tend to align themselves with one's own development level. His passion in his work is in international development and Ken has lived, worked and traveled in somewhere from 60-70 countries on six continents but has yet to visit Antartica but wants too before he leaves this world.

Ken Murrell
Professor of Management and MIS
University of West Florida
11000 University Parkway
Pensacola, FL
Email: kmurrell@uwf.edu

19

Creating an Innovative Culture in Retail Banking: Lessons from Latin America's *Bancolombia*

Geoff Gregson & Gloria Cárdenas Soto

Case

Changing organizational culture is recognized as a significant challenge for leaders. The "power of the status quo," whereby people adhere to established routines, practices and behaviors in facing the uncertainty of newness, often counteracts efforts by leaders to implement change in their organizations. While change is expected when organizations perform poorly, it is more difficult to change organizational culture when company fortunes are good. Creating an *innovative* culture is particularly challenging; given that innovation is about embracing newness and change in response to new market opportunities and threats.

For a sector such as retail banking - that has traditionally relied on economies of scale benefits from standardised services and formalised operations to provide competitive advantage - innovation is now an imperative as new technologies, new on-line banks and global competition change the competitive landscape. Creating an innovative culture is further challenged by the wider socio-cultural context that can enable or constrain efforts to introduce change.

This case focuses on creating an innovative culture in *Bancolombia*, the largest retail bank in Colombia. The case provides lessons on how leaders in Bancolombia have initiated top-down and bottom-up strategies to stimulate innovation across departments and at different levels of the company - in striving to become Latin America's "innovative bank". The wider context of the case is related to Latin America's recent emergence as one of the global economy's high growth regions, but a region that traditionally has not been recognized for its business innovation.

Introduction

Retail banking is not a sector renowned for innovation. Many bank executives are cautious about investing in a sector where competitors can easily imitate new products and adopt new services created by others.

Retail banking is better known for its economies of scale, standardisation of products and processes and levels of formalisation (Frei et al, 1998). This contrasts with investment banking, where continuous product innovation has generated a proliferation of derivatives and structured finance products that provide distinctive competitive advantages to innovators.

Those retail banks that do innovate often do so with back office automation, analytical tools and effective information technology (IT) deployment that can deliver more focused services and distribution channels as well as reduce costs. However, such process innovation has its limits. Many retail banks have realized that the key to future profitability and growth is through organisation-wide efficiencies and revenue enhancement driven by innovation.

Retail banks, in fact, face increasing pressures to innovate as the structure of the industry undergoes dramatic change. Liberalized domestic regulations have intensified international competition. Consumer channels in retail banking have been revolutionized by the internet; both in terms of online banking with traditional banks and through the launch of internet-only banks, and the explosive growth in new information technologies have fuelled greater consumer demands for full access to financial services and an increased variety in deposit and investment products. Banking trends in Europe suggest a movement away from mass marketing, mass production, and mass distribution of products and services to retail bank customers towards more focused product and service delivery (Technology Strategy Board, 2010).

With this change has come increasing pressure on leaders of retail banks to dramatically improve productivity and financial performance. The question is: how will retail banks capture the value of innovation to improve bottom-line performance? In this case, we will examine how Bancolombia is changing its culture to drive innovation at an organisational-wide level.

Innovation Leadership & Culture

Many business leaders recognise the innovation challenge, which can be described as the process of implementing new ideas that add value. A survey by McKinsey (2010) of over 2000 global executives found that only 39% are satisfied with their ability to stimulate innovation and generate new services and products. The same study found that the majority of executives identify people and corporate culture as the two most important facilitators of innovation.

The interaction between leadership, innovation and culture has received much attention by academic scholars in recent years. Social or national culture appears to moderate the effects of leadership and to influence the strategic processes related to certain types of innovation (Antonakis et al, 2003). Similarly, Shane (1992) posed the question: why is it that some social cultures are more innovative than others? We believe that the answer has more to do with organisational or corporate culture and leadership than national culture.

For leaders to drive innovation within their organisations, two important barriers need to be overcome. The first is the power of the status quo, as described earlier. This relates to the notion of "path-dependent" behaviour (Nelson & Winter, 1982) which suggests that previous patterns of behaviour, organisational routines and organisation culture legacies may favour the status quo and create barriers to new work practices.

A second important barrier is organisational size and complexity which can affect innovation processes (e.g. Damanpour, 1991). In the case of retail banking, complex organizational design issues are a challenge to innovation processes, with the result being that most retail banks do not have formalised innovation groups, or research and development (R&D) departments responsible for company-wide innovation. Instead, individual business units, such as IT, marketing, IT suppliers, consultants and collaborators have traditionally driven innovation processes in retail banking.

Creating an innovative culture in a large organisation could involve a redesign of existing structures in order to facilitate broad, systematic change. Ideally, this would involve the participation of all functional areas within the bank, from information systems to marketing to human resources. Such representation of functional areas is likely to facilitate bottom-up or grassroots innovation initiatives that could complement more strategic or top-down innovation. However, any redesign of existing structures or commitments in time and resources is likely to require senior executive support. We suggest that creating an innovative culture critically relies on leadership. Table 1 offers guidance on how leaders can stimulate an innovative culture; in their responses to a series of questions related to four essential, interrelated elements.

Table 1*:
CREATING AN INNOVATION CULTURE: QUESTIONS FOR LEADERS

Element	**Guiding Questions**
Strategic Focus	• What market & sectoral trends are affecting the organisation's future? • What is the role of innovation in our market/sector? • What contribution can innovation make to our business? – To each area of our business?
Compelling Future	• What is the compelling vision for innovation that can be clearly articulated? • Can we demonstrate superior understanding of our market & customers? • Can innovation (services, products, processes) be configured around emerging needs & opportunities?
Innovation *Architecture*	• What commitment is the organisation willing to make to innovation, given strategic considerations? • What structures, capabilities & resources are needed to build & support innovation activities across the organisation? • What expectations, measures or values will guide innovation activities?
Culture Of Innovation	• Who will champion innovation across the organisation; how will they be selected, promoted & supported? • How will activities & relationships to support innovation be developed & implemented? • How will innovators be rewarded; and innovation sustained?

* (drawn from guidelines suggested by Papadakis & Bourantas, 1998; Hansen & Kahnweiler, 1997; Kanter, 1985; Avolio, 1999; Podsakoff et al., 1996)

Table 1 affirms that leaders have a critical role in creating an innovative culture: by linking strategy to innovation; articulating how innovation will add value; committing resources to support innovation (and facilitating structural (i.e. architectural) change if necessary); and ensuring that necessary relationships, guidelines, norms and incentives – the culture of innovation – are developed and supported. Commitment of resources (e.g. funds, people, time, etc.) is perhaps the most significant indicator that leaders are committed to creating an innovative culture. It is also the biggest challenge for leaders; to justify that such commitments can or will pay off and critically, when payoffs will be forthcoming. We now examine Bancolombia with reference to some of the concepts discussed above.

Case Discussion: *Bancolombia*

Bancolombia is the largest bank in Colombia and one of the oldest banks in Latin America. Its origins date back to 1875, when the Bank of Colombia was created in Bogotá to offer Colombians an alternative for savings. In 1984, the bank was nationalized and ten years later, the bank passed into the hands of the Gilinsky family, who received 75% of the stock for US

$365million, making it the largest private sale in Colombian history. Other investors in the deal include prominent financier George Soros and over 100 European and North American institutional investors. In 1998, the consortium sold control of the bank to Banco Industrial Colombiano for US$800 million and the name "Bancolombia" was adopted.

By 2011, Bancolombia represented 20% of the Colombian banking market, with more than 7 million customers, over 700 physical branches and 23,000 employees. With a market capitalization of US$13 billion on the New York Stock Exchange, it is recognized as the seventh largest financial group in Latin America. Despite the global credit crunch affecting financial institutions, Bancolombia realized a 16% growth in profits in the first half of 2011 compared to the same period in 2010.

Bancolombia's organization culture has been highlighted as one of its key strengths and the bank is recognized as one of the top 20 companies to work for in Latin America by The Great Place to Work Institute (2011) which uses three main variables: employees' pride of working in the company; the quality of their relationship with their bosses, and the level of camaraderie between co-workers. Bancolombia is also recognised as one of the best companies for leaders and was showcased amongst a number of global companies worldwide that focus on the formation of leaders within the organization (Aon Hewitt Associates, 2011).

Innovation Leadership & Culture at Bancolombia

So how has Bancolombia attempted to create an innovative culture – in a sector and within a social culture that are not renowned for innovation – and how successful have they been? We consider these questions in reference to the innovation culture framework outlined earlier (*Table 1*).

The importance of strategy driving innovation (not the other way around) is identified with Bancolombia's recognition that innovation is a strategic (vs. operational) imperative; a critical success factor for competing with other Latin American retail banks. Innovation outcomes are expected to increase operational efficiencies and contribute to bottom-line growth. Bancolombia offers a compelling vision of itself as Latin America's "innovative bank," positioning innovation at the centre of a longer term strategy.

From an innovation architecture perspective, the need for a wider, more systematic process for innovation built incrementally in Bancolombia as a result of numerous smaller initiatives: from those close to customers (marketing); from those responsible for managing technological systems; and from line managers. Each area felt competitive pressures and began to develop their own departmental or unit responses. Thus, several areas of the bank developed loosely structured processes related to their specific innovation needs, driven by immediate or near-term competitive pressures.

These responses were eventually, to some extent, collected and channelled through to the Audit Department, whose Vice President (VP) had been working on innovation formally since 2009. Auditing was responsible for assessing efficiencies within the organization, and had taken on the role of identifying various innovation activities within Bancolombia.

It had become evident to the VP, and to other senior managers in Audit, that the informal and reactive nature of isolated innovation activities at Bancolombia was not effective. Indeed, they considered it essential that an organized and repeatable innovation process be developed to ensure timely delivery of value-adding services and products to existing and new customers; in essence, a dedicated capability to conceive, qualify, develop and implement innovation across different departments. Such a process would also seek to share resources and capabilities across departments, share good innovation practices amongst different innovators and coordinate external engagement regarding innovation best practices.

Another important recommendation was that Audit could not be the "home" of innovation, despite their role in stimulating an organization-wide cultural shift to centralize innovative activity. Gloria Cárdenas Soto, VP of Audit states: *"in establishing a wider strategic imperative for innovation, it became clear that innovation cannot be driven and evaluated from a set of isolated facts in the activities of Audit."*

For a broader innovation culture to be developed, senior leaders at Audit recognized that participation of virtually all of the functional areas within the bank was required: from information systems to marketing to human resources, with each of these areas represented on an innovation committee. The responsibility of designing an "innovation road-map" for Bancolombia was taken up by the Audit department and delivered through a newly formed Innovation Committee.

One assumption in developing an innovation road map was that innovation would become a more centralized, formal process. Audit was required to present a proposal to senior leaders for further consideration. This would reveal the level of commitment that senior leaders were willing to make towards a comprehensive, company-wide innovation strategy vs. more focused, strategically imperative support for shorter to medium-term focused innovation activities. However, the current decentralized approach to management of the retail bank potentially challenged a centralised innovation model. Already mentioned is the complexity and size of organisations that challenge centralised processes.

Bancolombia leaders decided that major architectural changes to accommodate innovation would not be implemented; therefore, no pressure was applied by the Audit team on departments or employees to change or modify existing routines and adapt to a new, more centralised innovation regime. As well, no explicit, company-wide innovation targets were introduced.

Bancolombia leadership instead opted for a "ripple effect approach" whereby innovation champions are developed across departments and their influence begins to change perceptions about innovation and innovation practices. The Audit team and Innovation Committee, with representation from departments across the organisation, took on the role of "systems integrator" in supporting bottom-up innovation and sharing good innovation practices across the organization.

Strategic innovations have remained the responsibility of relevant departments, who are now supported by the broader innovation effort from Audit and the Innovation Committee. In the case of the IT department, some essential capabilities for innovation were already in place. Over the past ten years, Bancolombia has developed a number of banking products and services that were new to the Colombian market. These included Point of Sale and ATM (Automated Teller Machine) services, personal access code (PAC) technology and related software and a special mortgage credit called CPT.

However, these innovations were not developed from a structured process, but as isolated initiatives that eventually became base or standard technologies in the market; widely imitated and in some cases, improved upon by competitors. Interestingly, innovation is often narrowly associated with technology, particularly in financial services, where emphasis is on the 'hard' aspects of technology, such as computing, software and related algorithms. However, innovation is heavily reliant on 'know-how', such as data, structures and markets, where many of the innovations on which the industry thrives can be found (Technology Strategy Board, 2010). In this regard, integrating and linking different sources of know-how across a large organization can provide further competitive advantages.

Much debate arose over the topic of rewards and incentives to stimulate "bottom-up" or grassroots innovation; defined here as new ideas, concepts or inventions that have the potential to add incremental value to the organization, but may require more time and/or resources to develop.

Similar to a TQM programme (total quality management), these are efforts that may not offer immediate, strategic or disruptive innovation breakthroughs, but instead contribute to a culture of continuous improvement, opportunity searching, disclosure and discussion of new ideas and risk taking strategic behaviour – characteristics of an innovative culture.

Eventually, senior leaders of Bancolombia decided not to implement a financial remuneration rewards scheme for successfully implemented innovations; instead, opting to ensure that innovation performance was rewarded within the existing promotion process. However, such innovators were recognised in other ways: announcements in newsletters, formal gatherings, intranet, etc.

Thus, managing and evaluating innovation has not become a centralised function within Bancolombia. The Audit department and Innovation Committee continue their role in championing an innovative culture, developing cross-departments capacities to innovate and learn good practice, and acting as a central portal for identifying wider opportunities for innovation. In this regard, they would be responsible for pulling together other functional groups - e.g. operations, IT and marketing functions – to assist in coordinating development of a single innovation. Audit also tracks the portfolio of innovations in the organization, but does not evaluate innovation performance, as noted earlier.

Bancolombia has also been successful in leveraging public support from the Colombian government to further develop their innovative culture. One of Colombian government's priorities is to leverage innovation especially in the productive sector and it has allocated a significant budget to support projects and programs related to developing organizational innovation capabilities. One five-course program on innovation management, supported by government funding and comprising approximately 100 hours of course work, was attended by over 30 senior managers from across Bancolombia, suggesting the strong level of support from bank senior executives and policy makers for innovation.

We find that support for a more innovative culture from employees has exceeded original expectations of leaders (e.g. overcoming the power of the status quo). This is not surprising, given Bancolombia's organisational culture. Broad acceptance of efforts to get employees to think and act innovatively has been facilitated by a Latin American influenced culture of open communication, respect for others and their opinions and a constant striving by senior executives to ensure that the company constitutes space for the personal and professional development of employees.

Table 2 below summarises Bancolombia's innovation culture efforts, using the framework presented earlier (*Table 1*).

Table 2: **CREATING AN INNOVATION CULTURE IN BANCOLOMBIA**

Key Element	**Actions**
Strategic Focus	• Recognized importance of innovation as critical success factor in the Latin American retail banking sector; • Three key objectives for innovation: 1) increase operational efficiencies; 2) position new products & services in front of customers; 3) contribute to bottom-line growth; • Innovation is considered to be of strategic (vs. operational) importance.
Compelling Future	• Competitive (& brand) positioning as Latin America's "innovative bank"; • Configuring new services & products for "homogeneous" Latin American customers (including US market).
Innovation *Architecture*	• Responsibility for designing "innovation road-map" taken up by Audit department (e.g. systems integrator); • Strategic innovations: no centralised management or evaluation.
Culture Of Innovation	• Innovation Committee: representation from all departments to stimulate bottom-up innovation (e.g. innovation champions); • Central function for stimulating, supporting and representing innovation activities across organization (not managing or evaluating); • Rewards for innovation acknowledged within existing remuneration & promotion process.

What further evidence is there that an innovative culture is developing at Bancolombia? Gloria Soto, VP of Audit, states: *"we have achieved a greater understanding of what innovation really means in our organization and we are beginning to speak a common [innovation] language. Part of this is an awareness process…about the importance of defining clear goals for innovation and a process to make it a formal and sustainable activity for the organization."* The reputation of the Audit Department, as the "systems integrator" has also been identified as an important factor in getting buy-in from employees and from across departments.

At the same time, dramatic cultural change has not occurred, with Bancolombia leaders reluctant to introduce any significant level of disruption in a company that is experiencing strong productivity and financial performance. Whether or not centralised management and evaluation of innovation would be more likely during a period of poor financial performance can only be speculated.

It remains too early to assess how existing efforts to stimulate an innovative culture have contributed to or improved bottom-line performance. For a company in a sector not known for innovation, Bancolombia is making steady but cautious progress in laying the foundation for its vision to be Latin America's innovative bank.

Discussion

1. Discuss why retail banks are now under pressure to innovate, but have been reluctant in the past to incorporate innovation within their organisational cultures?
2. What are the key barriers facing leaders when implementing change, particular in the case of large retail banks?
3. Using Table 1, discuss the four elements contributing to an innovative culture. Which element signals a high commitment on the part of leaders to change culture?
4. What socio-cultural factors have contributed to positive employee acceptance of a "push" from Bancolombia senior managers to become "more innovative"?
5. Do you agree with bank leaders that innovation should not be managed or evaluated centrally? What are the advantages and disadvantages?

Key Lessons

1. Introducing cultural change begins with an awareness of the importance of change (i.e. innovation), understanding of common objectives, and clarification of the processes by which people will partake in the new activities.
2. Creating an innovative culture includes four interrelated elements: strategic focus; compelling future; innovation architecture or "road-map"; and innovation culture - which identifies how innovation will be supported, sustained and by whom.
3. Leaders play a critical role in creating an innovative culture, whether it is top-down or bottom-up initiatives.
   Although effective innovation requires representation from key functional areas - i.e. from "innovation champions" that can cross departmental boundaries - leaders provide critical resources, legitimacy and strategic direction.

4. **Innovation champions "broaden the base" for cultural change; ideally, they are drawn from the ranks of highly regarded middle managers - who can influence senior leaders as well as their own employees in supporting innovative activities.**
5. **Strong organizational culture can overcome the power of the status quo when introducing company wide change.**

References

Aon Hewitt Associates. (2011). "Top Companies for Leaders,"

http://www.aon.com/human-capital-consulting/thought-leadership/leadership/reports-pub_top_companies.jsp, sourced 19/06/12

Antonakis, J., Avolio, B. J., & Sivasubramaniam, N. (2003). "Context and leadership: an examination of the nine-factor full-range leadership theory using the Multifactor Leadership Questionnaire," *The Leadership Quarterly,* 14(3): 261-295.

Avolio, B. J. (1999). *Full leadership development: Building the vital forces in organizations.* Thousand Oaks, CA: Sage.

Barsh, J., Capozzi, M. and Davidson, J. (2008). "Leadership and Innovation," *McKinsey Quarterly,* London.

Damanpour F. (1991). "Organizational Innovation: A Meta-Analysis of Effects of Determinants and Moderators," *Academy of Management Journal,* 34 (Sept.): 555-590.

Frei, F., Harker, P. and Hunter, L. (1998). "Innovation in Retail Banking," *Financial Institutions Centre Working Paper 97-48-B,* Wharton School, University of Pennsylvania.

Hansen, C. D., and Kahnweiler, W. M. (1997). "Executive Managers: Cultural Expectations Through Stories About Work," *Journal of Applied Management Studies,* 6(2): 117-138.

Kanter, R. M. (1985). "Managing the Human Side of Change," *Management Review,* April: 52-56.

McKinsey (2010). "How Companies Approach Innovation: A McKinsey Global Survey,"

http://www.innovationmanagement.se/wp-content/uploads/2010/09/Innovation-and-commercialization-2010-McKinsey-Global-Survey-results.pdf; sourced 15/06/12

Papadakis V, Bourantas D. (1998). "The Chief Executive Officer as Corporate Champion of Technological Innovation: An Empirical Investigation," *Technological Analysis and Strategic Management,* 10 (1): 89–109.

Podsakoff, P. M., MacKenzie, S. B., & Bommer, W. H. (1996). "Transformational Leadership Behaviors and Substitutes for Leadership as Determinants of Employee Satisfaction, Commitment, Trust, Organizational Citizenship Behaviors," *Journal of Management*, 22 (2): 259–298.

Shane, S. (1992). "Why do some societies invent more than others?" *Journal of Business Venturing,* 7: 29–46.

Technology Strategy Board (2010). "Driving Innovation in Financial Services, 2010-13", TSB, Swindon, UK.

The Great Places to Work Institute (2011). "Best Workplaces in Latin America",

http://www.greatplacetowork.com/, sourced 16/04/12.

BIOGRAPHY

Geoff Gregson (PhD, LLM, MBA, MSc) is Deputy Director, Centre for Entrepreneurship Research at the University of Edinburgh Business School and is a Visiting Professor at EADA (Spain). His research examines corporate innovation; technology and IP management; venture financing; university-industry collaboration; science policy and social and sustainable entrepreneurship. He is actively involved in research, teaching and consultancy in Europe, Uganda, Sri Lanka and more recently Colombia, where he has engaged with Colombian corporations involved in innovation, including Bancolombia.

Geoff Gregson
Deputy Director, Centre for Entrepreneurship Research,
University of Edinburgh Business School
29 Buccleuch Place, Edinburgh, UK EH8 9JS
Tel. (+44) 131 650 8068
Email: geoff.gregson@ed.ac.uk

BIOGRAPHY

Gloria Cárdenas Soto is Vice President of Internal Audit at Bancolombia, in Medellin, Colombia. Gloria has a BSc. in Engineering from the University of Antioquia, where she taught technology management for a number of years. Gloria also has a qualification in business administration. Gloria has been an active champion in driving innovation at Bancolombia and continues to provide innovation leadership across the organization.

Gloria Cárdenas Soto
Vice President of Internal Audit, BANCOLOMBIA S.A.,
Medellin, Colombia

20

Restorative Health: The Challenge of Combining Cultures

David W. Jamieson, Michael J. Willis & Rama Kaye Hart

Case

Restorative Health, a three-party specialty health care joint venture, was approaching its five-year anniversary. The atmosphere was positive, the outlook for growth and plans for expansion were encouraging, and the joint venture was fiscally strong. Still, the administrators and physicians were cautiously optimistic. Restorative Health had not always enjoyed such strength and security.

In fact, the road to attain its current level of success had been long and rocky – and leaders from the three organizations were considering whether or not to continue the partnership and renegotiate a new contract. The following case describes the story of three health care organizations: Atlas Group, Great Plains University, and Central Health Care, and their vision to form Restorative Health, a joint venture to provide a new model and level of health care for patients, physicians, and medical students. However, leaders' efforts to create an organization and a culture that delivered this new model faced tremendous strain as the organization experienced difficulties that caused differences in the cultures of the three partner organizations to emerge.

The Beginning

The concept to create a comprehensive single-specialty health care center started among a group of physicians in the mid 1980's. Many years later, Dr. Bill White, interviewing for a position with Great Plains University medical school, met with Dr. Susan Scott. Dr. Scott represented a group of seven physicians who had practiced medicine together for many years and were seeking an opportunity to become private investors in a single specialty clinic. Dr. Scott and Dr. White shared their ideas and philosophies and found they had a common vision in how to improve patient care and resident education.

Dr. Scott and Dr. White both believed that the current teaching model for medical students was limited in a university setting because residents only saw patients with unique and extreme cases. This approach prevented the residents from learning and practicing medicine on patients with more common and day-to-day medical needs. To close this gap, the two doctors envisioned a business joint venture between the university and specialty clinic where physicians would serve both as investors and teaching doctors and bring their patients to the joint venture to receive care.

While Great Plains University was very interested in pursuing this joint venture, the founders recognized the need to bring in a third partner who could bring a large revenue stream of patients to grow the business. By joining with such a partner, the groups hoped to not only build and expand the programs they envisioned, but also share the revenue streams across the partners.

Over time, Central Health Care was approached and receptive to the proposal to become a partner in the joint venture. Central Health Care was a large multi-specialty comprehensive health care system that wanted to grow their market share and infuse more innovative and effective medical practices into their organization. Administrators at Central Health Care agreed with the goals and vision and entrepreneurial model shared by the Atlas Group and Great Plains University. Central Health Care administrators requested and considered input from their own physicians in their decision to join the other venture partners. While some Central Health Care physicians favored the idea, others were lukewarm, and a few were opposed. Central Health Care physicians who did not support the idea felt the Atlas Group's motive to use the venture as in investment to make money was self-serving for the Atlas Group and went against Central Health Care's culture of serving patients, not making profits. After considering input from their physicians and without complete agreement, Central Health Care administrators made the decision to join organizational venture. As a result, leaders from the three groups formed Restorative Health, a health care joint venture that specialized in cardiovascular surgery to meet the competitive and growing demand for medical care of the aging baby boomer generation.

Forming a Joint Venture

As the three parties negotiated the agreement to form the joint venture, the groups recognized that each party brought unique strengths. Atlas Group held strong relationships with major clients, expertise in medicine, and brought an aggressive and entrepreneurial spirit to build and grow the business. Each physician in the Atlas Group personally invested their own money for a total of $10 million in the venture. As such, these physicians believed very strongly in the vision and business model and were confident that they would be financially rewarded for their investment and ideas.

Great Plains University provided an academic setting with the prestige of a major medical university. Administrators at Great Plains University saw the joint venture as a way to provide their medical faculty with opportunities to work and teach in medical facilities with world class technology and equipment. In addition, administrators wanted to use the joint venture as a selling point to attract the best and brightest medical students to come to Great Plains University to complete their residency at the joint venture.

Central Health Care was a multi-specialty health care organization that wanted to increase their visibility and expertise in the community. An important cultural belief held by the founders of Restorative Health was to create a Center of Excellence that would do more than just generate revenue from business, but also provide a great place for patients to receive medical care, a great place for employees to work, and to give back to the medical community through education and research.

Group	Description and Motives of Each Group	Structural and Cultural Values
Atlas Group	Entrepreneurial group of independent physicians who sought the opportunity to become private investors in and continue their medical practice in a single specialty clinic. Each physician invested their own money into the venture.	Structural and Cultural Values Strong relationships with major clients Expertise in medicine Aggressive and entrepreneurial spirit to build and grow the business
Great Plains University	Major medical university who sought the opportunity to improve faculty work and student education experience in a clinic with world class technology and equipment.	Academic setting Prestige of a major medical university Attract best and brightest medical students to complete residency at Restorative Health
Central Health Care	Large multi-specialty comprehensive health care system who sought the opportunity to group their market share and infuse more innovative and effective medical practices into their organization.	Collaborative and innovative partnership that leverages the unique strengths of each partner in the joint venture.
Restorative Health	Three-way joint venture of partners who sought to create a new model (single-specialty) and level of health care for patients, physicians, and medical students. Improve patient care and resident education.	

The Investment Model

Each member of Atlas Group invested a portion of their own money to become private owners and gain equity ownership in the joint venture. In contrast, Great Plains University and Central Health Care became institutional investors as non-profit organizations and both contributed a portion of money to the venture.

The partners agreed in negotiations that they would transfer, from their own practices, a specified amount of business to the joint venture. Central Health Care administrators agreed that their physicians would bring all their patients to Restorative Health. However, after the formal contract was signed, Central Health Care encouraged their physicians to move their full practice to Restorative Health, but gave them the option to keep some or all of their practice at Central Health Care.

Organizational Structure of the New Venture

As the joint venture took shape, Dr. Scott was named as CEO and Julie Matthews was hired as COO. Ms. Matthews spent a lot of time hiring and working with the management team to obtain their input on the desired culture and how to operationalize the values and vision of the founders of Restorative Health. Ms. Matthews involved the staff to create, define, and design how the joint venture would operate. She created energy and enthusiasm as the new employees rallied around the vision and mission and created a unique and visible brand to identify the company and culture they wanted to be and experience they wanted patients to receive.

Implementation and Critical Events

When the design stage neared completion and leaders moved forward to implement the joint venture, the level of commitment and trust among administrators and physicians across the partnership appeared to be high. Shortly after formally opening for business, several events happened that changed the structure and course of the joint venture.

- Financial projections made by a consultant and written into the pro forma/business plan proved to be unrealistic.
- While Great Plains University and Central Health Care physicians originally agreed to bring their patients to Restorative Health, some were slow, reluctant, or only made a partial or no change to bring their practice to Restorative Health.
- Three physicians with high volume practices left Restorative Health and moved out of the area for personal reasons.

- Additional physicians did not join Restorative Health as originally envisioned.
- Competing health systems offered financial incentives to physicians turning them away from the joint venture.
- A clash surfaced between Central Health Care administration and Central Health Care physicians because not all physicians were willing to move some or all of their practice to Restorative Health – in part because the Central Health Care administration would not allow their physicians to receive an individual financial benefit from working at Restorative Health.
- Communication with Central Health Care physicians to gain their support for Restorative Health did not take place, as previously believed, which Led to their frustration with Restorative Health.

As a result, Restorative Health fell short of their financial goals within their first six months of operation and was unable to cover payroll. These events forced the leaders to face a difficult and painful decision to either close Restorative Health and disband the joint venture or find someone willing to take on the debt they had incurred. While leaders weighed their options and considered the best solution, Central Health Care agreed to cover the payroll and debt payments.

During this time, Ms. Matthews spent a lot of time building relationships and educating Central Health Care directors about the culture and vision of Restorative Health that they were building in hopes of gaining their support. In essence, the message was “as Restorative Health succeeds, Central Health Care will also succeed.”

Restructuring

After much deliberation, a decision was reached by leaders of all three parties to restructure the joint venture and keep Restorative Health open. Under this agreement, some changes were implemented.

- Central Health Care absorbed the debt of Restorative Health and oversaw operations.
- Central Health Care gained additional seats on Restorative Health’s Board of Directors.
- Central Health Care became the majority owner and brought Restorative Health under the Central Health Care surgery programs and computer systems.
- Equity ownership of the Restorative Health by the Atlas Group physicians was removed.

- Atlas Group's Dr. Scott stepped down as the CEO of Restorative Health.

This decision to restructure required many changes and these changes created a lot of distrust among the joint venture partners. As the entrepreneurial group primarily driving the joint venture, the Atlas Group questioned Central Health Care's motives and their commitment to the joint venture because Central Health Care now had majority ownership and control over Restorative Health. In contrast, some physicians at Central Health Care, whose organizational values and culture were centered on patient care and operating as a non-profit, questioned the Atlas Group's motives as being too profit and money driven.

The years following the restructuring were a difficult time for administrators, physicians, and staff at Restorative Health. While physicians from the Atlas Group and Central Health Care generally worked well together with Great Plains University physicians, the trust and relationships between Atlas Group and Central Health Care were frequently tense and strained.

To try to bring the differing parties and organizational cultures together and bridge the gap, leaders from the three partners decided to create a new business line within Central Health Care where Restorative Health and Central Health Care would both report to the same administrator. This change required the creation of a new position. Dr. White from Great Plains University and two other Central Health Care physicians applied for the position. Dr. White was hired as the head of the new Central Health Care business line. This decision was based on the criteria that Dr. White was the best qualified to lead Restorative Health to economic stability and he was neutral and separate from Atlas Group and Central Health Care.

This decision by Central Health Care administrators came as a surprise to some Central Health Care physicians. Some saw this decision as a smart and strategic move, and others felt it increased the rift between Atlas Group and Central Health Care. Some in Central Health Care perceived the decision as a message that Restorative Health would not be managed or led by Central Health Care physicians or leaders and that Dr. White and Ms. Matthews were given direction from Central Health Care administration to do whatever was necessary to make Restorative Health succeed.

Challenges with the New Structure

Ms. Matthews and Dr. White worked to lead Restorative Health, but relationships between the three parties continued to be difficult and a challenge. When Central Health Care took on majority ownership of Restorative Health, some personnel at Central Health Care who did not support the joint venture believed that Restorative Health culture would be assimilated into the Central Health Care culture. This was not part of the plan and efforts to maintain Restorative Health as a separate entity and culture surprised and frustrated this group of people. In addition, this same group had many questions and could not understand why Restorative Health demanded so much attention, why Restorative Health wanted to change the health care/patient experience, and why Restorative Health could not be more like Central Health Care. During this time of tension, some Central Health Care physicians perceived that Central Health Care was competing against itself by operating both the Restorative Health facility and its own Central Health Care cardiovascular surgery department.

Besides the struggle and tug-of-war of which culture would prevail through the restructuring, rewards systems were another source of conflict between the three parties. Individual equity ownership, base compensation, and incentive plans were three financial incentives used and adjusted over a five year period by executive administrators to shape and influence behavior and attitudes to achieve the goals of the joint venture. The Atlas Group, with their cultural values of working independently and using the joint venture as an investment vehicle, negotiated reward systems that were different from how physicians at Great Plains University and Central Health Care were rewarded and compensated. Unfortunately, many differences, described below, created long-standing feelings of unfairness, inequity, and jealousy.

Individual Equity Ownership: Atlas Group physicians initially received individual equity ownership, but Great Plains University and Central Health Care physicians did not receive equity ownership. This difference created feelings of inequity and negatively impacted trust over the lifecycle of the joint venture. After the restructure, equity ownership was removed, but a promise was given to restore equity ownership to the Atlas Group when the joint venture was stable and profitable.

Base Compensation: Atlas Group physicians and Great Plains University physicians were paid a higher base compensation rate as contractors while Central Health Care physicians received a lower base compensation along with benefits package from their employer. This actual and perceive difference created feelings of inequity and negatively impacted trust over the lifecycle of the joint venture.

Incentive Plans: After the restructure, all parties were eligible to participate in an incentive plan. If performance goals were met, the incentive was paid to all three partner organizations and the organization decided how to distribute the money. For example, Central Health Care shared the incentive payments with all their physicians, including those who did and did not work at Restorative Health. This effort by Central Health Care executive administrators to create equity among their physicians was only moderately successful in improving feelings of equity and fairness.

Over the next three years, the parties struggled with elements of their different cultures and conflicts, yet retained a passion for the Restorative Health mission and a feeling of ownership which kept leaders working through the difficult issues. While trust among all partners and roles within them was not universally achieved, physicians coming from the different organizations got to know each other and trust developed between certain individual physicians over time by working together.

Reaching Profitability

At the end of five years and after continued persistence and hard work to create their desired culture, Restorative Health experienced positive cash flow, profitability, and signs of success:

- The joint venture experienced a significant rate of growth of 20% per year.
- Residents and fellows repeatedly gave Restorative Health high marks for high satisfaction in their residency training.
- The high satisfaction rates by residents strengthened Great Plains University's ability to recruit and attract high quality residents to Great Plains University and Restorative Health. As a result, Great Plains University residency program became one of the top two programs in the United States.
- Central Health Care market penetration increased from 10% to 20% with many new patients entering Restorative Health.
- Restorative Health expanded and offered several new cardiovascular health programs for seniors, women, and athletes.

After five years, physicians and administrators who were involved with Restorative Health since the beginning felt a great sense of satisfaction, accomplishment, and pride. This pride did not come only from the success that Restorative Health has achieved, but also from the challenges they had overcome together. In describing Restorative Health's success, several leaders described Restorative Health's success as "qualified" and "partial" because they acknowledged that Restorative Health has not yet reached the full vision of what it could become. For some physicians in the Atlas Group, and consistent with their entrepreneurial culture and roots, they held to their belief that full success would be achieved when they received financial rewards from their investments in the joint venture.

Plans for the Future

Back when the decision was made to restructure Restorative Health, the parties agreed that the change in structure would be a temporary arrangement. Under the restructuring agreement, the parties agreed to return to their original structure after Restorative Health reached profitability. To return to the original structure would mean that majority ownership of the clinic could move from Central Health Care back to Restorative Health and that Atlas Group could again receive some equity ownership.

As Restorative Health leaders look back over its past and look ahead into the future, many believe that the Restorative Health has a bright future and that their medical specialty has reached its golden age. With advancements in medicine and health care combined with the aging Baby Boomer generation and their desire to continue with an active lifestyle, Restorative Health's medical specialty represents a big field of medicine that is poised to generate significant revenue. However, in order to take advantage of this opportunity and population, Restorative Health needs to make some important changes and decisions because of the feeling among some leaders from each founding organization that Restorative Health still represents three very culturally different organizations whose cultures are enormously diverse and still enormously at odds.

Key Players and Role Changes by Joint Venture Stage

Key Players	**Beginning**	**Formation of Joint Venture**	**Implementation**	**Restructure of Joint Venture**	**Reaching Profitability**	**Plans for the Future**
Dr. Scott	Atlas Group Physician		Restorative Health CEO	Restorative Health Physician		
Dr. White	Great Plains University Executive Administration			Central health Care Dept Administration	Restorative Health CEO	
Ms. Matthews		Restorative Health Executive Administration				

Key Events by Joint Venture Stage

Beginning	Formation of Joint Venture	Implementation	Restructure of Joint Venture	Reaching Profitability	Plans for the Future
Dr. Scott and Dr. White meet and share common vision to form joint venture.	Atlas Group, Great Plains University and Central Health Care form joint venture. Ms. Matthews hires staff and builds energy around shared vision and mission.	Some physicians move out of the area and others do not bring their patients to joint venture. Financial results fall short and Central Health Care covers payroll and debt payments.	Leaders decide to restructure joint venture in order to stay open for business. People struggle with different cultures and reward systems. Conflicts and financial problems create distrust.	Over time, joint venture achieves positive cash flow, profitability, and signs of success.	Joint venture sees bright future with aging Baby Boomer generation and opportunity for significant revenue generation if partners can overcome their cultural differences.

Discussion

1. What could the three leaders, Dr. Scott, Dr. White, and Ms. Matthews have done differently, regarding their different organizational cultures, when they formed Restorative Health?
2. When developing a joint venture agreement, what should be included?
3. How could Ms. Matthews have used her role to acknowledge the existing cultural differences, to align the disparate organizations or to create a new culture?
4. What prevented the work that Ms. Matthews did to establish a "Restorative Health culture" from taking hold?
5. If a unique culture for Restorative Health had been successfully developed, what problems and difficulties might have been avoided?
6. Now, at the point described at the end of the case, how would you lead needed culture changes at Restorative Health? What core elements are needed in their organizational culture?
7. What aspects of each founding organization's culture should be maintained to create a strong culture for Restorative Health?
8. Despite the lack of a new, shared culture at this point, they have achieved successful financial performance. To what would you attribute such results?

Key Lessons

1. When multiple parties join forces, the joint venture needs to be treated as creating a new organization with attention to all design elements, including culture.
2. Multiple cultures operating side-by-side rarely produce any synergy, leave many people continuously frustrated and others confused or unmotivated.
3. Successful culture change requires a minimum critical mass of key stakeholders to be aligned and committed (e.g., doctors, employees, educators, partner leaders, residents, patients)
4. Any new culture also requires leadership alignment and a set of core behaviors to which everyone is committed.
5. Cultures are driven by common values and at Restorative Health there never was a focus on integrating or changing their separate cultural values to new values needed to pursue the new mission and vision.
6. Cultures need aligned artifacts, systems, processes and structures that support the culture. Instead Restorative Health was operating with different reward systems, governance structures, and performance and accountability processes.

BIOGRAPHY

David W. Jamieson, Ph.D. is Associate Professor and Department Chair, Organization Learning & Development, University of St Thomas. He is also President of the Jamieson Consulting Group, Inc. and has 40 years of experience consulting to organizations on leadership, change, strategy, design and human resource issues. He is co-author of *The Facilitator's Fieldbook, 3rd Edition* (AMACOM, 2012) and co-author of *Consultation for Organizational Change* (IAP, 2010).

Michael J. Willis, Ed.D. is an Organizational Change Management Consultant with Maryville Technologies. He holds a Doctorate degree in Organizational Development from the University of St. Thomas. As a practitioner, he specializes in the design and delivery of organizational change within IT service transformation initiatives.

Rama Kaye Hart, Ph.D., is an associate professor in the Department of Organization Learning and Development at the University of St. Thomas. Her teaching and research areas include organization development and change leadership, appreciative and critical approaches to organizational transformation, and team effectiveness in dispersed and virtual environments. As a consultant, she specializes in leadership development, strategic visioning and team effectiveness.

21

Driving Culture Change at PepsiCo through Performance Management

Allan H. Church

Case

In the late 1990s and beginning of 2000 PepsiCo was experiencing higher than expected turnover in its executive ranks. This was troubling to senior leadership as it foreshadowed a potential future gap in the talent pipeline. Although this exodus was fueled in part by the dot.coms (the organization being a mature brick and mortar type consumer packaged goods company), internal research indicated that turnover was also being driven by manager quality. As a result of this analysis a campaign to address some of the underlying cultural issues was undertaken which resulted in changes to many different parts of the organizational system.

One of the most significant changes which arguably had the greatest impact was the redesign of the performance management process (PMP). **By adding dual business and people ratings and then linking those ratings to other concrete measures, the organization was able to shift the culture over time to be more people focused.** Results from our organizational health survey show significant and lasting improvement in the organization over time and the company has since been recognized as a top company for leaders in several different professional outlets. This is a case study of the approach taken to drive cultural change through the use of the performance management process (PMP).

Background

PepsiCo is a global consumer products company with 22 mega brands that generated over $1 billion or more in 2011 in annual sales. Ranked number 43 on the **Fortune** 500, the company generated $66 billion in net revenue and posted core earnings per share growth of 7 percent in 2011 (PepsiCo, 2012). Headquartered in Purchase New York in the United States, the organization has 300,000 employees and operations in over 200 countries around the world.

While the organization is much larger today than in the late 1990s following the spin-off the restaurant business and the anchor bottlers (the latter of which were subsequently repurchased in 2009) many of the core components of its strong corporate culture remain including an emphasis on talent (e.g., Church & Waclawski, 2010). Individuals are attracted to the organization because of its brands and its reputation for development—i.e., being an academy company with strong talent management practices (Capelli, 2008). The culture is seen as hard charging where "A" players thrive on delivering results. In a survey conducted with external recruiters regarding the employment brand they noted the following:

- *"A very attractive company to work for…solid brand and name recognition…excellent reputation as an excellent financially-run company."*
- *"an 'Academy Company' that attracts people who want 'A-level careers.' Those who want challenge, career advancement, recognition as a 'high potential employee' and a highly intellectual business environment, will always favor PepsiCo."*
- *"has a reputation for growing and challenging individuals, and for giving individuals tremendous experience to contribute to the success of the company."*

This emphasis on talent development has been at the heart of the culture since at least the 1980s when Andy Pearson (1987) authored his Harvard Business Review article on the organization's talent philosophy. A review of that article, however, while inspiring also points to a culture where competition is fierce and an up-or-out mentality was reinforced. While the culture has changed in some aspects since then, elements of this remained well into the 1990s.

Our case begins in the late 1990s when for the first time the organization was experiencing higher than average or expected turnover in the executive ranks. Although this was due in part to the employees leaving the tried and true world of the staples industry for the ethereal pot of gold—i.e., the promise of the dot.coms before the bust; there was an undercurrent of other cultural issues as well as noted elsewhere (e.g., Corporate Leadership Council 2002; Thomas & Creary, 2009).

Subsequent analysis via focus groups, exit interviews, follow-up discussions, and predictive analytics using engagement survey data techniques suggested that manager quality was one of the core issues at the heart of the unwanted turnover. Research conducted with the help of the Corporate Leadership Council (CLC) indicated that while 94% of the employees wanting to stay were satisfied with their managers only 42% of those intending to leave were in the same camp. In was apparent that the old adage "employees join companies and leave bosses" was coming true in the data that had been collected. Another factor that was playing out in this scenario included the diverse population. Individuals in this group were also leaving at higher than desired rates and once again the emphasis was on ensuring that leaders had the appropriate skills and capability to manage others in an inclusive manner (Thomas & Creary, 2009).

As a result of both of these factors it was determined that the culture needed to change to focus more on people management and people related metrics. While the talent development component still remained strong, the softer skills were needed to overcome the remnants of the "hire three keep one" mentality that still prevailed from the Pearson days. While other elements of the system were examined for potential interventions (and indeed other complementary actions were taken during the course of the decade), the primary means of driving this needed change was determined to be the performance management system. While performance management is indeed a powerful tool in the Organization Development (OD) practitioner's toolkit for facilitating and reinforcing organizational change, it is not always portrayed as being the primary lever. Burke (1982) for example considers it as a critical reinforcement process and alignment tool but not necessarily a driver of transformation. Nonetheless, in this case it was the ideal solution with senior leadership's active modeling and support given the results orientation nature of the culture in general. Since "what gets rewarded gets done" in this organization it was imperative that the measurement tool be redesigned to accomplish the three goals of:

(a) measure people results and link them to performance
(b) send key messages regarding the change in importance to people management skills
(c) integrate people constructs into all aspects of performance management

Introducing a New Dual Rating System

The prior performance management process had been in place for a number of years. While it did include a component of people management it was primarily a results driven measure with essentially a three point scale ranging from Below Target, On Target, Above Target and Significantly Above Target (Below Target was seldom used because the talent in this category had usually already left). This left the majority of individuals to be ranked in the middle of the scale, i.e., On Target, and as such delivered little differentiation or helped to encourage good people management skills in the workplace (CLC, 2002).

Thus, in 2001 a new performance management process was introduced to the organization. It contained two distinct and separate ratings (using a new and well-defined 5 point scale) one for Business Results and one for People Results. Ratings were given based on the achievement of individual objectives against each of the major categories identified (i.e., business and people) for the year. This in and of itself represented a major change for the organization. Now, managers would be rated separately on how well they achieving not just their business targets but their people goals as well. An important difference between this implementation of people ratings and those in other companies, however, was that here the people ratings were to be based not on the how (i.e., pure behaviors or values as are used in some companies PM systems) but on “the what” related to people management outcomes. This represents a somewhat subtle but important difference in the initial approach. Defining what people objectives and people results looked like would represent the next challenge (more on that aspect later). In addition there was the administrative process to consider—i.e., how to link the ratings to compensation.

After some debate amongst key leaders and members of the compensation and OD community, the initial launch of this performance management process followed a 2/3rds and 1/3rd protocol for the impact on compensation. This meant that your business results counted as 2/3s of your total individual contribution and your people results counted as 1/3. By adding these together compensation was then able to determine an index that could then be tied to merit and bonus calculations and administration for a given year (and merit budget). We also used generalized guidelines for managers to administer differential performance reward recommendations as needed based on different combinations.

Although some might argue that we missed the broader goal of driving people results with this design, we started with the initial 2/3 and 1/3 paradigm in order to strike the right balance in changing the system and to avoid total rejection. While some groups lobbied for the organization to pursue a full 50/50 weighting, the majority was not yet ready to embrace this change. Full scale adoption could have meant abandoning the entire model so this interim solution was adopted instead. Full training and support were provided to the field through cascaded leadership communications, toolkits, roadshows and other means to support the change to the PMP from the very top to the bottom of the population in scope for this program.

Initial results from our global culture survey efforts regarding the new process were promising. Overall in 2002 when we first surveyed about this change 66% of employees indicated that in the first year of implementation managers were being held accountable for both business and people results. In addition, 66% also indicated that they thought that the change in the PMP was a positive one. So roughly two thirds of the organization had bought into the concept after the first year which was great for such a large process change. But would it take hold in years to come and would it survive a change in the senior leadership of the company?

Enhancing the Process Over Time

If one believes in culture change at all, then it is imperative to understand that culture change takes time. In addition, what might have been the right intervention in the beginning may not be the same one needed over time as the organization evolves. At a minimum the existing effort needs to be reviewed, adapted and modified to ensure the right outcomes are being manifested. That was certainly true in this case example.

Let's begin first with the definition of people results. In the initial phase of the performance management process we were relatively loose in the definition of people objectives letting the organization localize this practice as appropriate (similar to the way in which they are empowered to set their own business objectives against the broader agenda). Initially guidance and training were provided around very broad people categories including: organizational results, establishes priorities, motivates others, collaboration, etc. Sample objectives and toolkits were provided along with the appropriate training and learning modules to support the rollout. After several years of living with these people metrics in real life application to performance ratings and pay decisions, however, there was a need to further enhance the definitions.

The first major enhancement came in 2004 where we introduced a four category scheme (Corporate Leadership Council, 2005). This model was much more grounded with sample objectives provided by level and in some cases by function to help employees set more concrete and SMART objectives.

S	Specific	Explain objective and how it needs to be achieved
M	Measurable	Define quantity, quality, timeliness and cost
A	Attainable	Challenging, but within reason
R	Relevant	Apply to the employee's role
T	Time-bound	State when objective needs to start and/or finish

The new categories also were meant to reinforce the movement from a focus on diversity (one of the subcategories in the guidance given around managing your people) to a broader definition of inclusion, as has been described elsewhere (Thomas & Creary, 2008). This change was significant in that the organization now had a primary category under people results focused specifically on creating a culture of inclusion (a similar change was made to the Leadership and Individual Effectiveness Model as well that formed the basis of the 360-degree feedback program). These four new categories for the People section of the PMP consisted of the following:

(a) creating a diverse and inclusive culture
(b) managing and developing people
(c) teamwork and collaboration
(d) personal development and growth

The new categories were consistently applied across the organization and were met with positive feedback as they provided an enhanced focus on the definition of people results. Once again we saw signs of cultural adoption in our survey program with 76% in 2006 (up 10 points) indicating that managers were being held accountable for both sets of results.

Another area in which we needed to make enhancements concerned the link between performance management and compensation. More specifically because of the manner in which the original application had been designed (2/3 business and 1/3 people weighting) and because of the numerical nature of compensation administration, the first few applications of business and people scores yielded some unintended results. For example, a "5-1" (business-people) score became the same as a "4-3" or a "3-5" – i.e., both had compensation indices of 11. Clearly based on the performance management philosophy in place and the overall ratings model these three score combinations reflect very different levels of performance across business and people results and should therefore lead to different outcomes. In short not all 11s are created equally. Because of the numerical nature of the compensation linkage, however, we initially found ourselves in a quandary.

Fortunately once we re-applied the core philosophy behind the weighting process and performance differentiation (driven in large part by the OD function) we were able to add new criteria that overruled the raw convention of the numbers. For example, any combination of a "1" rating resulted in a negative outcome regardless of the point combination. In effect a "5-1" or a "4-1" were now the same as a "1-1" from a compensation perspective and worse than a "2-2." Although seemingly simple this change reflected another major shift and sent a powerful message regarding the process having real teeth. Even given the 2/3 weighting in the model for business results vs. people ratings, the latter could trump the overall performance equation if it was really negative.

The Move to 50/50 Weighting

The next major change to the performance management process in support of our ongoing culture change agenda came in 2007 after the office of the CEO and the Chief Personnel Officer had changed hands. Capitalizing on this change and the new agenda of Performance with Purpose (including one leg of three reflecting Talent Sustainability – see Morris, 2008; PepsiCo 2011), the organization finally took the plunge and moved to 50% business and 50% people weighting on the PMP.

While initially met with some resistance at senior levels in the organization for fear of taking our eye off the ball on the performance side, the change was supported by the new CEO and CPO and the majority of the organization was very positive about the change. They took it as a sign that the organization had a true and continued interest in driving manager quality. The change was announced through a major campaign with supporting tools and webinars. Listed below are some sample items from the communication that were released in support this effort:

Why are we changing to a 50-50 weighting of Business and People Results?	There are many reasons we believe this is a positive change for PepsiCo. First, this enhanced focus on People Results will help to reinforce our people priorities such as growth and development, collaboration, and coaching and mentoring. Additionally, and of equal importance, increasing our focus on People Results will help us continue on our Diversity and Inclusion journey. This will ensure that we continue to improve in this area of facilitating a culture of inclusion.
How will my compensation be affected?	Prior to the 50-50 change, performance ratings were weighted 66% Business Results and 34% People Results, meaning that your merit increase was more heavily impacted by your Business rating. As a result of this change, the merit increase you receive in early 2008 for your 2007 performance will be based on an equal weighting of your Business and People Results ratings.
We are a results-driven, growth-oriented culture. Are we diverting focus from that?	Absolutely not. Our successful performance is because of our drive, hard work, and focus on results, but unless we focus equally on people priorities, that success is not sustainable. We need to focus equally on developing our people for the future, fostering collaboration, and ensuring that we are good coaches. We also need to focus on ensuring that our culture is one where employees feel respected and valued for their unique talents, perspectives, and experiences. Without that focus, we would not be enabling and positioning ourselves for future success.

Once again we saw improvements in the next full employee survey (conducted in 2009) with the results reaching 78% favorable on employee perceptions of the PMP program working effectively.

Given the move to 50/50 weighting and the trepidation of some about the greater emphasis on people results there was also a need for even further and more detailed metrics regarding the measurement of people outcomes. While existing measures such as the 360-degree feedback tool and the organizational health survey had served as inputs into PMP ratings for some time (CLC, 2002; 2005), it was felt that a new tool could help differentiate among managers even further. As a result, a new measure—i.e., the Manager Quality Performance Index (MQPI), meant specifically to feed the people results section was created.

The tool was piloted first in 2008 (with no impact to ratings during the first year) and then used system wide in 2009 with direct linkages to PMP. This simple 12 item measure was for direct reports to rate their managers only (no self or other ratings), and was used as a means for supporting the calibration (or alignment) of people ratings during the performance review cycle. It has since also been integrated with talent management efforts as well (e.g., Church & Waclawski, 2010). Unlike the 360-degree feedback measure which was based on leadership competencies, however, the MPQI reflected a core set of straight forward behaviors that every manager should demonstrate. While the tool is not the sole input into the people results, it does play a major role particularly at the extremes (e.g., very high or very poor ratings are likely to influence PMP scores).

Overall, the MQPI which is still in use today has been extremely well received (particularly at lower levels in the organization where employees need more of a voice), and has proven to be very effective in balancing out scores across a range of managerial styles. In some ways, it's interesting to note that while the people results section remains outcome not behavior based as originally designed, there are now specific behaviors that are linked to manager quality.

The Importance of Systems & Technology

Another key enabler and reinforcement vehicle that was used to support the people results cultural transformation was the introduction of a new global performance management tool or system. This new technology solution, which replaced a myriad of custom tools and paper-based efforts across the enterprise, represented one of the first global implementations of its kind for the organization. It was introduced in 2007 to a small pilot group of HR professionals and expanded in 2008 to approximately 30,000 users globally (which represented the majority of the population in scope at the time for this process). The introduction of this new system served as a critical reinforcement tool in the change process by ensuring that everyone:

(a) followed the same set of templates and formats for managing performance
(b) proceeded through the same steps, reviews, and approvals and
(c) received a consistent set of messaging and training on how to execute the process.

The tool also allowed for new reporting and audit capability to allow better objective tracking and measurement. Although the new system had its initial kinks that had to be corrected, with feedback from the field and each successive cycle we were able to enhance the functionality and user experience to drive a consistent and simplified global process. We were also able to leverage the tool to seed (or prepopulate) the four people objectives categories into each performance review form for all employees. This ensured that every employee did indeed have the latest set of categories for developing and measuring people outcomes. As a result of these efforts the tool has become the system of record for performance management, and we have expanded the tool (including adding new language capabilities) to include even more employees with a total of almost 55,000 active users.

Evidence of Change

By 2011 (our most recent survey) the performance management process first introduced in 2001 remains intact and running strong despite some attempts at various stages to make more dramatic changes (e.g., to modify either the ratings scales or the inclusion of high potential status into the assessment process). Moreover a full 83% of employees now see the process as working as it should (up 17 points since 2002). During this same time period we have seen work-life balance ratings increase as well up from 45% in 2002 to 60% in 2011, a significant increase. In part this was driven by the performance management process as well as employees were encouraged (but not required) to include a "one simple thing" objective under the People section in support of their personal work-life balance agenda. Further, as noted in Thomas and Creary's (2009) case study turnover amongst key groups has declined significantly, and the work-life balance scores reflect another sign of the culture changing toward being more inclusive and supportive overall.

While other HR related processes and programs have changed many times since the late 1990s (e.g., executive compensation, employee benefits, organizational structure, the leadership model and 360-degree feedback program, high potential identification methods, etc.) this program has stood the test of time. To date, it has been extensively benchmarked (e.g., CLC 2002; 2005) and serves as a basis for many other organizations today. Although never perfect or "finished" per se, the strength of the process shows that the organization remains committed to reinforcing the importance of manager quality and driving a people oriented inclusive culture through performance management. The organization today is better for it and the culture has truly shifted toward a more inclusive and engaging workplace where manager quality matters.

End Note

It is important to note that the design and evolution of the performance process described here has involved many individuals over the course of the ten years since its inception. These include very talented people in compensation and benefits, organization development and learning, human resources leadership and many line leaders as well. Some individuals remain with the organization while others have moved on.

It is from this author's perspective, however, that this case has evolved having been present at the leadership level since the beginning. Although sole accountability cannot be claimed for the culture change by any means, the personal stewardship of the performance management process and global PM system ownership has remained with the same OD leader during this period, and as a result, has always had with it an organization development and social systems orientation. While it is impossible to know what might have been if others had taken the reigns at any point in time, it is encouraging to recognize one's personal contribution to maintaining a long term change effort such as this one in the face of other pressures.

Discussion

1. What are some of the most effective ways to change culture? Does it vary by organizational type, culture, stage of development of the organization, and opportunity for change and why?
2. What are some things to look for and evaluate in creating opportunities for changing culture? In this case what was chosen as the driver for changing culture and why?
3. What were some of the fundamentals that were practiced in changing the culture at PepsiCo? What is the role of senior leadership in driving culture change and how important is this role? What elements of the organizational system must be aligned to reinforce culture changes?
4. Evaluate the four new categories selected for the People Section of the Performance Management Process and discuss if these are the ones you would have chosen.
5. How was the process for changing the culture refined and changed over time? How was resistance to change dealt with? Especially consider and discuss the three sample questions used to address concerns when moving to a 50/50 weighting.
6. What are some ways to evaluate if an organization's culture has changed?

Key Lessons

1. It is important to have a compelling reason for changing culture and to create a commitment to making the needed changes.
2. Senior leaders play a critical role in driving culture change. Change is not likely to occur without their leadership and persistent commitment.
3. That said, if culture change is tied too directly to a single leader or voice, it runs the risk of losing momentum if that individual leaves the organization.
4. True changes in culture are driven by and reflected in changes in individual behaviors. Systems such as performance management, organizational surveys and other feedback processes serve as important reinforcers of the behaviors of the desired future state.

5. Having effective ways to evaluate the change process and make needed changes is important to sustaining changes and assuring that they are successful.
6. Culture change does not happen quickly or easily. It takes a significant amount of time (e.g., often years) and decided resources and perseverance to ensure a lasting impact on an organization. Don't expect to see change overnight.

References

Burke, W. W. (1982). *Organization development: Principles and practices.* Glenview, IL: Scott, Foresman.

Capelli, P. (2008). *Talent on demand: Managing talent in an age of uncertainty.* Boston: Harvard Business Press.

Church, A. H. & Waclawski, J. (2010). Take the Pepsi Challenge: Talent development at PepsiCo. In R. Silzer & B. E. Dowell (Eds.). *Strategy-Driven Talent Management: A Leadership Imperative,* 617-640, San Francisco, CA: Jossey-Bass.

Corporate Leadership Council (2002). *Closing the Performance Gap: Driving Business Results Through Performance Management.* Washington, DC: Corporate Executive Board.

Corporate Leadership Council (2005). *PepsiCo's Dual Performance Rating Practice: An Overview of the Practice and a Conversation with Allan Church, VP Organization & Management Development.* Washington, DC: Corporate Executive Board.

Morris, B. (2008). The Pepsi challenge: Can this snack and soda giant go healthy? *Fortune*, March 3, 2008, 55-66.

Pearson, A. E. (1987). Muscle-build the organization. *Harvard Business Review,* July-August, 49-55.

PepsiCo Inc. (2012). *The power of PepsiCo (2011 Annual report*). Purchase, NY: PepsiCo Inc.

PepsiCo Inc. (2011). *Performance with purpose: The promise of PepsiCo (2010 Annual report).* Purchase, NY: PepsiCo Inc.

Thomas, D. A. & Creary, S. J. (2009). *Meeting the diversity challenge at PepsiCo: The Steve Reinemund era.* Case: 9-410-024. August, Boston, MA: Harvard Business School Publishing.

BIOGRAPHY

Allan H. Church is VP of Global Talent Development for PepsiCo, where he is responsible for leading the talent management and people development agenda for the enterprise. He joined PepsiCo in 2000. Previously he spent nine years as an external OD consultant working for Warner Burke Associates, and several years at IBM. On the side, he has served as an Adjunct Professor at Columbia University, a Visiting Scholar at Benedictine University, and past Chair of the Mayflower Group. Allan received his Ph.D. in Organizational Psychology from Columbia University. He is a Fellow of the Society for Industrial-Organizational Psychology, the American Psychological Association, and the Association for Psychological Science.

22

Cultural Implications for Implementing an American Student Leadership Program in Morocco

M. Duncan Rinehart

Case

This case looks at the challenges involved in using western leadership models for developing student leaders in other parts of the world, specifically Morocco. Culture influences both how the program is created and what aspects of leadership are developed. Western student leadership programs must be modified to be effective in non-western cultures where leadership development is new. But little is known about how to do this. This case raises questions about how to adjust cultural styles in creating such a program.

Introduction

"If AUI is an American style university, and leadership programs are common in American universities, then why don't we start one here?" Fatima said to Professor Roberts at the end of the leadership class one day. "Well, I don't know why not. It would be a lot of work…" Roberts replied mulling the idea. "Let's meet and talk about it some more. Send me an email for an appointment and we'll share our visions of how this might be done and see where it takes us," Roberts concluded. And so the first student leadership program in Morocco, the Leadership Development Institute (LDI) was started.

Al Akhawayn University (AUI) is an American style university in Ifrane, Morocco about an hour south of Fez. When Roberts joined the faculty to teach Human Resources Development, AUI was not even fifteen years old and had about 1,200 students. It was a very young and small university compared to the university in the US where Roberts had taught for twenty years. But Morocco is a fairly young country though it has a very long past. Morocco achieved independence from French and Spanish colonial rule in 1956, but the land had been settled since Neolithic times by the Berbers (Amazigh) with subsequent conquests including Arab and European powers. Today, Morocco is a constitutional monarchy where nearly 98% of the population is Muslim. "Culturally speaking, Morocco has always been successful in combining its Berber, Jewish and Arabic cultural heritage with external influences such as the French and the Spanish and, during the last decades, the Anglo-American lifestyles." (Central Intelligence Agency, 2011)

During his teaching in the US, Roberts became involved in the student leadership program on his campus and was quite familiar with and enthusiastic about building leadership abilities in college students. At his US campus, students learned leadership in classes, through service learning, and from open discussion with a wide range of leaders. The approach to leadership development drew on transformational, servant, social change and other leadership approaches (Burns, 1978; Bass and Avolio, 1994; Greenleaf, 1990; Higher Education Research Institute, 1996) that were developed within the US cultural context. But from his conversations with Fatima, it became clear that they could not just transplant US leadership development programs to Morocco. The programs would have to be modified somehow, but how? (To illustrate some of the cultural differences, Table 1 contrasts US culture to Moroccan/Arab culture along several important dimensions.)

From Idea to Launch

Fatima and Roberts met several times and developed a plan for how to start the LDI. Since she was a member of the student government and very active on campus, Fatima offered to talk to the president, the vice presidents, and the student leaders about the idea. During the development of the program, she met multiple times with the vice presidents for academic affairs and student affairs to gain their support and keep them informed of the progress. Though the vice presidents occasionally gave suggestions or raised concerns, Fatima was very effective in building their support.

Fatima also was effective in gaining the support and input of student leaders. Roberts wanted to design and deliver several skill building workshops as a pilot of the LDI program and to demonstrate its effectiveness before seeking formal approval. "It's easier to say yes to something that already exists and is successful" he explained. But to decide which skills young leaders in Morocco needed and wanted, Roberts and Fatima agreed to do several focus groups to gain the input of student leaders. Fatima organized the focus groups and Roberts ran the discussion (on Fatima's advice). From the input, Roberts proposed a list of skills and then a series of workshops to introduce and practice those skills (e.g. project planning, interpersonal communication, how to run effective meetings, etc.). In October and November of 2008, Roberts delivered four of these workshops to student leaders that Fatima contacted. After the pilot workshops, Fatima and Roberts discussed ways to improve them, and in December and January Roberts wrote a proposal for formal administrative approval.

Fatima again served as an effective intermediary between Roberts, who was still a relatively new foreign faculty, and the administration who were senior Moroccan university administrators. Roberts thought that Fatima's role as a well respected student and as a cultural insider was very important for the positive reception and support that the LDI received.

The LDI was formally approved in May, 2009 when Roberts was called to a meeting with the vice presidents for student affairs and academic affairs and with Roberts' dean to discuss and finalize the LDI proposal. At that time it was decided that the LDI would not have a budget, but that its costs would be divided up between student affairs and academic affairs, or met through informal agreements as needed. Roberts would continue to volunteer his time, and the administrative needs of the LDI would be met by an underutilized program assistant on campus. Though he did not get the formal institutional support that he wanted to make the LDI a permanent, sustainable program, Roberts felt that he had a green light to implement the proposal.

Launch and growth

While Fatima prepared for her final exams in May 2009, Roberts created a recruitment and selection process and selected the inaugural LDI class of 15 students. During its inaugural year (2009-2010) the LDI implemented its proposal – delivering a series of skill-building workshops, a speaker-discussion series, and launching the Leader of the Year Award (LOTY) as a service learning project to recognize local leaders and build leadership capacity in the surrounding community.

Because he was concerned that if he left AUI the LDI would collapse, Roberts also established an LDI advisory board, as per the proposal, and Fatima was a student representative on it until she graduated in December 2009. In its first year the advisory board developed a five-year plan linked to the university's strategic goals, which would expand the LDI to include a research and dissemination component and an outreach component to build student leadership in Morocco and in the Middle East North Africa (MENA) region.

Challenges of Implementation

The challenge of fitting together cultures appears in several ways in the development, launch and growth of the LDI. Roberts was concerned about simply transplanting the student leadership development models and practices that he knew from the US to Morocco – that they would be seen differently in Morocco and thus be ineffective. For example, his leadership students in the US were quite capable of initiating, planning and completing service projects on their own through which they learned leadership. But the Moroccan students did not show much interest in planning, or ability to carry out a plan. Their interest and even initiative seemed high at the beginning, but as the project progressed many students did not complete the tasks they volunteered to do. This appeared in the Leader of the Year Award (LOTY) project.

In the three years of the LOTY award (2010 through 2012), LDI students were initially enthusiastic about creating a plan (a GANTT chart for the project), dividing into committees (e.g. communication, selection, fund raising, event planning), and volunteering to do the needed tasks. But as the project progressed, some students did not follow through, missed meetings, and failed to communicate with their colleagues. As a result, a few students did most of the work. Roberts was troubled by this but saw it as an opportunity to teach leadership – initiative, self-motivation, follow-through, integrity, and credibility. He felt that if he supervised them too closely, or structured their work too much himself, they would simply obey rather than learn to lead.

The challenge of fitting together cultures appears in other ways as well, such as in the difficulty of gaining committed institutional resources for the LDI. As the LDI now begins its fourth year, it still does not have a budget or clear institutional funding for its programs. While Roberts eventually received additional pay for directing the LDI and other programs, and the LDI is now a "cost center" for its LOTY fund raising needs, LDI's expenses are still being met as needed via informal (ad hoc, verbal) agreements. The president and vice presidents were very supportive and responsive to Roberts' requests, due in part to the positive image the university gains from the LOTY award ceremony which received TV, radio and print news coverage. But permanent funds for staffing LDI's research and outreach efforts are not yet available, and LDI's administrative support is still an uncompensated, add-on duty for one program assistant. Though the advisory board meets fairly regularly, it is Roberts alone who does the work since Fatima graduated in 2009.

Finally, the challenge of fitting together cultures appeared even more fundamentally in the way Roberts tried to establish and grow the LDI in Morocco. He may simply not see the things he does that are culturally counter-productive to what he is trying to do, or even what needs to be done. For example, while Roberts sought to obtain dedicated university funds for clear institutional commitment to the LDI and its future, the vice presidents were not equally committed. Fatima explained that they would not give away their control over this new program. So Roberts chose to work with what they gave him, spend the money he needed for the program and gradually build institutional financial commitment where he could. And Roberts found it difficult to get Moroccan faculty and staff to participate on the advisory board and during the selection process of LDI students. They often supported the LDI verbally but would not commit their time to it. For example, employees who were assigned to represent their vice president on the advisory board sometimes did not attend, and were rarely prepared for the meeting (agenda was sent in advance) when they did. For their part, the vice presidents did not meet with their representatives to discuss the LDI and advisory board efforts. Though he talked with both the employees and the vice presidents, Roberts was unsuccessful at changing this.

Table 1: **CONTRAST OF US AND MOROCCO CULTURES (AS SOCIETY PRACTICE) FROM PROJECT GLOBE DATA COMPARING 62 COUNTRIES**

Cultural Dimension	Description	US	Morocco
Assertiveness	The degree to which individuals are assertive, confrontational, aggressive in their social relationships	Fairly high, 10 countries higher	Fairly high, 12 countries higher including the US
In-Group Collectivism	The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families	Low, 10 countries lower	High, 5 countries were higher
Future Orientation	Refers to planning and living for the future (high) versus acting with limited or no planning, accepting the status quo, and solving current problems (low)	Fairly high, 16 countries higher	Low, 6 countries were lower
Gender Egalitarianism	The degree to which a collective minimizes gender inequality	Moderate, 28 countries lower	Low, 3 countries lower
Humane Orientation	The degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring and kind to others	Moderate, 2 countries below Morocco	Moderate, 2 countries above US
Performance Orientation	The degree to which a collective encourages and rewards group members for performance improvement and excellence	Fairly high, 10 countries higher	Moderate, 23 countries lower
Power Distance	The degree to which members expect power to be distributed unequally. For instance, in high power distance societies there is limited upward social mobility, power is seen as providing social order, information is localized, public corruption is high, access to resources and skills is limited to a few so human development is low	Fairly low, 12 countries lower	Highest of 62 countries in the study
Uncertainty Avoidance	The extent to which a society relies on social norms, rules, and procedures to alleviate unpredictability of future events. For instance, societies lower in Uncertainty Avoidance tend to be more informal in their interactions with others, rely on the word of others rather than written contracts, less concerned with keeping records or documenting conclusions of meetings, show less resistance to change and more tolerance for breaking rules	Moderate, 31 countries lower including Morocco	Fairly low, 14 countries lower

(House, et al. 2004).

Discussion

1. In what ways did Fatima and Roberts successfully fit their respective cultures together in creating the LDI?
2. In what ways did they fail to adequately address their cultural differences in creating the LDI?
3. After Fatima graduated in December of 2009, how did Roberts' US cultural style help the development of the LDI?
4. How did it hurt the development of the LDI?
5. Using the information in the case and in Table 1, specify how you or your team could more effectively create a student leadership program in Morocco. (Please send your ideas to the author.)

Key Lessons

1. Strive to have a multi-cultural team to lead the work, which is fully aware of the cultural dimensions involved.
2. Be patient and flexible but pursue high standards of performance and integrity.
3. Strive to constantly demonstrate the values and behaviors that you want others to adopt.
4. Strive to see the dimensions of culture that help you as well as those that interfere with your efforts.
5. Constantly strive to see things from the cultural perspectives of those involved rather than only the perspective of your culture.

References

Bass, Bernard and Avolio, Bruce. (1994). *Improving Organizational Effectiveness through Transformational Leadership.* Thousand Oaks: Sage.

Burns, James. (1978). *Leadership*. New York: Harper & Row.

Central Intelligence Agency. (2011). *CIA World Fact Book: Morocco.* Retrieved from http://ciaworldfactbook.us/africa/morocco

Greenleaf, Robert. (1990). *The Servant as Leader.* Westfield, IN: Robert K. Greenleaf Center.

Higher Education Research Institute. (1996). *A social change model of leadership development: Guidebook version III.* College Park, MD: National Clearinghouse for Leadership Programs.

House, R. Hanges, P. Javidian, M. Dorfman, P. Gupta, V. Eds. (2004). *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies.* Thousand Oaks: Sage.

BIOGRAPHY

After receiving a PhD in Sociology from the University of Colorado in Boulder, **Duncan Rinehart** taught in the Presidents Leadership Class, a prestigious student leadership program, and established the Leadership Forum to strengthen leadership skills for mid and upper level administrators at the University. More recently, Dr. Rinehart taught leadership in China and Morocco, serving as an assistant professor of Human Resources Development at Al Akhawayn University in Ifrane, Morocco for five years. During that time Duncan established the first student leadership program in Morocco that was one of only two in the Middle East North Africa region. Dr. Rinehart now lives in Reno, Nevada where he teaches and is active in global leadership development.

Duncan Rinehart
1910 Ives Avenue
Reno, NV 89503 USA
Email: duncanrinehart@msn.com

23

The Intentional Engagement of Informal Leaders in Large-Scale Organization and Culture Change

Larry Peters

Case

This chapter focuses on the intentional engagement of an organization's *informal leaders* in culture change initiatives. These persons sway a lot of influence that can be directed to either support or resist a change effort. The importance of engaging them is underscored by the need to move culture change efforts forward more quickly than can be done by use of only the formal hierarchy. In this chapter I attempt to show the necessity, and the power, of engaging informal leaders in driving change and describe, from a case example, some methods for identifying, inviting and involving them in a large-scale culture-change effort. These ideas should have wide relevance in today's dynamic business world by creating new leverage for leading large-scale change efforts.

Introduction

It's been long known that culture change requires leaders to obtain the support of a critical mass of employees for that change effort to get off the ground. These persons need to do more than support the change effort; they also need to help to lead it as they interact with the people they touch during each work day.

The larger the critical mass, the greater the ratio of supporters and leaders to those who need to come on board. The sooner this critical mass is created, the more likely that the change effort will overcome inertia and not stall. The problem, of course, is where to look for and how to enlist needed support. The most common first group to enlist is the cadre of formal leaders, those in the management hierarchy. Another, often overlooked group of leaders are *informal leaders* – people who may not be a part of the formal hierarchy, but who exert influence nonetheless. I'll first examine the role that formal leaders play and then examine the important role that informal leaders can play if targeted to support a change effort.

Enlisting The Support Of Formal Leaders

We often look first to an organization's hierarchy to identify leaders. Soliciting the support of first line, middle-management, director-level and executive-level leaders is clearly critical to successful change efforts. Not only do we need the support of formal leaders to validate the change effort, but we need them to lead at their level.

Let's look at what this could mean. Formal leaders have authority that gives them the ability to set agendas, direct work efforts, provide performance reviews, and reward effectiveness. To the extent that leaders align these traditional hierarchical leadership roles with a change effort, they help align their people to new goals consistent with the new direction. This is important, but not enough.

Formal leaders also need to "walk the talk" in support of the change effort; to become visible symbols for the change. Followers would be hard pressed to hold back their own efforts in support of change when their direct boss behaves in ways that supports it. In a similar vein, when formal leaders endorse a change agenda, they legitimize it to all who see their support, far beyond their direct reports. In this way they leverage their influence. Finally, when formal leaders embrace the change agenda, they are more likely to lead face-to-face. In this role, they can challenge others to participate in the change effort and confront those who are not behaving consistent with the change agenda, as well as support and reinforce those who pick up the mantle for change.

Clearly, there is a need for formal leaders to play out this set of roles in leading large-scale change. The problem, however, is how long it can take for formal leaders, across the hierarchy, to "get on board" and enact these leadership roles.

In many large businesses, change is cascaded down the hierarchy, from one level to the next. Senior leaders attempt to influence those who report to them who, in turn, attempt to influence those who report to them and so forth. This can be a long, slow process … and one that is built on the metaphor of a chain. It only takes one weak link to break that chain, and in the reality of a business setting, only one weak leader in the hierarchy to lower the likelihood of those below to buy in to and support the change agenda.

What would happen in the chain broke near the top? What would happen if several hierarchical chains were to break? How long can a change leader wait to gain the support of all hierarchical leaders? These are not trivial questions.

In addition, even when formal leaders support the change, their influence is limited to when they come in contact with direct reports, which can be infrequently. Culture change in many ways is like trying to remove a thread from a woven fabric – a formal leader only touches one part of that thread – and everyone else combines to touch the entire length of that thread and, and thus, hold it place. Culture change is difficult exactly because so many touch points diminish the influence of formal leaders. When we see culture change in this light, we can readily see that formal leaders represent only one group who can influence the culture fabric. Others are also needed to reinforce new culture values when they are put to the test.

When we don't see the need for multiple influence touch points, the result will look like the often quoted statistic that from 70 to 80 percent of large-scale change efforts fail. It's a recipe for "Big-Change-Slow," and often translates into no change at all. We need additional ways to create a critical mass by identifying additional sources of influence - not avoiding the management hierarchy, but adding to it.

Big-Change-Fast

If major problems in culture change efforts stem from weak links in the chain of command and slow change processes, then we need a new mindset that starts with the goal of "Big-Change-Fast." There are pragmatic business reasons that suggest that large-scale change efforts need to be faster than previously considered possible. The business environment is swirling too fast to accept any change goal that isn't yoked to a short timeline. Slower change efforts, even if successful, may miss taking advantage of opportunities as well as avoiding threats. Thus, we need to learn how to lead change inside our organizations at the speed of change outside of them.

Once we have a mind-set that puts change strategy on a short time line, we need to consider additional approaches beyond, and in addition to, reliance on the formal hierarchy. We will always need to engage the formal leaders in change efforts. When we attempt to accelerate change, however, we need to look beyond formal leaders and consider additional avenues that would compliment formal leadership and move faster than the hierarchy is capable of moving with less risk of being stopped by weak links.

Over the past two decades, we have seen use of a variety of change accelerators. They help address the speed issue by creating non-orthodox approaches to getting to solutions without relying on the mechanics of formal organizations and everyday ways of doing business. For example, large group interventions (e.g., Future Search Conference, Real Time

Strategic Change, AI Summit), learning interventions (e.g., use of a tool called Learning Maps), and a variety of ad hoc improvement team methods (e.g., GE's Work Out or IBMs ACT processes) are now commonly used in efforts to create Big-Change-Fast. As an example, I have been part of several large group interventions where from 64 to 124 persons, representing microcosms of their organizations, had the opportunity to consider and address a real problem or opportunity in a 3-day period. The assembled group is provided with information, given the opportunity to share their views, and invited to consider those of others. They often learn that they share a picture of what a good solution or vision would look like. More than that, these interventions often result in an actionable plan toward that shared solution or vision, and because they had a role in creating that plan, they have a higher level of commitment to contribute to its successful implementation. Importantly, these same problems would have taken several months, at best, to address had more traditional change methodologies been employed.

Another way to accelerate a change effort is to identify additional groups of people who can contribute to the critical mass needed to move the change effort forward. When we accept the fact that speed has to be part of a culture change challenge, we have the opportunity to rethink how to obtain a critical mass of leaders. Clearly, we want to engage the hierarchy. Clearly, in order to add speed to the change process, we need to engage more than the hierarchy in an intentional fashion. The suggestion here is to identify those persons who already lead and attempt to align these informal leaders in support of the change agenda. Thus, I am suggesting that change leaders create an intentional strategy to engage informal leaders.

Enlisting the Support of Informal Leaders

Informal leaders exist in all organizations, and they exert influence in a variety of ways that are important to change initiatives. Like formal leaders, they can legitimize the change agenda, model the change, challenge people to get on board, confront those who resist, and reward those whose efforts move the change agenda forward … or not. The important conclusion, then, is that informal leaders will impact those who follow them to support or resist the change effort. The important question for change leaders is whether they are intentionally attempting to engage the support of these informal leaders.

While it was Malcolm Gladwell who popularized what happens when an innovation "tips," it was Everett Rogers who explained how this tipping phenomenon occurs. Rogers laid the conceptual foundation for the importance of informal leaders in his research on the diffusion of innovation. Rogers studied all kinds of innovation and discovered a characteristic pattern to explain when innovation takes root and what is necessary for it to "tip." He found that about 84 percent of any population is unlikely to change its behavior solely based on arguments of merit, or data, or training, or communication campaigns. Rather, innovation didn't begin to spread until highly credible informal leaders, people whom Rogers called early adopters, embraced the new idea. When that happened, others would begin to try the new behavior (or process or tool or technology or …) and inertia would be overcome as the early majority fell in line. In Gladwell's terms, it would tip, and eventually, a later majority would follow suit and innovation would not only have taken root, it often would flourish.

The same is true in organizational change efforts. In many organizations, there seems to be a conspiracy against taking up the cause for change or working to implement it. Corporate culture is often the named culprit here, where people push back collectively against innovations. In this type of business environment, the forces of inertia run high and getting the change to tip simply requires more than reliance on formal leaders and hierarchy. Informal leaders, however, can play an important role precisely because they are not in the hierarchy. Their presence can be felt in the meeting room and the lunch room, in formal meetings and informal gatherings. Informal leaders, those with credibility and who engender trust, have impact on the change effort because they have no vested interest (like a formal leader would have) in the change outcome. When they support the change effort, therefore, their endorsement carries real meaning to those who look up to them; those who follow their lead.

Case Example

When Jim Holt (fictitious name) was named company president of a large defense contractor, all visible business indicators pointed to a positive future. As the former vice president of the company's largest product line, Holt was aware of a far different reality. Their voluminous business backlog was shrinking rapidly, and there were no firm new orders in the pipeline. This was not surprising, given that the previous owners' corporate strategy had been to "milk the backlog" and spend as little as possible on infrastructure or growing the business.

Shortly before Holt assumed the presidency, a government contract competition was announced for a new product line that was critical to the company's future. He knew that if the company failed to win this competition, all he would preside over, at best, was becoming a subcontractor to the winning company or, at worst, the organization's demise. In the coming months, Holt and his senior staff would try to sell a message to the work force that changing the culture was a critical variable in both winning new business in a price-conscious international marketplace, and more importantly, in winning a federal contract that could secure their future deep into the first half of the 21st century.

Holt began attacking the problem like the good leader he was -- systematically. Over a period of months, he and his senior staff defined clearly the kinds of behaviors that were choking innovation. Advised by internal and external consultants, they went through a process of interviewing employees and documenting stories that helped them see how their culture affected their ability to meet their business challenges. At the end of this exploration, they had a clear idea of the culture that would help them meet their business challenges and win the federal contract competition.

Holt and his senior staff had a clear and measurable goal, a sound way of measuring change, incentive pay tied to executive team success, and a robust plan that included cascading the culture change methodically down the chain of command. After months of deliberating, Holt announced, with great fanfare, the beginning of the new culture change initiative.

And nothing happened.

Well, actually, committees were formed to drive change initiatives forward, lots of meetings were held, presentations were made, surveys were conducted, and easy, low-impact, employee-friendly changes were made. But, survey scores and anecdotal evidence showed that nothing of substance was happening … if one doesn't count an increase in cynicism because nothing of substance was changing. Holt began to wonder if the culture change effort would share the fate of prior unsuccessful organizational innovations.

Holt was comfortable with using a traditional top-down approach for managing and did the same for cascading the change down and through the organization. He made an enormous effort to communicate the need for change and the change strategy to the two levels immediately below the senior staff in monthly "briefings." He demanded progress reports, held review meetings and even promised to remove those who weren't on board. Unfortunately, the president spent most of his time on the road in a high-level sales role. That left a lot of time for nothing to happen!

It soon became painfully clear that there was a lack of grassroots support for the change effort. The prior culture was deeply entrenched and the hierarchical "cascade" approach to leading change was met with little more than perfunctory compliance.

Finding Leverage For Change. It was at this point, and in response to consultants' suggestions, that the leadership team began to look for leverage in an entirely different way. To find a way around the bulkhead of resistance and, therefore, to speed up the change effort, they focused on the informal influence network and informal leaders. Because the group of informal leaders was likely to have many divergent social ties and be linked to multiple informal networks, the consultants suggested that the senior team focus on and attempt to enlist the support from about 500 or so informal leaders. We argued that if these 500 or so leaders were engaged, they would be a key to gaining more rapid support of the remaining 13,000+ employees. To the senior team, this was a breakthrough idea. Influencing 500 people seemed a much more doable task than attempting to influence the 13,000+ had been!

Informal leaders were identified in a rather straightforward way – by asking survey respondents to identify up to three trustworthy people whom they most respected. After some tabulation, a list of persons whose names were mentioned frequently was created. This proved to be an easy and reliable identification method. The names were given to willing Vice Presidents who agreed to pilot an "Informal Leader Engagement Strategy."

One such person, Joseph Hunt (fictitious name), the successor to the president's previous job as vice-president of the largest product line, was the first to engage informal leaders. Hunt met with groups of 50-100 informal leaders in 2-hour orientation sessions. His first step was to help them understand the role they already play as informal leaders. During these two hours Hunt made his business case for change. He helped informal Leaders see how past behavior had cost — and in the future could kill — the company. He told them how their peers had identified them and described potential roles they could play in supporting the change. Hunt made it clear that their involvement would be voluntary. They were not being asked to be management cronies, but rather to be independent partners in change. He pledged to support their efforts and offered to be a good role model for the change effort. At the conclusion of each session, he asked for interested persons to volunteer to attend a follow-up meeting where they would work together to define ways to partner in creating change in his part of the organization.

The follow-up meeting was critical. It allowed this group in informal leaders to dialogue with Hunt about the need for cultural change, to push back at what they didn't agree with, to hear first-hand examples of how the culture had harmed everyone, and to identify and discuss critical issues that needed to be attacked. Informal leaders initially served as advisors to Hunt in reviewing culture change strategies, and as conduits of meaning and intent to the rest of the organization, by helping others understand more than any official communication could ever explain about these strategies. For example, senior business leaders were in the process of making what would have been a very controversial decision about pay policies. As rumors leaked out, employee reactions were quick and negative. When Hunt first learned about this, he started to meet with groups of his informal leaders to discuss this subject. In these sessions Hunt shared the business problem, the proposed solution, and the inevitable tradeoffs being faced in any solution set. These dialogues created change all around the table. Based on input from the informal leaders, executives tweaked their pay policy plans, and informal leaders, by seeing the positive intent of senior leaders and appreciating the complexity of the issues, changed their opinions. While the company emerged with a better plan, it also emerged with a hundred or so highly credible, "in-the-trenches" leaders who helped explain reasons and issues more deeply than the senior staff could ever hope to in an audience of thousands of cynical people. This leadership lever seemed to be working.

Roles that Informal Leaders Can Play. While informal leaders began in this advisor/conduit role, many seized different leadership opportunities. Some helped formal leaders teach skills to their peers that supported the culture change goals. Some were asked to give feedback on proposed decisions and actions. Others helped lead improvement efforts through 6-sigma events. Yet others volunteered to serve on teams that focused on aligning HR systems and practices with the new culture.

The most important impact of informal leaders, however, is not in the headlines; it is in the cafeteria lines. Informal leaders reach into every conversation, every meeting and every decision made in an organization. The question is whether they are influencing these interactions positively or negatively? For example, one informal leader told me that in meetings, people would "go off" on senior management any time someone mentioned the change effort. She said she would stop the conversation and engage the people in a brief conversation about whether the negative comments were justified, and would provide new data or provide insight or lend her support to company leaders in ways that had the people in her meeting reconsider their prior opinions. She led, face-to-face, in the very circumstances that formal leaders might not even be present. In this role, informal leaders are disruptors of the habitual ways that people think about their company and the change effort. They add a new voice to the conversations, and, as a result, help to change the stories that lock those thought patterns in place.

The Impact? Beyond anecdotes, it is always hard to disentangle cause-and-effect in large-scale organizational change efforts. This case is no different. A large number of discrete change initiatives were implemented in cascading and overlapping ways throughout this organization.

What can be done is examine data that speak to all change efforts and see if results are consistent with the timing of particular interventions. In this case, the regular survey results provide some insight into the impact of this change strategy. Survey results over the first year and half of the change initiative indicated no meaningful change in any relevant metric. This changed at the fifth survey administration, which occurred nearly two years after the change effort began. We found statistically significant ($p < .001$) and meaningful shifts in survey results consistent with the timing of the informal leader engagement strategy. It was during the last nine-month period prior to this survey that most activities involving informal leaders (orientations, follow-up meetings, review panels, feedback sessions, improvement events, etc.) were being held. Further, the informal leader engagement strategy was being implemented in two of the largest professional areas within the company, along with several smaller areas. In effect, this strategy touched over 70% of the workforce by the final survey administration, and if informal leaders do make a difference, their impact should have started to be seen by then. In fact, the survey results demonstrated that measurable progress only began on the heels of serious work to engage informal leaders.

Summary

Leaders begin culture change efforts, but it is the informal organization that ultimately determines their success or failure. In this chapter, I have attempted to show the necessity, and the power, of engaging informal leaders in driving change. I've also described some methods for identifying, inviting and involving informal leaders in one kind of change (culture change), and provided some support for the effectiveness of this approach. Given that all change initiatives ultimately comes down to human change, I suggest that these ideas have wide relevance in today's rapidly changing, dynamic business world by creating new leverage for leading large-scale culture change efforts.

Discussion

1. Companies need to involve their formal, hierarchical leaders in support of change. What roles do these formal leaders play in leading change?
2. What are the limitations of relying on formal leaders in leading culture change efforts?
3. Why are change accelerators useful processes in large-scale change efforts?
4. What is an informal leader and why does it make sense to intentionally pursue these leaders, given that they are not necessarily part of the management hierarchy?
5. How can informal leaders influence change?
6. How can change leaders invite informal leaders in the service of a change initiative?

Key Lessons

1. Relying only on formal leaders is risky in large-scale change efforts.
2. Formal leaders cannot touch others frequently enough to create momentum in culture change efforts – other sources of leadership need to supplement hierarchical leadership.
3. Large-scale change efforts have a bad report-card, in part because they are designed in ways that take too long.
4. Change accelerators can shorten the time required for large-scale change, increasing the likelihood of successful change initiatives.
5. Informal leaders are found in all organizations and they exert influence that can support or oppose a change initiative.
6. Change leaders can harness the power of informal leaders by developing an intentional strategy to engage them and solicit their support.

References

Gladwell, M. *The Tipping Point.* Boston, MA: Back Bay Books, 2002.
Rogers, E. *The Diffusion of Innovation.* Glencoe, IL: Free Press, 1995.

BIOGRAPHY

Larry Peters is Professor of Management and Leadership Development in the Neeley School of Business at Texas Christian University. He received his Ph.D. in Industrial/Organizational Psychology from Purdue University in 1975. Dr. Peters teaches MBA, PMBA and Executive MBA courses in organizational effectiveness, leadership and change, and consulting.

Dr. Peters has been the recipient of four university-level awards for teaching excellence. He has published over 60 papers in leading journals and books, co-authored two books, and was Senior Editor of the first edition of the *Encyclopedic Dictionary of Human Resource Management*. His research has been funded by the National Science Foundation, the U.S. Air Force, and several major business organizations. Recent papers have been published in Best Practices books, and he has a chapter on evaluating leadership development efforts that was recently published in a book by the Center for Creative Leadership. His current work and writing is on how to help assure that the promise of training and development are realized in the work setting. He was a nominee for the *Chancellor's Award for Distinguished Research* at Texas Christian University and was voted to Fellow status in both the Society for Industrial and Organizational Psychology in 1992 and American Psychological Society in 1993 for career contributions to scholarship.

Over his career, he has been active in the Academy of Management, where he has been elected to a number of leadership roles. He served on the executive committees of the Organizational Behavior, Human Resources, and Research Methods Divisions.

BIOGRAPHY

Professionally, Dr. Peters is founder and *President of LH Peters & Associates, LLC.* He has provided consulting, custom training design, training, meeting design, facilitation, and applied research services to business, non-profit and government organizations. He has worked extensively in the organizational development and change areas. Clients have included Alcon Laboratories, Alliance Data, Bell Helicopter, Ben E. Keith Foods, First Command Financial, Ford Motor Company, Johnson & Johnson, Lockheed Martin Aeronautics, Lockheed Martin Missiles and Fire Control, McNeil Nutritionals, McNeil Consumer Healthcare, NASA, Nestle, Inc., Sabre Holdings, Sun MicroSystems & TTI.

Larry Peters
Professor of Management & Leadership Development
Neeley School of Business
Texas Christian University
Fort Worth, TX 76109
Tel. 817-257-7538
Email: l.peters@tcu.edu

24

A Tale of Two Institutions with Different Cultures: Leading Change in Higher Education

William Lightfoot

Case

Globalization, the Internet, and technological innovation have challenged organizations from all industries to adapt or become obsolete. Management's role today includes leading in times of uncertainty, rallying the organization to pursue a future ideal state that may be difficult - but not impossible - to achieve. This case explores two institutions of higher education that have faced obsolescence. It discusses how their leadership effectively used Kotter's 8 stages of Leading Change (1995), as well as the accreditation process to rapidly create an organizational culture that embraced change, enabling both growth and improvements in quality.

Introduction

After 4 years, Martin Jones and his partner, Jameson Smith had a great deal to be thankful for. The private college they had acquired under duress had gone through what an auditor for a leading accrediting body called a 'miracle'. When Jones and Smith assumed ownership of the college, it was literally within weeks of failure. The founding partnership was unraveling in the face of growing financial and legal issues. Perhaps even more critically, students were transferring out at an alarming rate. With a staff of just 5 administrators, and 3 full time faculty when they acquired the College, Jones and Smith were not quite sure who got the best deal.

As a small institution scrambling to survive, located in a multicultural community with heavy Latin influences, the small staff were used to doing whatever they needed to keep the institution open. As Jones and Smith noted about a year after taking over, the culture was an interesting blend of formal rules, largely dictated by the academic accreditation process, and informal practice, largely based on the need to survive. This led to very questionable practices related to admissions and the awarding of degrees. It appeared – based on the stories of long time employees, and selected documents from various meetings that the need for tuition revenue largely dictated practice at the institution. Jones and Smith knew that to turn the school around, and to ultimately position it for sale to a larger corporation, they needed a new culture based on sound and ethical practice that reinforced the legitimacy of the degrees, and ultimately the brand.

About the same time that Jones and Smith were reflecting on their miraculous turnaround, Sandy Craigswell was looking at the progress her team had made in creating a new vision/mission for a 157 year old non-profit University that was struggling to compete in an ever crowded educational marketplace. Building on the backs of her successors, Dr. Craigswell had assumed leadership at an interesting point in the Universities history: her immediate predecessor had helped revitalize the school during her 15 year tenure, through effective fund raising, and through passive support of an adult degree program. She (the predecessor) had also spent most of the raised funds on new dorms and classrooms to support the small, but historically important music, and art programs. Given the history of the University and its ties to the local community, as well as the robust economy at the time, raising the funds was relatively easy, but the dorms and classrooms did little to support either growth or quality initiatives for other degree programs.

When Dr. Craigswell arrived, her biggest challenges were in shifting resources to support high demand programs, while maintaining the reputation of the institution, and its historic campus. She also faced the challenge of an entrenched culture – one that had focused on an almost surreal desire for collegiality, conflict avoidance, and strict adherence to policy. This manifested itself in a number of ways – from an aversion to take on additional debt that might support revitalizing facilities, and expanding academic programs, to an almost religious adherence to doing only the work expected, in the time frame required such that most employees were quite content to simply obey their managers orders and to simply work from 9 to 5, with little extra effort to create new programs, or try out new ideas. People were friendly enough – the school would rate high on the sociability scale (Goffee and Jones, 1998); however decision making and initiative were largely made independent of any common strategy and people often spoke about the 'silos' that existed between the different academic and non academic units on campus.

Kotter's 8 Stages of Leading Change

Leading change is now synonymous with managing an organization. In presenting his conceptual framework, Beer wrote (1988), "international competition and deregulation have forced corporations to seek and adopt more effective approaches to management, strategic planning, marketing, and manufacturing." (p. 1) Beer proposed that the amount of change was equal to the amount of dissatisfaction multiplied by the business model, and process for managing the change, and that it had to be seen as being greater than the cost of change. (Beer, p. 1) He further emphasized that for change to take place, the management had to be dissatisfied with the status quo - to the degree that the organization had begun to lose confidence in itself. Kotter (1995) built on Beer's (1988) work studying a number of different companies that led to his 8 stages of Leading Change. (*Table 1*)

Table 1: **Kotter's 8 Stages of Leading Change**

Stages	Actions Needed
1. Create a Sense of Urgency	• Examine market and competitive realities for potential crises and untapped opportunities • Convince at least 75% of your managers that the status quo is more dangerous than the unknown
2. Develop a Guiding Coalition	• Assemble a group with shared commitment and enough power to lead the change effort • Encourage them to work as team outside the normal hierarchy
3. Develop a Vision for Change	• Create a vision to direct the change effort • Develop strategies of realizing that vision
4. Communicate the Vision	• Use every vehicle possible to communicate the new vision and strategies for achieving it • Teach new behaviors by the example of the guiding coalition
5. Empower broad-based action	• Remove or alter systems or structures undermining the vision • Encourage risk taking and nontraditional ideas, activities, and actions
6. Generate short-term wins	• Define and engineer visible performance improvements • Recognize and reward employees contributing to those improvements
7. Don't let up	• Use increased credibility from early wins to change systems, structures, and policies undermining the vision • Hire, promote, and develop employees who can implement the vision • Reinvigorate the change process with new projects and change agents
8. Make it stick in the organizational culture	• Articulate connections between new behaviors and corporate success • Create leadership development and succession plans consistent with the new approach.

1. See http://www.kotterinternational.com/KotterPrinciples/ChangeSteps.aspx retrieved Feb 25, 2011

The Tale of Two Institutions

Kotter (1995) insists that there is a sequence to leading change and it starts with creating a sense of urgency, based on identifying crisis and opportunities in the markets an organization serves. In higher education perhaps the greatest challenge is in applying business management concepts to an academic environment. Administrators deal with the daily financial challenges - whereas faculty often do not. While faculty are often aware of, and frustrated by the financial situation of the institution, they may not have the background or experience or be fully involved in the decision making process to understand why certain decisions have been made. Getting faculty to have a sense of urgency that serves as a catalyst for change can be difficult in an environment where people are used to persistent financial challenges. Many businesses face the same challenge.

The College

When Jones and Smith took over the College, the reality of their situation was so compelling that creating a sense of urgency was not an issue. The real issue was in getting the right leadership team on board who would embrace an uncertain future long enough to help the organization become financially sustainable. They were fortunate to find two people who joined them on the executive committee of the College to form a guiding coalition. With this guiding coalition in place, the challenge became crafting a vision that (1) redefined the college as a viable academic institution; (2) attracted students and faculty; (3) generated sufficient cash flow so as to be interesting to potential buyers; (4) created a communal culture (ideally) where both solidarity in pursuit of vision, and sociability in the sense that everyone liked working for the school were equally present.

One critical short term challenge faced by the guiding coalition was the immediate need to perform a self study for the Colleges accrediting body. The change in ownership triggered the need for the self study automatically. This turned out to be an excellent process that unified the team, and helped the executive team methodically review, revise, and in many cases, replace policies and procedures that either weren't enforced, or that had been developed based on internal needs, rather than external best practice. The process of working together served as the basis for developing a new culture – one that valued the people, but also focused on realizing the vision.

As the executive team came together as a guiding coalition, they began to look for short term opportunities that would help the entire team embrace the changes needed. The executive responsible for graduate education and the President met with community members, and adjunct faculty asking for their support. Four major initiatives came together as a result of these meetings that served to lay the groundwork for the 'miraculous' turnaround:

1. One of the master's degree programs earned position #99 on a top 100 ranking list by one of the leading publishers of graduate program rankings.
2. A graduate student – with the support of faculty, developed a community based mentoring program.
3. An undergraduate student – again with the support of faculty, established an annual conference that attracted as many as 400 community leaders, faculty, and students from around the world to the Colleges campus.
4. The culmination of all of the change efforts by the College was when the College received one of the top global accreditations for its graduate programs. This - coupled with the ranking – literally put the College on the global map for higher education.

These initiatives, which began in year one, and carried through to year three, helped keep the College stakeholders focused on change, while also providing periodic reasons to celebrate success. They were also done based on the backs of a focus on continuous improvement, with the accreditation processes serving as the catalyst for change. And while Jones and Smith had desired a communal culture based on sociability and solidarity, certain decisions, and new faculty and staff had shifted the focus to one of solidarity.

The University

Dr. Craigswell's situation was a bit different. Building on the legacy of an historic institution, as well as assuming responsibility for a fully functioning organization can lead to complacency, and a lack of urgency. And despite warnings from Wall Street about economic bubbles, as well as projections of a decline in the number of traditionally aged students, most of the team at the University had little reason to be concerned about the future - of the institutions, or of their position within the institution. As noted previously, the culture was one of complacency, of obedience, and of risk aversion, with people largely content to work within their silo.

During the first three years of her Presidency, Craigswell had led the development of a new vision, and had worked hard to secure the support of the trustees. However, a lack of urgency amongst the general University faculty and staff delayed any significant implementation, and led to a growing amount of confusion and dissatisfaction with the leadership, as many did not see the purpose for a new vision. A new Chief Financial Officer, Provost, and 2 new Deans, coupled with a recessionary economy and the three year accreditation self study process served to bring a sense of urgency to the University that helped (1) redefine the vision and mission; and (2) flesh out the details of a strategic plan that provided more guidance and support for broader initiatives across all departments in the University. Craigswell also charged the academic Dean's with the responsibility for restructuring the University in support of its vision.

Building momentum for change at a University can be a great deal more challenging than that faced at a smaller College. The University – with its 4 academic divisions, 157 year history, and strong identity linked to past performance – required a longer term process of active effort based on patience, and persistence on the part of the President, and her team. Through the focus on accreditation, the guiding coalition was challenged to get the entire faculty and staff on board to insure reaffirmation. This served as a perfect mechanism to both generate ideas, and to ensure that most stakeholders had an opportunity to participate in the change initiatives. This also was the start of a transformation of the culture to one of solidarity, and sociability – a communal culture – whereby people enjoyed working with each other while also united in the pursuit of a common vision, and set of goals.

Like the College, several key initiatives served to provide the University community with early momentum that has helped keep the focus on implanting the change:

1. A widely applauded major revision of the general education curriculum centered around three pillars, consistent with the mission was implemented in the second and third year of President Craigswell's time at the University.
2. The University continuously increased its position in one of the most highly used rankings – moving up over 25 places over a 3 year period into the top tier of its category.
3. Despite a difficult economy, overall enrollment continued to increase each year helping to offset financial losses due to endowment funds being under water, and limiting layoffs to one relatively small one in the fourth year of the President's time at the University.

4. Receiving high marks on the reaffirmation of its accreditation, and being cited as a model for developing a continuous improvement plan related to student learning outcomes was extremely well received by the University community.
5. Finally, the University was identified as one of the top 10 places to work by the leading academic publication, which was a clear sign that the employees – despite all of the change were quite satisfied with the University.

Many important, discipline specific successes were also realized during this time frame that with the support of an excellent communications team, helped employees and stakeholders recognize that positive change was taking place at the University. The balance between change, and maintenance of a work environment that was supportive of its employees is a difficult one to achieve; having assembled a strong team committed to helping to realize the Universities vision, while gaining valuable experience in working together in the pursuit of a common goal (in this case, reaffirmation of accreditation) was exactly what was needed to begin the process of cultural change.

Discussion and Lessons in Changing Culture

Despite different circumstances, the College and University both faced a need to change. In the case of the College, with a small staff, and a recent history marred by questionable academic practice, Jones and Smith had little to lose in pursuing a higher vision for the College. Few institutional barriers, and even fewer long term faculty and staff enabled the leadership to essentially recreate the College based on a shared vision, and the pursuit of common goals. Dr. Craigswell, on the other hand, faced a different situation entirely: an historic University, with many contented employees who were somewhat oblivious to the change going on outside of the instution, and needed to find a way to engage the employees in the process of change while still trying to maintain a sociable work environment. Two key factors highlight how both Jones and Smith, and Dr. Craigswell implemented the process of cultural change in their organizations to the overall improvement of their people, and institutions.

The Critical Role of Accreditation

The most important aspect to enabling cultural change, and movement in the direction of the institutional vision was accreditation. During the timeframes in this case, both the College and University faced accreditation reaffirmation. In the case of the College, the reaffirmation was triggered by the change in institutional ownership. The Universities reaffirmation of accreditation process was based on a 10 year cycle of reaffirmation mandated by the accrediting agency The timing of the accreditation – in both cases – was critical as it further defined the sense of urgency as not just an external, market based urgency, but instead, one that per accreditation standards, required involvement of all faculty, and staff. A failure to be reaffirmed meant a loss of financial support - through the combination of lost tuition dollars due to a declining enrollment, and in the worst case, a loss of federal financial aid that supported students tuition. For the University, this would be a death blow; for the College, it would be one big step closer to closure.

On a pragmatic level, the accreditation process - which in both cases took place over four years, led to the adoption of a philosophy of continuous improvement. By first focusing on the current state of the organization from enrollment management practices to the awarding of degrees, and by engaging and empowering all faculty and staff to analyze the data together, the College and the University were able to uncover areas of excellence - and recognize people for their strengths, while also identifying opportunities for improvement. Once current state was locked down, then the vision and mission could be further defined, setting in motion a process for articulating specific goals – from enrollment to quality improvements – that could be supported financially, and through a reallocation of resources (including faculty).

Selecting the Right People

The biggest challenge toward sustaining cultural change lies in the people who are responsible for making it stick. The University was careful in hiring new leadership that shared a common set of values - values of commitment, work ethic, and drive, but also of collegiality, and interdisciplinary focus. The College on the other hand, hired opportunistically - if a person seemed to bring some new capabilities to the College which Jones and Smith thought would somehow strengthen the value of the College - they would often hire them - even if there were concerns about their ability to work collaboratively, and in a collegial manner. And while they were not afraid of firing anyone, they would not do so if the person contributed to the financial growth of the organization. This ultimately led to a culture defined more by solidarity – pursuit of a common vision, and set of goals – as opposed to one of sociability.

Craigswell too had her issues with leadership but was able to overcome this by creating a strong enough coalition of new and old employees to overcome any significant obstacles. Leadership that was not on board with the new vision either left the University, were marginalized in their roles and responsibilities, or got on board with the coalition as they saw the change initiative picking up steam. An experiment in changing the academic structure was abandoned after two years, as it led to too much autonomy for the colleges and not enough strong representation on the executive council of the University. Rather than pulling together toward a common set of goals, the experimental structure often led to the colleges competing with one another without apparent linkages to the mission or strategic plan. New executive leadership was brought in to help ensure thoughtful deliberation, and longer term planning became a core part of the academic leadership's operational processes.

Jones and Smith ultimately fulfilled their primary goal of rebuilding the College, and selling it. Unfortunately their decision to retain people based on financial concerns, may have led to an erosion of their image based on quality, which led to a sales price that was lower than desired. While the College's brand and quality of instruction had improved dramatically, a final push to secure the highest accreditation possibly failed due to financially motivated decisions that led to questionable educational practices in a specific academic program.

Overall, a College that a decade ago was on the verge of closing is now part of a large, global education group with a strong leadership team. And a University that could have succumbed to its own culture based on being a nice place to work, but with little sense of urgency, or solidarity has begun a transformation that should set it up well to realize its longer term vision of raising its stature.

Summary

Globalization, and the Internet coupled with rapid changes in technology across many industries have created a scenario in which the need for change is compelling – management today is about managing and leading change. This is as true in Higher Education as it is in business. Colleges and Universities of all sizes, and incorporation status face financial challenges, as well as persistent questions about the value they add, and the quality of the programs they deliver. This challenges institutions to continuously adapt their education models or run the risk of becoming obsolete.

To remain viable, institutions of all sizes and business models need a team of committed individuals who embrace a compelling vision to lead cultural change within an organization. Change in and of itself may not lead to desirable outcomes. Change based on an understanding of the market, and of challenges and opportunities that the organization faces as a result can. In the education industry, using the accreditation process can help an organization develop a greater sense of organizational urgency and commitment. By its nature, the process of renewal that comes as a result of the accreditation process accelerates the process of change, and challenges faculty and staff to embrace a new culture derived from its mission.

Businesses can also use processes similar to the accreditation process. Standards bodies such as the International Standards Organization and their ISO family of standards are considered an 'international consensus on good quality management practices'. (International Organization for Standardization, 2011) Companies that decide to pursue certification for successfully implementing standards such as ISO 9000 can use it like the accreditation process to get their employees engaged in the process of change.

Using Kotter's' 8 stages (1995), motivated by external accreditation can provide the tools and framework that enables leaders to empower their employees, securing commitment to change. Finally, selecting the right people – based on values that fit with the organizational culture – will help ensure that the change is sustained.

Discussion

1. Based on what you have learned and know about organization culture and the impact it has on performance, behavior, and attitudes, discuss the present cultures of the two colleges and the likely challenges each will face in changing their cultures.
2. Discuss the desired cultural changes that will need to occur for each college to succeed.
3. Using Kotter's 8 stages of change model as a frame of reference, evaluate the strengths and weaknesses of the strategy each college took for changing their organization and culture.
4. What are some key things you have learned that top level leaders need to know and do to successfully transform organizations and change culture?
5. What are common mistakes leaders make in trying to transform organizations and change culture?

6. What conditions are likely to accelerate culture change and what conditions are likely to inhibit culture change?

Key Lessons

1. Always use vision, mission, core values, and desired cultural ideals as a guide in making significant decisions and changes.
2. Creating a vision is never enough to motivate change. A sense of urgency that impacts the majority of people is critical to getting people committed to change.
3. Not everybody needs to be on board with change as long as key players are committed to the change. Those who are not on board with changes become obvious as they fight to keep the old policies and practices in place.
4. External factors (such as economic conditions, accreditation reaffirmation, rankings, etc.) can be a lever for motivating changes in organizations and cultures.
5. Recognize the short-term wins and accomplishments of the individuals AND the team as commitment is secured, and improvement is realized.
6. Cultural change is always a people thing. People can actively or passively support or prevent change. Getting the right people involved at the right time can help initiate and sustain change.

References

Beer, M. (1988, January 7). Leading Change. *Harvard Business Review* , retrieved from http://cb.hbsp.harvard.edu/cb/web/he/product_view.seam?R=488037-HCB-ENG&T=EC&C=PRODUCT_DETAIL&CS=510caf6b5d5e2da1dfd3c6f7789923ff.

Goffee, R. & Jones, G. (1998). *The Character of a Corporation: How Your Company's Culutre Can Make or Break Your Business. 1st Edition*. New York: HarperBusiness.

International Organization for Standardization. (2011, October 2). *ISO 9000 Essentials.* Retrieved October 2, 2011, from International Standards for Business, Government and Society: http://www.iso.org/iso/iso_9000_essentials

Kotter, J. (1995, March-April). Leading Change. Why Transformations Fail. *Harvard Business Review* , pp. 59-67.

BIOGRAPHY

Dr. William S. Lightfoot has over 30 years of experience in family run businesses, new ventures, global corporations and higher education. He has lived and worked in North America and Europe, and frequently travels to Asia, Central America and the Middle East. In most organizations, he has typically served in a role as a catalyst of change, typically in turnaround situations where previous results have plateaued or declined, and the future is uncertain. Having taught students from over 80 countries, Dr. Lightfoot has served as an advisor to SCILS Management Training Center in Helsinki, Finland, The Learning Center in Guatemala City, Guatemala. He is also on the board of eXela Ventures – a social venture which connects students with entrepreneurs in developing countries, the Georgia Mountain Food Bank, and Full Media – an Internet marketing firm. He has a BSEE from Bucknell University, an MBA from the Kenan-Flagler School of Business at the University of North Carolina-Chapel Hill, and a PH. D. in Organization and Management from Capella University. He and his wife have two daughters and three cats.

William S. Lightfoot
Brenau University
500 Washington Street SE, Gainesville, GA 30501, USA
Email: wslightfoot@gmail.com

25

Anatomy of A Merger: Lessons in Culture Change from the Merger of the Medical University of Ohio and the University of Toledo

Cynthia H. Pepper

Case

In 2006, the Medical University of Ohio merged with the University of Toledo, bringing together two institutions with distinctly different internal cultures as well as different missions, different histories, and a series of different leadership styles. This case study focuses on the challenges faced in uniting these institutional cultures, ultimately building a stronger university capable of seizing increased opportunity for students and community economic development while assuaging the fears of employees at both institutions. This case furthermore explores the impact and importance of adapting leadership styles at different points along the cultural change continuum to engage the boards of trustees, the Ohio state legislature, state educational leadership, the faculty, administrators, students and communities to make this happen.

The culture of an institution consists of the symbols, communication styles and strategies, nonverbal cues, data dissemination strategies and other leadership behaviors which constitute norms throughout the entire institution. Ultimately, the definition of culture employed by the president of the combined institution in previous writings was that culture is comprised of the "sum total of utterances, gestures, and nonverbal communications of the entire institution."

The historic, unanimous, bipartisan vote of the state of Ohio legislature to combine these institutions was the culmination of political strategy and leadership, but was the beginning of the real cultural integration work, the bringing together into one united whole two cultures whose utterances and cues were entirely different.

Introduction

Something as complex as a merger between two of the most challenging types of institutions on earth requires someone at the helm understands the culture differences, appreciates them, and is willing and able to their flex leadership style to meet the different needs of participants from different groups at different times. It needs someone who can adapt to the multiple on-the-ground situations encountered, but even more importantly, to the reactions to the daily operational issues which exemplify the deep-seated cultures of the institutions.

Situational leadership is the concept that "effective leadership is task-relevant and that the most successful leaders are those that adapt their leadership style to the professional and intellectual maturity of the individual or group they are attempting to lead and influence. That effective leadership varies, not only with the person or group that is being influenced, but it will also depend on the task, job or function that needs to be accomplished." In this instance, task-relevance had a tremendous amount to do with understanding the very different culture of the two institutions and the deep-seated assumptions inherent in the everyday behaviors and utterances of those who comprised the two separate institutions.

The story of the 2006 merger of the Medical University of Ohio and the University of Toledo provides evidence of the need for situational leadership skills in the merger of two cultures. The happy ending was possible because a person emerged to lead the transition from two institutions with their separate cultures, unions, regulations, foundations, grants, accreditations, students, alumni, employees, reputations, and infrastructures into one larger, stronger, academically deeper, scientifically richer, more prestigious, more influential institution.

History of the Institutions

The differences between the Medical College of Ohio (MCO), later renamed the Medical University of Ohio (MUO), and the University of Toledo (UT) were evident from the beginning and throughout their individual histories. MUO began its life as a state institution, with a state name, born through state legislation in 1964. It had a rich tradition as an excellent medical school, research institution, and health center. It had seen the comings and goings of several presidents in recent years, culminating with the selection of Dr. Lloyd Jacobs, a vascular surgeon by training with an entrepreneurial approach to leadership that reflected the fast-paced culture of the College. MUO had a high risk tolerance, a bias to action, fast operational cycle times, and independent faculty.

The University of Toledo, conversely, began in 1872 as a city-owned school with a city-based name, a multi-faceted undergraduate and graduate institution which, by 2005, was part of the system of state universities in Ohio. The University of Toledo had seen its enrollment decline during the tenure of its own series of several presidents, and, like MCO, brought in a new leader to restore equilibrium. That leader was a wise, collaborative president who understood and participated in the UT culture of deliberative contemplation and thoughtfulness as well as the deeply seated beliefs in shared governance held by the faculty, which was organized under the American Association of University Professors (AAUP).

The idea of a merger had periodically arisen but had never taken root, in part, at least, because of the widely-varying sets of assumptions, utterances and behavioral cues that were practiced by the two organizations. Conversations between the two presidents, while productive and ultimately responsible for the merger coming to conclusion, were also filled with differing assumptions about the role of the faculty senates, the role of the faculty, the need for adherence to budgets and the governance structures in the two institutions. It was recognized early on that these were the issues that had caused these talks to be non-productive in the past and would constitute the biggest barriers in the future.

In 2005, as a result of these conversations between the two presidents, and following conversations with their boards, their faculty senates, and other university leaders, agreement was reached to move forward with a merger under the leadership of Dr. Jacobs. The UT president understood the need for the right leadership style for the job and was eager for this challenge. This was the first critical decision in the ultimate success of the merger: naming as its leader a person who had the vision to see the exponential potential of a combined institution, the political savvy to build coalitions, and experience leading large-scale operational and culture change; one who was skilled in adapting his leadership style to the evolving needs of the institution and its people throughout the transition, while recognizing the cultural impact on all participants.

President Jacobs brought skills that were honed through a career that included four years in the Marine Corps, medical training at Johns Hopkins University School of Medicine in Baltimore, extensive experience as a vascular surgeon and professor at Wayne State University, and his roles as chief operating officer of the University of Michigan Health System, one of the largest systems in the country, and senior associate dean for clinical affairs at the University of Michigan Medical School.

Two institutions; two very different cultures, each were adjusting from the reverberations of multiple leaders.

The Challenge

Universities and medical schools are complex institutions, but the complexities are very different. While there are differences between private universities and public universities, large universities and small universities, research universities and metropolitan universities, their cultural commonalities are many. Conversely, a free-standing public medical university is very different in its culture, behavior, and norms from a largely undergraduate liberal arts university; with its complexities along different vectors. Each of these organizations provide a professional home for a broad range of gifted researchers, physicians, professors, educators, creators of words and pictures and theories and patents; learned thought leaders and practitioners. They are achievers; overachievers in many respects, used to success and autonomy. Professionals who are at home in their respective institutions, focused on their work.

These organizations are also home to multiple ancillary entities: foundations, special enterprise medical practice funds – individual 501 (c) 3 institutions bound by legal and regulatory constraints. Universities increasingly have economic development responsibilities and partnerships with local and regional governments and businesses as well as the accreditation requirements necessary to uphold the highest programmatic offerings. Each entity is filled with employees who are committed to the mission and to their institutions.

Successful accomplishment of a task of maximal complexity requires maximal ability to appropriately flex one's leadership style while maintaining a strong core, and bringing not only all of the UT and MUO employees, but all other constituencies into the change process, was a task of maximal complexity.

The Reality of the Merger

Jacobs noted, "As soon as it became clear that change was going to happen, 8,000 smart, talented people positioned themselves to protect the status quo." Since all change is highly personal but also has a cultural dimension to it, there was an immediate recalibration from institutional-wide thinking to egocentric thinking. Alliances were formed, particularly among individuals who perceived their jobs to be at risk. Since the combined leadership ranks had multiple duplications, others' behaviors were scrutinized for clues and cues as to whose jobs would be safe. There were two chiefs of police, two heads of human resources, two deans of the College of Health Sciences and Human Services, for example, and these duplications needed to be resolved.

Dealing with these duplications was recognized up front as having to do very much with the pre-existing institutional cultures and was not merely a comparison of the skill sets of the two individuals under consideration. It was a conscious attempt on the part of the president of the merged institution to balance the cultural contributions coming from each prior institution. Underlying rationale for decisions was pondered and was often difficult to explain because it was not merely related to the skillsets but was based on what the individuals brought into the institution from their prior life experiences.

A multitude of intentional and unintentional barricades were put in place by individuals or groups intent on protecting their careers and maintaining the institutional culture they understood and enjoyed. The uncertainty demanded that staffing decisions be made quickly to stem the fears and move forward, yet one culture's penchant for shared decision-making and search committees threatened to slow the process. Some faculty members were rankled by the appointment of a president without a national search, the necessity of which was, once again, a deeply-embedded assumption in the undergraduate university. Relationships were strained and the mettle of the president was tested by this group. Each situation required a customized approach to resolution. Some individuals were soothed by individual conversations and the opportunity for direct access and input. Others stood in solidarity with their group, with those who shared their pre-existing culture calling for capitulation to their expectations.

That was the second critical point of success along the merger path – to recognize the special needs and concerns of individual constituency groups and provide appropriate means of learning and addressing their concerns. As is evident in the following paragraphs, the needs of the institution and individuals evolved over time.

Day 1 through Day 2000: **LEADERSHIP REQUIREMENTS**

Between Day 1 through Day 2000, over the six-plus years of planning, meetings, staffing changes, contract changes, infrastructure enhancements, and policy changes, shaping the countless small and large decisions and directives, there was a shift from the operational to strategic, micro to macro, directive to inspirational leadership. The changes came at different speeds and in different ways for different groups, but all required a clear understanding and deft handling of the issues, the cultural mores, and the people. Periodic recalibration was required, as individuals responded in varying ways to the changes around them.

Leadership Style Best Suited to Early Cultural Integration

Even before the merger was formalized, during the early discussions and negotiations, it was clear that in order for all stakeholders to support a major change, there must be a clear purpose and a clear vision of what a combined culture would look like – one that was easily communicated, understood by all, and supported by data. Because the merger required legislative support, extensive work at the state level, with the state legislature, Board of Regents and the Ohio Governor was paramount in the preparation and unanimous passing of the merger legislation in early 2006, little more than four months after the merger discussions began in earnest. A research study exploring the potential benefits of a merger was commissioned and the results widely communicated. The political participants were well informed of the economic impact of a combined institution, including the creation of jobs, infusion of research dollars, and opportunities for small business development. Indications of the benefits of a merger were introduced during speeches and ceremonies to all audiences.

On day one, and in the early days of the merger activity, micromanagement appeared to be necessary. Such managerial attention to the multitude of rules, regulations, contractual obligations, and processes that needed attention was entirely contrary to the culture of the undergraduate institution and far more familiar to and comfortable for the Health Science Campus. The cultural distinction emphasized the very different level of attention previously given to rules, regulations, contractual obligations, and so forth. On the undergraduate campus, a more laissez faire attitude toward rules, regulations and processes existed, while the Health Science campus, because it is a more heavily regulated enterprise, paid far greater attention to detailed compliance. Indeed, at the time of the merger, there was a robust compliance function on the Health Science campus and no compliance function on the undergraduate campus. Communications with the leadership team were direct, task-focused, and by some, considered to be autocratic. To the broader internal and external community, the message was broader and more strategic, with constant reiteration of the opportunities created through merging and the shared mission of "improving the human condition." Consistent updates on the progress and achievements of the merger process were disseminated across campus and the media.

A deluge of decisions was required, spanning issues from the name of the new combined institution to the type of gun that was legal to be carried by the separate campus police departments; many were made by the president alone as a matter or timing or necessity. Each of these decisions ran the risk of offending the cultural assumptions or behavioral norms of one group or the other. Each group of employees paid keen attention to every decision, weighing not only the result of the decision but the process by which it was carried out, and made judgments based upon their cultural expectations. According to Jacobs, in the early post-merger months, the president maintained an internal focus, with time heavily devoted to, and split between, the two campuses and with minimal travel to the state capital or elsewhere.

Leadership Best Suited to Later Cultural Integration

By day 2000, a new culture has emerged which is not the culture of either of the old institutions, but is a hybrid that reflects the reality and needs of the combined institution. The pace of change has slowed somewhat, the constitution of the leadership team has changed, and there is time for soliciting ideas, inclusion and reflection. The level of delegation and collaboration between employees of both campuses is evidence of the evolution from the old to the new. The president continues to communicate expectations of innovation and strategic thinking to improve the human condition and leaves the implementation planning to the senior executive team. He has appointed many cross-institutional and interdisciplinary teams to focus on all key strategic initiatives and bring into existence new academic programs and medical research centers. The community support remains strong, but the focus has shifted from the merger itself to the ever-increasing growth and economic development opportunities. There is by now an external focus, with attention directed at the national level to influence policy on higher education, health care and global competitiveness.

Stakeholder Groups

While the operational and cultural issues that arose demanded flexibility in approach over time, so did the various, and at times, conflicting interests of the employees, students, and donors. Internally, there were many challenges. Some on the old medical university campus felt “orphaned” because their president moved his office to the Main campus. There were concerns that they would be treated differently. Meanwhile, some of the old University of Toledo employees didn’t fully trust the president to put their interests on a par with those of the medical campus, believing that his allegiance remained there. It required vigilance to divide the time, power, symbols of the institution, and staffing decisions to show respect to both institutions equitably. The cultural identification on each campus was strong, challenging efforts to bridge gaps and build new systems and processes.

Some groups were more difficult than others. Little attention was paid on day one to the faculty, for example, with the assumption that they would simply continue to do what they always did – teach their classes. This inattention collided with the cultural expectations surrounding shared governance of the UT faculty and led to some early confrontations over decision-making approaches. Behavioral assumptions and utterances concerning the president's credibility were put forward, and prompted serious reconsideration of the faculty culture. By day 2000, Jacobs has "much more awareness and sensitivity to the faculty as the repository of creativity and culture," and due attention is paid to fostering this role. Yet even now, the faculty of the main campus cling fiercely to their shared governance traditions, demonstrating the deep-seated commitment to these cultural expectations and behaviors and challenging the pace and process of change at the University of Toledo.

The other group of individuals that required individualized, specialized attention was the donors, particularly the major donors of each institution. As President Jacobs knows, "donors give to the past, not to the future." They are emotionally connected to an institution and their gifts reflect that connection. The emphasis from day one of the merger was to keep the current donors of both institutions, respect the donors' heritage and relationship with their "old" institution and maintain their sense of connection to the new institution. Very specific actions were tailored to each major donor to communicate that respect and inclusion, demonstrating the university's understanding of the cultural expressions which the donors cherished. Portraits were hung in visible places, named rooms were refreshed, meetings with individual donors were held to emphasize their ongoing importance to the university – different approaches were adopted for different individuals with different needs.

Increased philanthropic contributions provide evidence of the continuing emotional connection between UT and its donors. And now, beyond day 2000, while the existing donor relationships continue to be carefully nurtured, there is considerable emphasis on building relationships with new donors, sharing with current students, alumni, and other interested philanthropists where the University of Toledo is going, what it can achieve, and inviting them to be part of that future.

Perhaps the group of internal stakeholders least affected by the transformation into one university was the students themselves. From day one, the UT students viewed the cachet of a medical school with excitement, and saw the merger more as an expansion of their university than a wholesale change. After all, the name was the same, just the programmatic offerings were different. That was not necessarily so with the students of the medical school, some of whom were deeply distressed that the name of the institution they had been toiling within for several years would be replaced on their diploma with one with which they had little or no emotional connection. Resolving these issues demanded a greater degree of emotional understanding than the structural or operational decisions generally required.

By day 2000, these concerns no longer exist. The graduating medical students came in under the new University of Toledo. With the expanded student population, the focus was, and continues to be, very much on the future, building new academic programs and degrees, such as the doctorate in biomedical engineering, that are possible due to the expertise of faculty on both campuses. Existing programs have been relocated to the campus that provides the most synergistic opportunities for integrated learning, adding to student success and providing additional opportunities for cultural integration. UT has experienced enrollment increases each year since the merger, as well as increases in research dollars and grants.

Finally, the composition of the leadership team over time illustrates a critical facet of the importance of situational leadership and cultural understanding: the thoughtful selection of the right individual for the specific challenges of the time. On day one, successful members of the senior leadership team were those who could carry out instructions and paid strong attention to detail. Successful leaders today are those who are strategic thinkers, who can build and communicate a vision, and who embrace the best of this new hybrid culture.

The Current State

As one University of Toledo leader said, "a merger is a process, not a product." Though much has transpired between July of 2006 and now, more work remains. Some operational challenges such as standardizing some processes, technology platforms, benefits plans, and policies across both physical campuses and employee groups still exist. Some small pockets of employees on both campuses continue to harbor feelings that the other is the "favored child." Perceptions are hard to overcome and require attention to not only the messages, but to the cultural beliefs and nonverbal signals such as office space, availability, inclusiveness, and significant representation at leadership levels. Some challenges are a function of cost, others a function of perception. Versatility of leadership, reasoning, and emotional intelligence will continue to be brought to bear on the current and future challenges in order to advance the mission of the University of Toledo. While some bickering exists, no one talks of "divorce." According to the recent 2012 report from the Higher Learning Commission, employees unanimously agreed that the merger was a good thing.

There are roughly 115 institutions in the United States that have a college of medicine or strong health science enterprise along with a large multi-faceted graduate and undergraduate university. Even those that are best integrated have cultures that are slightly different. Differences in the bias to action, cycle times, attention to regulations and attention to budgets are characteristic of the culture on the health science campus, even with institutions that have been integrated for 100 years. According to Dr. Jacobs, the University of Toledo will never achieve, nor does it hope to achieve, the full, complete seamless integration. Their goal, though, is to continue to migrate toward benchmarked institutions such as the University of Michigan or Johns Hopkins, bringing the best traditions and cultural components of each to their new combined institution.

The bridges between the focal points of the early days and the current days were built from several planks:

- A rock solid commitment to the necessity of the task ahead, and the commitment to bring the right people, ideas and actions together to see it through,
- A clear understanding on the part of the leader of his own style, an eye for others' styles, and the wisdom to know when and how to flex,
- An understanding the cultures of the two individual institutions, awareness of the impact of the 'sum total of utterances, gestures, and nonverbal communications of the entire institution' and the commitment to respect those, and
- A keen understanding of the personal and professional needs of each of the different stakeholders – individuals and groups, and how those needs would impact the immediate and long-term viability of the merger.

And while these qualities are critical for any leader undertaking major institutional and culture changes, they may be especially so for leaders in higher education exploring mergers as a response to the technological changes in learning delivery, aging and costly infrastructure, and changing demographics of student populations.

Discussion

1. How would you, as a leader in a new, combined institution, address the cultural differences between a "bias to action" and a "bias to contemplation and thoughtfulness?"
2. Both the University of Toledo and the Medical University of Ohio were created though legislative acts and the merger, therefore, required the Ohio legislature to pass a bill allowing the change. Then-Governor Taft signed into law legislation that unanimously passed both houses of the state legislature, a rare occurrence. How do you think that happened? What leaders at each institution do you think were involved, and what roles did they play? What assumptions would you make about the cultures in the legislative halls and the governor's office as they might compare to those of the two campuses? How do you think those differences or similarities impacted the perceptions of the employees of the merged institution?
3. What pre-merger steps do you think would be important to take to reduce any "cultural clash" between two institutions?
4. Why do you think the difference between faculty that were members of a union and faculty that were not unionized mattered?
5. Why do you think it was important to have a more micro-managerial style in the early months of the merger and a more strategic style with an emphasis on delegation as the merged institution matured?

Key Lessons

1. Creating a new culture from two very different cultures is a study of patience, understanding and appreciation for the cultures of each institution, and a keen awareness of the impact of each decision, utterance, gesture verbal and non-verbal communication on the employees of both and the ultimate success. A cultural impact analysis should be included as part of the due diligence for merger decisions in order to fully anticipate and mitigate integration and implementation challenges.
2. Situational leadership theory supports the notion that the most effective leaders adapt their leadership styles to the people and the specific work to be performed. While there is discussion among some authorities concerning the importance of consistency in

style, this study of a very complex merger suggests that situational leadership was mandatory for success.

3. Complex changes require many hard decisions. The decisive, entrepreneurial leadership style of the president allowed the merger process to continually move forward. As time went on and the crush of necessary actions abated, both the input into the decision, and the implementation of the decision, were the work of collaborative teams of employees representing both institutions and communicated respect for all employees.
4. Communicate frequently. While specific messages were tailored to specific interests of individuals and groups, grounding the implementation work and all communications in the mission and values of the new institution constantly reinforced the shared interests of all parties.
5. Be open and transparent in order to build trust.
6. All change is personal. Understanding the different needs of each stakeholder group, and communicating that understanding through actions targeted at reducing fear and building trust, are critical. It's very difficult to undo incorrect perceptions or mistrust.
7. Bringing together "unlikely cohorts" of employees from both institutions to gather input, discuss issues, bring forward recommendations creates opportunities to build relationships and bridges across the institution.

References

Hersey, P. and Blanchard, K. H. (1977). *Management of Organizational Behavior 3rd Edition– Utilizing Human Resources.* New Jersey/Prentice Hall.

Jacobs, Lloyd, (2008), presentation to the 2008 annual meeting of the Association of Academic Health Centers, Scottsdale, Arizona

McGinnis, R., McMillen, W., and Gold, J., Merging Two Universities: The Medical University of Ohio and the University of Toledo, December 2007, *Academic Medicine,* Vol. 82, No. 12

BIOGRAPHY

Cynthia H. Pepper is principal and founder of the Pepper Consulting Group, LLC, a consultancy specializing in supporting organizational change, talent management and best practices in human resource programs. Pepper Consulting Group has provided consulting expertise to colleges and universities, municipalities, for-profit organizations and large not-for-profit organizations across the United States and in the Caribbean, including clients such as US West Communications, DTE Energy, United Way, ADP, Detroit Institute of Arts, US Foodservice, Owens Corning, University of Toledo, and Wayne State University, to name a few. Ms. Pepper is considered to be an expert in individual and organizational development and has provided professional and leadership development programs to thousands of participants. Her undergraduate and graduate training and research in behavioral psychology and 30 years of experience in corporate leadership, as a consultant, and executive coach marry human understanding with the organizational and leadership mandates. Ms. Pepper received her BA from the University of Michigan-Dearborn and her MA from Eastern Michigan University, with specialized studies at Bucknell University and Harvard University. In addition to her appointment as a Commissioner for the City of Dearborn, Michigan, Ms. Pepper's civic involvement includes leadership roles on the boards of foundations and non-profits, including chair of the Small Business Association of Michigan, National Small Business Association, YWCA, National Association of Women Business Owners, serving as a delegate to the 1995 White House Conference on Small Business, and Vice Chair of the National Committee on Human Capital and Benefits. She is a licensed counselor in the state of Michigan and is active in a variety of professional associations and chambers. She and her husband have five adult children.

Cynthia H. Pepper
Principal, Pepper Consulting Group
1727 Monroe Street, Dearborn, MI 48124
Tel. 313.850.6302 · Email: chpepper@pepperconsultinggroup.com

26

The Leadership Development for Women Program: A Dual Agenda Approach

Lucienne Tessens

Case

Australian universities have hosted women-only staff development programs for many years with the aim to address gender inequity. Despite the wide plethora of programs available, few have an explicitly stated philosophical approach with a dual agenda. A dual agenda program engages both the organisation and the women in an organisational culture change process. This is achieved by going beyond a "fix the women" approach to leadership development and by promoting an organisational culture change strategy.

The University of Western Australia, a comprehensive research intensive university, has implemented numerous strategies since 1994 to address gender inequities and advance women's careers. These include the internationally acclaimed Leadership Development for Women (LDW) program, now in its eighteenth year. LDW has a philosophical approach with a dual agenda: to assist women in strengthening their career avenues and to encourage a more inclusive organisational culture. LDW has a focus on understanding gender, the gendered organisation and gendered leadership. Its vision is to contribute to a university culture that actively promotes and supports women's involvement in leadership and decision making at all levels.

This case will provide details on aspects of the LDW program, including its structure, components, philosophical approach and the program's potential as a culture change process.

Introduction

There is still strong evidence of underrepresentation of women in senior positions. In Australia, women's participation in senior positions in universities remains low, despite the existence of Equal Employment Opportunity legislation, Affirmative Action initiatives over the past 25 years and numerous in-house women-only staff development programs

(Tessens, 2008). The clear evidence of a gender pay gap, combined with the under-representation of senior women in universities, suggests continuing and cultural barriers to women's progress within the higher education sector. Australian universities have been conducting women-only staff development programs over the last thirty years as one strategy to rectify the gender imbalance.

Schein (1990) describes how culture is created through modelling by leader figures that in turn permits group members to identify with them and internalise their values and assumptions. When an organisation is first formed, the beliefs, values and assumptions of the 'founding fathers' provide a visible and articulated model for how the group should function. Leaders continue to embed their own views of how things should be and they will continue to have a dominant effect on the emerging culture. This helps explain the commonly attribution of the underlying masculine culture of universities. Men's voices are more dominant in defining organisational meanings, rhetoric and practices (Marshall, 2011; Crawford & Mills, 2011).

Australian universities face considerable challenges, including an ageing academic workforce, the Federal Government's new participation and equity agenda, the different approach to careers taken by different generations, and the under-utilisation of women and members from other under-represented groups. With an increasingly global employment market, universities need to ensure competitive attraction and retention strategies. The transformation of university life can feel alien to staff and may conflict with traditional academic values. Roche (2001) reports increased employee stress, low staff morale, feelings of alienation, ill-preparedness to face changes and challenges, limited resources, work overload, and pressures to satisfy difficult, conflicting or ambiguous work demands. This is due to the introduction of business practices, greater demands from governments, increased accountability, increased managerialism, the introduction of performance appraisal systems, quality assurance mechanisms, reduction in funding, the shift to mass education, a changing student profile and student expectations, and developments in information technology for teaching and learning. Fletcher, Boden, Kent and Tinson (2007) describe universities as "faction-ridden agglomerations of academic tribes…". In some faculties there seems to be a more inclusive research culture than others where there is more evidence of alienation, macho management, overt and covert sexism that managers seem to be unaware of. Some women feel alienation, lack access to networks and mentoring, and refer to cronyism and the 'old boys' club' (Tessens, White & Webb, 2011).

Background on Women-Only Development programs

There are two schools of thought around women-only staff development programs. Some point out the advantages of women-only courses. They claim that women-only management courses are an effective and appropriate way of beginning to address the under-utilisation of female human resources. Ely, Ibarra and Kolb (2011) claim that the women-only programs foster learning by putting women in a majority position, away from a male-dominated work context, which can lead to powerful insights. On the other hand we have practitioners who are questioning the value of women-only staff development programs for a variety of reasons. Some pose the question whether there should be more inclusive approaches to staff development activities which deal with aspects of gender inequity in higher education. Some practitioners question whether their women-only staff development program contributes to cultural change for gender equity. Others explain that women-only programs may do women a disservice by creating an artificial environment that removes women from the kinds of interactions they usually contend with. They may also deprive women of adding males to their networks. Some authors are against women-only programs because they assume a women's deficiency model, and thereby contribute to the continued subordination of women who do not fit the organisational mould. Others claim that women-only programs tend to celebrate women's differences without paying attention to underlying power structures and processes that hold back women.

Over the years organisations have used several approaches to rout gender discrimination. Meyerson and Fletcher (2000) and Ely and Meyerson (2000) explain the three common approaches but each only deals with the symptoms of gender equity rather than the sources of inequity itself. The first approach is where organisations encourage women to assimilate, to adopt more masculine attributes and learn to play the game. The second approach accommodates the unique needs and situations of women by providing special policies or benefits for women, eg alternate career tracks, maternity leave, flexible work arrangements, work life balance policies and childcare facilities. The third approach shifts the focus from eliminating difference to valuing difference. Women are believed to be better at nurturing, relating, listening, emoting, collaborating and behind the scenes peacemaking. Consciousness raising and diversity training to promote tolerance and understanding of differences between men and women, can reinforce gender stereotypes and get women into dead end jobs. For example, if women are better at nurturing, they may be more suited to dealing with students; while men do the grants applications.

The preferred alternative is the "fourth frame" (Meyerson & Fletcher 2000) that starts with the belief that gender inequity is rooted in the cultural patterns of the organisation. Meyerson & Fletcher (1999) believe that the glass ceiling will be shattered only through a strategy that uses small wins. These are incremental changes aimed at gender biases so entrenched in the organisational culture that they are not visible or noticed. The small wins approach creates change through diagnosis, dialogue and experimentation. Marshall (1995) with an international reputation for her work on women in management, confirms that dissatisfaction with 'male-dominated' characteristics of organisational culture is now identified as a key reason for women to move on. Women-only development programs which do not seriously engage in a broader long-term change process might risk alienating the women and eventually result in declining participation. Kolb (2003) emphasises that helping the women is not enough and that it does nothing to change the environment, so it is likely to have limited success in helping the organisation deal with its identified issues. Blackmore (1999) claims that the tendency to "treat the issue of women in leadership in dominant management discourses as merely of upgrading women's skills to meet the demands of current modes of leadership is blind to the gender politics of educational change". She argues that strategies such as workshops and training to improve women's skills in areas such as curriculum vitae writing, conflict management, assertiveness and financial management, are focused on changing the individual women, not changing cultures or structures. Therefore a dual agenda approach is necessary to support the women as well as engage in organisational culture change.

The Leadership Development for Women Program

The LDW program has a dual agenda: a) to enable female staff to develop leadership skills and knowledge in order to increase their participation in positions of leadership and in the University's decision making processes, and b) to encourage an organisational culture that welcomes women's involvement in leadership and decision making, recognises the value of self-development and reflection, and encourages inclusive leadership styles. This dual focus builds on the fourth framework described above by Meyerson & Fletcher (2000). A dual agenda program engages the organisation and the women in an organisational culture change process. This is achieved by going beyond taking a 'fix the women' approach to leadership development and by promoting an organisational culture change strategy.

The LDW program was introduced in 1994 in response to the under-representation of women at senior levels of University decision-making. LDW has developed over time and it will keep being further refined and improved in the future. The program now has a strategic focus to engage with the broader University community. Leadership and gender issues are explored in the LDW program, along with a broader focus on diversity issues and organisational culture change. The program is guided by a planning group and a strategic plan – which is in line with the University's strategic plan. It also has support from senior executive, participants' mentors, supervisors, colleagues and over 600 LDW alumni. It has won several awards and has achieved national recognition as a leader in the field of women-only staff development programmes. It has also been acknowledged internationally by leaders in the field of gender and leadership as a program of excellence. It has been a significant contributor to making the University an "employer of choice" in the Australian community. The LDW program is open to all female staff at UWA with a fractional appointment of 0.5 or more and a minimum of a year contract. Groups of thirty-two women are selected for each program which goes for nine months.

The LDW participants are a diverse group, with different roles, needs and learning styles. The combination of experiential learning, workshops, action learning, peer learning, mentoring, information sessions and networking opportunities is congruent with the psychology of adult learning and education. We focus on creating a learner-centred supportive climate and a range of teaching methods are used to accommodate the participants' learning styles. The program draws on educational principles of adult learning and is based on a learner-centredness, learning control and self-development as described by Chris Argyris, Carl Rogers, Reg Evans, Malcolm Knowles and Pedler, Burgoyne and Boydell. The facilitator assists the learners to achieve their goals, provides real-life examples and assists with learners' reflection.

Mentoring is an integral component of the LDW program. Mentoring is particularly effective in building relationships with the University community, and over 240 mentors, including all members of the University Executive, have participated as mentors, men as well as women. Interviews with mentors have shown that mentoring benefits mentees as well as mentors, has a ripple effect and benefits the organisation as a whole. Mentors have noted that LDW has been "part of a major stimulus to changing culture", that there has been a “qualitative change in the culture” and that LDW has been a “transformational program, and that it has “changed the style of UWA” (de Vries, 2005).

Peer mentoring is also an important element of the LDW program for its focus on changing the gendered culture and is based on action learning principles and the small wins approach in particular. Revans (1982) explains that action learning employs a process by which a small group of people, cause each other to self-reflect and examine work-related issues, and through active involvement in a real problem achieve intended change. Peer mentoring, where participants work in self-selected groups to explore a chosen topic, present progress reports to other group members, and have the opportunity to give considered and challenging feedback to the University based on their learning and experiences as women at UWA. Recent research conducted by Tessens and Webb (2012) showed that 70% of LDW participants from 2009 to 2011 felt more confident to be a change agent and 59% felt confident to challenge gendered practices.

Key outcomes reported by participants as a result of their involvement in LDW include:

- increased promotion and retention
- increased career opportunities and job satisfaction
- increased visibility and networking
- increased committee involvement
- increased sense of belonging; finding a niche at UWA
- increased capacity to contribute to the University
- enhanced leadership skills and development of own leadership style
- increased confidence, motivation and positive approach
- ability to handle and manage change
- greater self-awareness and understanding of others
- renewed energy, enthusiasm and career direction
- improved networks and connections
- greater understanding of UWA and feeling valued by the organisation

Positive outcomes for the University include:

- improved quality of University leadership with more skilled women leaders
- transformation in the way leadership is viewed and an understanding that leadership happens at all levels within the organisation
- enhanced leadership skills of LDW mentors

- increased understanding and level of confidence from participants that they can make changes in the way the organisation operates and the way work is done
- enhanced reputation and standing in the community
- embracing and valuing of diversity, and encouragement of flexible work practices
- support to other areas of the University in relation to leadership and mentoring.

LDW has shared its expertise nationally and internationally through running the program for public sector and other universities, by being a benchmark for other in-house staff development programs for women, by convening the national staff development for women practitioners group, and by providing assistance to other organisations.

UWA has significantly progressed its aspiration for the achievement of gender equity and the inclusion of diversity within its staffing profile. The LDW program has contributed considerably to this progress. However, there is still much to be done. It appears that gender equity and the development of a more inclusive culture are viewed as a "special interest" concern, rather than as a prime business imperative for the University. The achievement of equity and diversity are not optional extras, rather they should be the fundamental building blocks for achieving the vision.

Conclusion

LDW has been successful in improving the status and position of women at UWA. It has also benefited the university by ensuring more women have moved to senior positions and contributing to decision-making. LDW has ensured there is an established network of pro-active women leaders. The program is designed with a dual focus: to develop women and to challenge the traditional culture. To improve gender inequity it is important that staff development programs have a dual agenda.

Discussion

1. The Leadership Development for Women (LDW) program at the University of Western Australia was designed to develop women leaders and contribute to a university culture that actively promotes and supports women's involvement in leadership and decision making at all levels. Discuss the reasoning behind the LDW program and what it was designed to accomplish.
2. Discuss possible advantages and disadvantages of women-only staff development programs. Do you think that gender-specific (female or male) programs are needed and helpful in changing organization culture? Explain your reasoning.
3. Can training and development be a good forum for helping change cultures? If so, discuss creative ways to use training and development to change culture.
4. Discuss the outcomes of the LDW program. Are there ways you would change or improve the program?

Key Lessons

1. Organization cultures need to be designed to encourage and accept good leadership regardless of background or gender.
2. Training and development programs can be designed to have a dual focus of developing skills and changing culture.
3. It is important for organizations to know their people and to prepare them for success and to prepare the organization to help them succeed.
4. Culture plays a significant role in fully utilizing the full potential of people regardless of gender or background.

References

Blackmore, J. (2002). Globalisation and the restructuring of higher education for new knowledge economies – new dangers or old habits troubling gender equity work in universities? *Higher Education Quarterly,* 56(4), 419-441.

Crawford, J. & Mills, A. (2011). The formative context of organizational hierarchies and discourse: implications for organizational change and gender relations. *Gender, Work and Organization,* 18(S1), e88-e109. Doi: 10.1111/j.1468-0432.2009.00470.x.

De Vries, J. (Ed.) (2005). More than the sum of its parts. Perth: The University of Western Australia.

Ely, R., Ibarra, H. & Kolb, D. (2011). Taking gender into account: theory and design for women's leadership development programs. *Academy of Management Learning & Education,* 10(3), 474-493. http://dx.doi.org/10.5465/amle.2010.0046.

Ely, R. & Meyerson, D. (2000). Theories of gender in organizations: a new approach to organizational analysis and change. *Research in Organizational Behaviour,* 22, 103-151.

Fletcher, C., Boden, R., Kent, J. & Tinson, J. (2007). Performing women: the gendered dimensions of the UK new research economy. *Gender, Work and Organization,* 14(5), 433-453.

Marshall, J. (2011). En-gendering notions of leadership for sustainability. *Gender, Work and Organization,* 18(3), 263-281. Doi:10.1111/j.1468-0432.2011.00559.x.

Meyerson, D. & Fletcher, J. (2000). A modest manifesto for shattering the glass ceiling. *Harvard Business Review,* January-February, 127-136.

Revans, R. (1989). The origins and growth of action learning. Bromley: Chartwell-Bratt.

Ryan, M. & Haslam, S. (2007). The glass cliff: exploring the dynamics surrounding the appointment of women to precarious leadership positions. *Academy of Management Review,* 32(2), 549-572.

Schein, E. (1990). Organizational culture. *American Psychologist,* 45(2), 109-119.

Tessens, L. (2008). A review of current practices in women-only staff development programmes at Australian universities. Proceedings of the 31 Annual Conference of Higher Education and Research Society of Australasia, Rotorua (p329-340). HERDSA. Retrieved from http:www.herdsa.org.au/?page_id=273#T/Tessens.pdf.

Tessens, L. White, K. & Webb, C. (2011). Senior women in higher education institutions: perceived development needs and support. *Journal of Higher Education Policy and Management,* 33(6). 653-665. doi: 10.1080/1360080X.2011.621191.

BIOGRAPHY

Lucienne Tessens is Assistant Professor Higher Education Development at Organisational and Staff Development Services, University of Western Australia. Her role consists of designing, co-ordinating and delivering programs and workshops that meet the needs of UWA staff, leaders and business units, supporting organisational change and evaluating the impact of these services. Her main responsibility includes the co-ordination and facilitation of the Leadership Development for Women (LDW) Program. She plans, develops and delivers LDW workshops, seminars and other activities for program participants, alumni and the broader University community. She collaborates with the LDW Planning Group to initiate new activities aimed at building a culture more inclusive of women and their leadership. The remainder of her position includes facilitating of workshops and consulting to organisational groups and work teams in the University. She also works as a consultant to external educational groups and has presented workshops on leadership, mentoring, career development, and work-life balance. In her research she has a particular research interest in staff development programs for women. She is the Chair of the Western Region of the Association of Tertiary Education Management Inc. (ATEM) and the national co-ordinator of the Australian Staff Development for Women (sdfw) serv list.

Lucienne Tessens

Assistant Professor Higher Education Development
Chair Western Region ATEM
Organisational and Staff Development Services
University of Western Australia
35 Stirling Highway, Crawley WA Australia 6009
Tel 61 8 6488 1576 · Fax 61 8 6488 1156
lucienne.tessens@uwa.edu.au

27

Transforming Education and Changing School Culture

Gary Houchens & Ric Keaster

Case

An increasing number of schools and districts are building a common language of instruction and collaborative structures for instructional problem solving through the use of instructional rounds. Pioneered by Richard Elmore and colleagues at the Harvard Graduate School of Education, instructional rounds build on the model of medical rounds used in teaching hospitals and engage teachers and administrators in data collection and analysis around a school-wide problem of practice.

This case study examines the experiences of the Simpson County Schools in Franklin, Kentucky, where one of the authors formerly served as a district administrator. In 2009, the district initiated a multi-school effort to implement instructional rounds. Many districts adopting instructional rounds initially involve only administrators, but the Simpson County Schools invited classroom teachers to participate and play key leadership roles in the process. The case study describes the instructional rounds process, the decisions made by district leaders to involve a wide array of stakeholders in their instructional rounds initiative, and the overall effects. Teachers in the district readily embraced the instructional rounds protocol, and administration and facilitation of the rounds process has now evolved into having classroom teachers serving as primary leaders. Implications for school culture and change leadership are discussed.

The Urgent Need to Reform Our Education System

Arguably, public education in the United States has been subject to more change and reform efforts in recent decades than any other segment of the economy or public service realm. An emerging public consensus holds that schools have a new mission: to educate every child to high levels of academic proficiency. As a result, state and federal policy mandates have directed schools to reform curriculum, instruction, and the reporting of student achievement results, with various rewards and consequences attached to outcomes.

But this new accountability environment also requires a change in professional culture, and many a school leader who tries to rally teachers to this new mission of schools has encountered great difficulty in effecting meaningful organizational change. Two leading authors on educational reform, Rick Stiggins and Richard Elmore, offer some insights into why schools are so resistant to the change implicit in the new mission of public education.

Stiggins (2005), writing in *Phi Delta Kappan*, explained that the mission of American schools has changed from one of *sorting and ranking* students to *educating all students to proficiency*. In past decades, the U.S. economy was such a juggernaut that students who dropped out of school or graduated with academic deficiencies could still get decent-paying jobs in the manufacturing and agricultural sectors of the economy. Schools accepted that a large portion of students would receive a minimal education, and society charged schools with essentially sorting and ranking students into groups to indicate those who had the aptitude for college or post-secondary training and those who did not.

As we know, the economy has changed. As manufacturing and agricultural productivity has skyrocketed, the market for relatively low-skilled labor has shrunk dramatically. A new economic – and moral – imperative has emerged: schools must educate vastly larger numbers of students to a higher level of academic proficiency in order to prepare them for an emerging technology-driven economy.

Responding to this new mission requires a level of professional collaboration and cooperation among educators never before seen in the United States. Curricula must be standardized, prioritized and aligned to ensure all students have access to a universal set of concepts and skills. Classroom level assessments must be designed to measure whether all students, regardless of the teacher or classroom to which they are assigned, are making progress toward curricular standards. And instructional adjustments must be made to remediate and support students who are not making progress and to offer enrichment learning for students who have mastered core skills. All of these tasks involve prolonged collaborative efforts on the part of classroom teachers.

Changing From A Culture Of Autonomy And Isolation To A Culture Of Professional Dialog And Collaboration: The Instructional Rounds Approach

This is where organizational change becomes difficult for schools, because the traditional professional culture of teachers is marked by high levels of autonomy and isolation. The classical structure of schools with classes of students assigned to individual teachers fosters both autonomy and isolation, especially at the middle and high school level where teachers perceive themselves as content area specialists for literature, history, science, mathematics, and other fields. Recognizing that overcoming autonomy and isolation is the key to meaningful organizational change doesn't easily answer the question of how teachers should go about engaging in its opposite: professional dialogue and collaboration. "Slowly, the image of the teacher behind the closed classroom door is giving way to an image of an open door, but many educators are not sure what to look for when they open the door and what to do with what they see" (City, Elmore, Fiarman, & Teitel, 2009, p. 3).

To answer this question, Richard Elmore and his colleagues at the Harvard Graduate School of Education have developed a protocol for collaborative instructional problem solving called *instructional rounds* (City, et al., 2009). Based on the practice of medical rounds used in teaching hospitals, instructional rounds involves a protocol of data collection and analysis focusing on a school-wide problem of instructional practice. By engaging teachers and administrators in the non-evaluative analysis of instruction, a new language of practice starts to emerge:

> Language is culture. Culture is language. One of the things we have learned from the medical profession about the improvement of practice is that how people talk to each other about what they are doing is an important determinant of whether they are able to learn from their practice…The isolated culture of schools works against shared conceptions of problems and practices. The rounds process is designed to develop a language and a culture for breaking down the isolation of teachers' practice. (p. 10)

The Instructional Rounds Protocol

Elmore and his colleagues outline the rationale and process of rounds in their book, *Instructional Rounds in Education: A Network Approach to Improving Teaching and Learning* (2009). Initially developed to assist networks of superintendents in building a common language of instruction, in 2009 the Harvard Graduate School of Education began offering intensive, multi-day training workshops open to school leaders from around the country through its Professional Programs in Education (PPE). Attendees were trained in the following protocol for conducting rounds, including actual participation in the rounds process in area schools near Harvard's Cambridge campus.

Rounds begins with a host school identifying a problem of instructional practice on which the school leaders would like to gather more data. Criteria for useful problems of practice include the following:

- The problem focuses on the *instructional core* – the convergence of high-quality teaching, student engagement, and rigorous curriculum.
- The problem is *readily observable.* The best place to observe the instructional core is in the tasks students are being asked to complete as a part of each lesson.
- The problem is *actionable* (it is within the school's control or can be improved in real time).
- The problem connects to a *broader strategy* of school-wide instructional improvement.
- The problem is *high-leverage.* If progress were made toward solving the problem, the results would involve large-scale improvements in student learning.

Schools may choose from a multitude of problems of practice on which to focus instructional rounds. Examples might include whether teachers are posing questions to students that elicit high-level thinking and problem solving, whether stated learning objectives are evident in the tasks students are asked to complete, whether students have the opportunity to learn through genuinely cooperative tasks, or myriad other options.

Once a problem of practice is identified, several small teams observe classrooms, gathering descriptive, non-evaluative evidence relative to the problem of practice. This is often a challenge for school administrators who are conditioned to observe teaching through an evaluative lens. For purposes of rounds, efforts to judge the effectiveness of what is being observed is expressly forbidden. Observers are simply recording what they see, using simple prompts such as, "What is the teacher saying or doing?" or "What are the students saying or doing."

Following observations, teams meet to analyze data from their notes using a Ladder of Inference protocol, which involves the following steps:

- Individuals identify data from their notes that directly or indirectly address the problem and share the data with the group. Group members listen attentively and assist each other in maintaining a descriptive (non-evaluative) voice while sharing data.
- As a team, each group then analyzes the data they've collectively gathered, looking for patterns.
- From these patterns, the teams generate recommended next steps the school might pursue in further addressing the problem of practice.

At the end of the rounds protocol, each team will have generated several large sheets of chart paper displaying the raw data gathered, identified patterns, and next step recommendations. Invariably, there is great congruence among the various teams' findings, even though each team typically has visited different classrooms. School-wide patterns of instructional practice become evident. Because data are not attached to individual teachers and are presented in non-evaluative language, recommendations are often received with a level of openness and non-defensiveness uncommon in professional dialogue among educators.

Schools may utilize any, all, or none of the recommended next steps from the rounds protocol, but most schools are eager to receive the data and have collaborative discussions about their meaning and implications for practice.

The Simpson County Schools' Story

The Simpson County Schools is a small, 3,000-student school district located in Franklin, Kentucky, approximately 40 miles north of Nashville, Tennessee. Six schools make up the district, including three elementaries, one middle school, one high school, and one alternative high school for at-risk students. One of the co-authors (Gary Houchens) served as an administrator in Simpson County from 2003 to 2010. In 2009, Gary was serving as Teacher Quality & Leadership Development Coordinator at the district's central office. His duties included professional development for teachers and administrators and advising the superintendent on the overall instructional program for the district.

Gary had followed Richard Elmore's work, including his emphasis on teaching as professional practice and the advent of instructional rounds, with some enthusiasm. In late 2009, he welcomed the opportunity to travel to Harvard for the Professional Programs in Education workshop on rounds. With him were the district's superintendent, Jim Flynn, another superintendent and associate superintendent (both from other districts), and several leaders from the local educational cooperative. The co-op staff, in particular, was interested in establishing a superintendent's network for conducting instructional rounds, similar to networks established by Elmore in Connecticut, Ohio, and elsewhere.

Gary and Jim, however, saw in instructional rounds the opportunity to further break down the barriers of autonomy and isolation they'd already encountered in trying to bring various change initiatives to the Simpson County Schools. Beyond Jim's participation in a superintendent rounds network, they planned to engage building level principals and teacher leaders in the rounds process. In doing so, they hoped teachers would begin to see discussions about instructional improvements less as something being imposed upon them from the outside, and more as a natural by-product of their collaborative inquiry and data collection about various problems of practice.

Jim became superintendent in Simpson County in 2003, the same year Gary joined the district as a principal. Together and with other district instructional leaders, Jim and Gary had led and facilitated a number of efforts to foster instructional improvement in the district, from the implementation of professional learning communities, (DuFour, Eaker, & DuFour, 2005) to classroom utilization of research-based teaching strategies (Silver, Strong, & Perini, 2007) to the implementation of a more balanced assessment system (Reeves, 2007). While excellent strides had been made by 2009 in all these initiatives, each new effort was typically met with some resistance from teachers and there was a collective sense that the process of school renewal was something that remained top-down rather than arising from teachers' self-perceptions of needed improvements.

The use of principal classroom walkthroughs had been a good example of a well-intentioned initiative that never garnered much buy-in from teachers in Simpson County. In his first few years as superintendent, Jim led principals through the development and implementation of a new protocol by which principals and other building administrators would conduct regular, brief (5-minute) classroom visits (walkthroughs) and complete a one-sheet checklist of best teaching practices observed. This kind of initiative was congruent with research that recommended monitoring and evaluation of instruction as a best practice for school leaders (Marzano, Waters, & McNulty, 2005). Instructional leaders dutifully carried out walkthroughs several times each semester, and central office personnel spent hours tabulating data for principals, who were to then share school-wide results with teachers and collaboratively brainstorm strategies for improvement.

A Well Intentioned Approach That Met With Little Success

Walkthroughs never generated the kind of meaningful professional dialogue intended, however. In retrospect, Gary and Jim recognized there were two reasons. First, school leaders themselves lacked a common, consistent understanding of what various indicators measured by the walkthroughs really meant. Principals were to assess the level of student engagement in classrooms they visited, for example, but few principals had a clear, agreed-upon definition of what student engagement really looked like. If even principals couldn't agree, how could they sincerely engage teachers in a discussion about what walkthrough data revealed regarding student engagement? Furthermore, because teachers never actually participated in the walkthrough process, but were merely recipients of the data, there was little understanding of the protocol or how the data were intended to be used. Teachers consistently reacted to the walkthrough data as if they were a form of evaluation – one that they did not consider valid in the first place.

Introducing A New, More Collaborative Approach

Gary and Jim hoped instructional rounds could address many of the limitations of the walkthroughs. Not that rounds were intended to replace walkthroughs. As Elmore made clear, walkthroughs and rounds served different purposes. But rounds provided a chance to build a clear, common language of instruction through the engagement of both administrators and teachers, key components lacking in the walkthrough process.

Following their training at Harvard, Gary shared what he and Jim had learned about instructional rounds with district administrators, including school principals and curriculum coordinators. The school leaders immediately saw how instructional rounds could complement and improve work already completed on walkthroughs, professional learning communities, and other initiatives. And unlike many others who attended the training at Harvard and went home to set up administrator networks for conducting rounds, the leaders in Simpson County wanted teachers involved in rounds from the beginning. Over the next two months, Gary conducted several after-school training sessions for administrators and selected teacher leaders from each school in which he introduced the rounds concept and gave participants the chance to practice the data collection and analysis process using videotapes of classroom lessons. Teachers, in particular, responded positively to the non-evaluative, collaborative nature of the rounds process and expressed an eagerness to share the protocol with others.

Over the next few months, Gary organized and facilitated rounds visits in each of the district's schools. A degree of trial and error is natural to the rounds process, and after each rounds visit, administrator and teacher leaders made refinements in their problems of practice and made intentional efforts to utilize the recommended next steps that serve as the ultimate outcome of a rounds visit. Principals displayed the rounds data in faculty lounges or conducted "gallery walks" during faculty meetings in which all teachers were invited to study the raw data generated during a previous rounds visit, patterns identified, and next steps recommended, then facilitated whole group discussions on how to best interpret and use the results.

Sustaining the New Approach and a Change in Culture

By the next school year, when Gary had moved on to a faculty position at a nearby university, he had trained teacher leaders to serve as building-level rounds facilitators. Now, teachers themselves are chiefly responsible for organizing and carrying out rounds visits, which occur about once every six weeks for each school, including developing the problem of practice, facilitating the ladder of inference debrief protocol, and leading discussion and implementation of next steps. Some schools have launched in-house rounds activities wherein teachers from within a single building gather data from their peers' classrooms. These experiences have yielded rich insights from teachers about school-wide instructional practices.

Additionally, the use of rounds has considerably counteracted the culture of isolation and autonomy once normative for schools like those in Simpson County, gradually replacing it with a culture that takes collaboration, collective inquiry, and group-problem solving as the norm. The significance of this shift cannot be overestimated. As one veteran teacher confessed after her first-time participating in rounds, "After 15 years of teaching, I have to admit that, other than observing student teachers, this was the first time I ever watched one of my colleagues teach a lesson."

The professional culture in the Simpson County Schools is still in renewal, of course. The very structures of schools themselves still reinforce tendencies toward professional isolation. Some teachers remain suspicious that instructional rounds are somehow meant to evaluate teaching performance, despite assurances to the contrary, but typically these are teachers who haven't yet had the opportunity to engage in rounds as an observing participant. Those who do participate often remark that it is one of the most valuable learning experiences they've ever had.

The instructional rounds protocol represents a powerful strategy for shifting the language about improving schools from one of "reform" to "renewal." As John Goodlad has pointed out, renewing organizations generate their own energy and enthusiasm for improvement from within:

> [Reform suggests] somebody is trying to do something to somebody else who is thought to be wrong and who will be reformed if he or she follows these directions. By contrast, in renewal, [insiders] want to change and to do so in the light of knowledge, in the light of inquiry into what is needed. It's the difference between digging up a garden to replace all the plants with something else and nurturing the garden. (Ferrace, 2002, p. 31)

The experience of the Simpson County Schools suggests that instructional rounds may be a key tool for renewing the culture of schools and nurturing the professional garden of individuals and ideas who work there.

Discussion

1. Discuss the urgent need for education reform, the new mission to educate every child to high levels of academic proficiency, and how the present culture of Autonomy and Isolation is likely to affect the potential success of the new mission.
2. Walkthroughs and Instructional Rounds represent two different approaches to data collection, monitoring performance, and making improvements. Without getting into the details of each, compare the different philosophies, the cultures they create, and the results they are likely to get.
3. Discuss the Instructional Rounds process and the new culture it is likely to create.
4. Having a common language is important to changing culture. Why is this the case?
5. The authors added a new variation to the Instructional Rounds approach by involving and empowering teachers. Are there other changes you would recommend to improve the Instructional Rounds approach?
6. Discuss how the Instructional Rounds approach can be used in other types of organizations and not just educational institutions.
7. What principles did you learn in this case about how to change cultures successfully?

Key Lessons

1. Leaders often overlook the possibility of learning from other fields (e.g., business, industry, medicine). It is important to be open to using innovations from other fields and to learn to borrow and adapt rather than reinvent what has already been done.
2. Changing culture requires considerable skill, and yet leaders are rarely trained in how important culture is to the success of an organization or in how to change cultures. Training in culture change should be a high priority in organizations.
3. Professional development activities and efforts to make significant changes, such as changing culture, should involve and be tailored to the impacted level of an organization. Too often, development activities and changes are initiated from corporate offices that are out of touch with the levels that are impacted by their initiatives.

4. In an initiative-laden environment, it is important to have everyone on the same page using the same vocabulary. Companies and organizations need to develop a common language surrounding an innovation and continually define/redefine terms as the innovation becomes a part of the organization's culture.
5. Change is a process, not an event. Having a clear and compelling reason to change, having leaders involved in the change process, and recognizing the importance of engagement and collaboration are all essentials to successful change. Like culture change, it is essential that leaders be trained in the fundamentals of the change process (Hall & Hord, 2005).
6. Efforts to develop cultures that encourage engagement and involvement in addressing issues and making improvements will be important to the success of present and future organizations. In order to improve what we do, we must talk to one another to learn from one another. We can no longer afford a "silo" approach to running organizations, and in this specific case, to transforming our educational system.

References

City, E., Elmore, R., Fiarman, S., & Teitel, L. (2009). *Instructional rounds in education: A network approach to improving teaching and learning.* Cambridge, MA: Harvard University Press.

DuFour, R., Eaker, R., & DuFour, R. (2005). *On common ground: The power of professional learning communities.* Bloomington, IN: Solution Tree.

Ferrace, B. (2002). Renewing the teaching profession: A conversation with John Goodlad. *Principal Leadership,* 3(1), 31-34.

Hall, G. E., & Hord, S. M. (2005). *Implementing change: Patterns, principals, and potholes.* Boston: Allyn and Bacon.

Marzano, R., Waters, T., & McNulty, B. (2005). *School leadership that works: From research to results. Alexandria,* VA: ASCD.

Reeves, D. (Ed.) (2007). *Ahead of the curve: The power of assessment to transform teaching and learning*. Bloomington, IN: Solution Tree.

Silver, H., Strong, R., & Perini, M. (2007). *The strategic teacher: Selecting the right research-based strategy for every lesson.* Alexandra, VA: ASCD.

Stiggins, R. (2005). From formative assessment to assessment FOR learning: A path to success in standards-based schools. *Phi Delta Kappan*, 87, 324-328.

BIOGRAPHY

Dr. Gary Houchens is an Associate Professor in the Department of Educational Administration, Leadership, & Research at Western Kentucky University. He holds a Ph.D. in educational leadership and organizational development from the University of Louisville. A former teacher, principal, and district administrator in both public and private schools, Gary now teaches courses in WKU's principal preparation program, conducts research on effective instructional leadership practices, and provides professional development services to area schools and districts.

Dr. Gary Houchens
Dept. of Educational Administration,
Leadership and Research
3091 Gary Ransdell Hall
1906 College Heights Blvd.
Western Kentucky University
Bowling Green, KY 42101
Tel. 270-745-9945
Email: gary.houchens@wku.edu

BIOGRAPHY

Dr. Ric Keaster is a Professor in the Department of Educational Administration, Leadership, and Research at Western Kentucky University, teaching P-12 and Postsecondary Administration courses and courses in Research Design. He spent seven years in higher education administrative roles (e.g., Department Chair of Educational Leadership and Research – University of Southern Mississippi and Associate Dean for Administration and Research at WKU) before returning to faculty in 2006. He holds a Ph.D. in Educational Administration from the University of New Orleans and has 13 years' experience both in teaching and administrative roles in secondary schools.

Dr. Ric Keaster, Professor
Dept. of Educational Administration,
Leadership and Research
3082 Gary Ransdell Hall
1906 College Heights Blvd.
Western Kentucky University
Bowling Green, KY 42101
Tel. 270-745-7088
Email: ric.keaster@wku.edu

28

Using Action Learning to Change Culture and Improve Organizational Support and Effectivenesse

Sharon E. Norris

Case

Leaders sometimes overlook the importance of professional development and learning on organizational culture, perceived organizational support, and organizational effectiveness. Action learning represents a contemporary approach to the professional development of employees. Through action learning programs, individuals continually learn, adapt, and change by focusing on solving real problems, in real organizations, in real time. Action learning develops employee skills, builds teams, and enhances both individual and organizational effectiveness. The focus of this case is on leading and coaching change through action learning, and it underscores the impact of these changes on organizational culture, perceived organizational support, and organizational effectiveness. Leaders who provide professional development for employees through action learning programs facilitate the culture change necessary for creating positive relationships with employees, sustaining competitive advantage, and enhancing overall effectiveness.

Introduction

Human resource development differs from human resource management. According to Gilley, Eggland, and Gilley (2002), the **management of human resources** is typically concerned with recruiting, selecting, and retaining the human resources of the organization. **Human resource development** is a more specialized activity that involves the learning and development of individuals, groups, and the organization through purposefully designed intervention activities through which individual performance and organizational effectiveness are enhanced. HRD activities focus on both individuals and the organization, and the results of HRD intervention activities can be short or long-term change.

There are four components of HRD according to Gilley and associates that include: individual development, career development, performance management, and organizational development. **Individual development** activities help employees gain knowledge, skills, and abilities that will be helpful in performing a current job whereas **career development** focuses on developing the skills that will be necessary for future jobs. Organizational development activities focus on either performance management or organizational development. **Performance management** initiatives help determine why a performance breakdown has occurred and identify the appropriate learning and training activities that will improve performance. **Organizational development** activities focus on enhancing the competitive readiness of the organization, and it typically involves challenging underlying assumptions about the organization through diagnosis of strategic alignment of culture, mission, management, processes, policies, and procedures (Gilley et al., 2002).

Action learning programs are most effective when they build upon adult learning principles. Marquardt (2004) explained that adults are motivated to learn when they experience a need and when they are motivated to achieve something. Adult learners gain the most when they have time and space to reflect upon the situation, ask questions, and work with other people to discover solutions. Action learning programs provide a powerful environment for learning and change. In action learning programs, a small group (four to six) of individuals come together to work on a real problem, issue, concern, or task. Throughout the process of interaction, group members are encouraged to openly communicate, ask questions, listen, and reflect. The group needs to have the authority to take action on the issues at hand, and the group needs to be resolute in their determination to take action.

Inherent in action learning programs is the belief that employees hold the potential to make valuable contributions to the success of the organization as well as facilitate change initiatives. Additionally, action learning programs can strengthen employee perceptions of organizational support. The perceptions that employees form regarding how much the organization values their contributions and cares about their well-being has been referred to as **perceived organizational support** (Eisenberger, Jones, Aselage & Sucharski, 2005). Eisenberger and associates have explained that HR practices can make either a positive or negative contribution to perceive organizational support. When HR practices are perceived as positive and supportive, employees have been reported to perceive higher levels of organizational support. Higher levels of organizational support have been found to contribute to increased discretionary, voluntary, extra-role behaviors (Rhoades & Eisenberger, 2002).

Organizational culture develops as members socially interact, communicate, solve problems, learn, and share assumptions and values. Employee-friendly learning cultures cannot simply be mandated but rather must be cultivated by the leaders of the organization. Because organizational culture develops through social interactions (Morgan, 2006), organizational culture will change as communicative interactions among its members change (Stacey, 2001).

In the early stages of an organization's formation, the leaders may foster an **entrepreneurial culture**. In an entrepreneurial culture, innovation is valued, communication channels are open, and boundaries are not necessarily well defined. As an organization grows, leaders typically adopt a more traditional organizational structure in order to create a more stable and predictable environment. These changes generally result in the development of **bureaucratic cultures** with hierarchical authority, top-down decision making, and formal communication channels. Bureaucratic cultures are sometimes described as mechanistic environments. In mechanistic environments, success is typically measured by efficient production and profitability, communication channels are more formal and top-down, and social network ties are weaker between diverse business units. Over time, the size, formalization, and standardization of bureaucratic structures may rigidly impede progress, slow innovation, dampen communication, and stall learning and change.

Today's organizations need to be adaptable with employees who are fully engaged, participatory, and continually learning so that they can adapt to complex environmental challenges. Contemporary organizations require organizational learning cultures in order to survive and thrive. **Organizational learning** occurs as individuals and the organization gains an increased capacity to learn new ways to collaboratively respond to challenges and solve problems. Senge (1990) explained that within a systems thinking framework, an **organizational learning culture** will develop as organizational members learn through personal mastery, mental models, shared vision, and team learning. In learning organizations, there is a greater likelihood that strong social network ties will develop across business units as people learn together. Action learning approaches encourage the development of organizational learning cultures. Action learning programs provides an opportunity for organizational members to experience the benefits of continual learning as an essential ingredient in the attainment of personal and organizational success (Marquardt, 2011). When learning becomes an anticipated outcome of communicative interactions, an organizational learning culture develops.

Background on the WD Consulting Firm

The WD Consulting Firm (not the real name of the firm) had been operating in the Chicago area for over 30 years, and the founders established the company on their forward thinking. They were also quite well known for taking unorthodox approaches to help their clients grow and change. Over the past few years, the founders began noticing that some of their seasoned employees and executive coaches were less enthusiastic about their work, and they were becoming disinterested in pursuing new ideas. Each year, WD Consulting conducted a satisfaction survey among both employees and clients, and the latest results were disconcerting to the founders. Both customer and employee satisfaction were extremely low. The founders were concerned, and they wanted to infuse new excitement for learning, change, and employee engagement into the organization.

In the early years of the business, the founders worked closely with all of the corporate trainers and executive coaches. The founders and employees would work together to solve problems, initiate change, or talk over issues at the water cooler. As the organization grew, the founders had less time to spend with employees in formal and informal face-to-face settings. In fact, there were numerous clients and employees working in different cities further separating the employees from the leaders. The founders began noticing how the physical and emotional distance between the founders, employees, and clients was creating unique challenges.

The employees were equally dismayed over the structure and communication among people in the organization. The distance between the leaders and employees created an environment where the employees questioned the founder's interest in their well-being, and the employees also questioned whether the founders valued their contributions. There was a sense among the employees that the most important objective was gaining new clients and increasing sales. The employees began commenting that the founders and the top management team were out of touch, and the employees were concerned that the only thing that mattered was the bottom-line.

These attitudes were also evident among workers in different departments and divisions. Communication between different groups was minimal, and there were many miscommunications. Rather than working together, the founders observed people pointing fingers and blaming one another.

There were various departments competing for resources and rewards.

The founders identified the problem as a cultural shift from an entrepreneurial to a mechanistic culture. In the early days, people openly communicated and worked together cooperatively with few boundaries. As the founders became involved with other projects, they relied on their managers to operate the day-to-day business. The leaders formalized relationships, created standard operating procedures, and developed clear boundaries for employees. While the formalization and standardization helped to increase efficiency and thereby profits, it also distanced the workforce from each other. People no longer communicated openly or reached across functional lines to solve problems.

The founders also noticed there was now a lack of perceived organizational support and lack of employee professional development. Over the most recent years, a great deal of energy was spent on growing the business, developing clients, and increasing revenues. Staying in touch with employees had been overlooked. The founders decided that they needed to recharge the organization by clarifying values and demonstrating care for employee well-being. The founders were convinced that if they conveyed how much they valued and appreciated the employees, then the employee satisfaction ratings would increase and would also improve organizational effectiveness. The way the founders decided to change the culture, reenergize the organization, strengthen perceptions of organizational support, and improve organizational effectiveness was through the development of action learning teams.

WD's Action Learning Programs

WD's Consulting Firm called a companywide meeting to address the issues that they identified as problems. The founders first shared that the firm was not achieving target levels of customer satisfaction. They explained that organizational changes were needed to correct the situation. The founders told their employees that they were not going to attempt to solve the customer satisfaction problems alone. Instead, they wanted to include all of the members of the organization in the process. They assured employees that the organization was financially healthy, and their interest in these organizational changes was for the positioning of the organization for the future.

The founders confirmed their commitment to not only the vision of the organization as a financially stable, innovative, and forward-thinking consulting firm, but they also emphasized their commitment to the people in the organization. They articulated their appreciation for the talented and valuable professional working in the organization. During the meeting, the founders told stories that reminded employees of the challenges that the firm had faced in the past and how they surmounted obstacles by working together. They also emphasized the fun that they had when the worked collaboratively to find creative solutions to problems.

The founders next introduced the idea of forming action learning teams. The founders explained that the teams would be assembled to investigate organizational problems, and the teams would be granted the authority to implement solutions and the responsibility to measure outcomes and report results. The teams would be made up of four to six members with one person serving as a team facilitator. Team membership would be voluntary, and the group would determine the team's focus. The teams would be constructed to ensure diversity among team members. The teams would consist of members with appropriate combinations of knowledge, skills, attitudes, and expertise to build high performance teams.

The Impact of Action Learning on Perceived Organizational Support

The employees of the firm left the meeting with a sense of enthusiasm and hope for the future. Over the next several weeks, employees worked together to identify problems that needed to be addressed and action learning teams were formed. The founders were pleased with the early results of the action learning programs. As the founders observed the situation, they recognized the importance of showing appreciation and support to employees and the impact on organizational effectiveness. They were now convinced of the significance that human resources added to the success of the organization, and they themselves were energized and encouraged by the level of commitment and engagement that employees were displaying toward the future sustainability of the organization. In a follow-up survey that was administered six months following the initiation of the action learning teams, the founders were pleased to see that both customer and employee satisfaction levels had increased.

The Impact of Action Learning on Organizational Effectiveness

WD Consulting Firm also achieved a five percent increase in net profits and ten percent increase in new clients within the first six months of the institution of the action learning teams. After employees addressed the most pressing customer satisfaction issues, the teams began addressing operational and process issues. As improvements were made, employees began assessing the impact of their changes in terms of cost savings and revenue generation. Employees were proud of their accomplishments, and they began showcasing team successes. Achievements were posted on bulletin boards located in the employee break rooms and in the cafeteria. The HR manager highlighted the most significant achievements in the monthly newsletters. The founders were astounded over the dramatic improvements within the organization. They believed that they had learned a valuable lesson in leading and coaching change. The founders noted how showing appreciation and support to employees not only improved satisfaction levels but also raised levels of organizational effectiveness.

The Impact on Action Learning on Organizational Culture

The action learning programs also positively influenced the organizational culture. As the founders encouraged progress through action learning teams, they simultaneously restructured the organization to encourage more informal communication and cross-functional cooperation among its employees. They celebrated and rewarded learning at both the individual and organizational level thus reinforcing the importance of cooperation, adaptability, and learning. As employees worked together to solve problems, their communication and social interactions became increasingly positive and supportive. Strong social network ties developed among diverse groups. The culture of the organization changed from a rigid bureaucracy to a learning organization where employees were empowered to work together and to solve problems. The change in culture created a core competency that could not be easily duplicated by competitors which strengthened the overall organization and positioned the firm for future growth.

Discussion

1. How do you think action learning teams assist in altering conversations among organizational members and contribute to culture change?
2. If you were a member of an action learning team, what questions would you ask in order to identify the root cause of an organizational problem? Why are these questions important to the development of solutions and for the initiation of change? How might your questions help to start new conversations among organizational members and potentially assist the team in breaking away from rigid cultural norms?
3. If you were the facilitator of one of the action learning teams, what do you think would be your most important contribution? How would you interact with the members of the action learning team in order to facilitate culture change?
4. When leading and coaching change, why is perceived organizational support so important to employees? Why do you think the founders overlooked showing support and telling employees that their contributions were valued and appreciated? How did this impact the organizational culture before and after the change initiative?
5. When are action learning approaches superior to traditional training (i.e., classroom learning) for leading and coaching change? What are the implications of HRD approaches on organizational culture?
6. Using the four components of HRD, how do you think action learning helps to develop the people in the organization and facilitate culture change?
7. What impact do you think action learning teams and improving perceptions of organizational support have on the contributions that employees make to the development of organizational culture?

Key Lessons

1. In action learning programs, people work together in groups to solve real problems, in real organizations, in real time. Action learning programs help develop problem-solving skills among employees as well as help develop the leadership capacity among team members. Action learning programs also help build teams, enhance change management skills, and help to improve the ability of members to resolve conflicts and lead change.
   As people socially interact to solve problems in creative ways, new cultural norms develop.
2. Action learning teams are made up of a small group of employees who work together to solve real problems. As knowledge is shared among the team members, individual learning as well as collective organizational learning occurs. Group members share experiences, and they evaluate and reflect on those experiences. They provide feedback to team members, and they make collective decisions based on what they learned together. After taking action, action learning team members reflect on the process, evaluate their success, determine what worked and what did not work, and use this information to create new and improved future plans for solving problems. The process that action learning teams go through can help to facilitate change in conversations and perceptions. Action learning teams hold the potential to change culture.
3. Action learning programs can be useful for accelerating the process of learning and change among individual employees, and it can also help to address complex issues in an effective manner. In this way, action learning programs are beneficial to the HRD of individuals, groups, and the organization. Individuals develop skills that can help improve their task performance, and group members strengthen their interpersonal skills such as listening, engaging in critical reasoning, and providing feedback. Through these communicative social interactions, people may begin to think and respond differently thus redeveloping norms and changing culture.

4. Within high performing action learning teams, cohesiveness, trust, and support develops among group members.
   As individuals improve their problem-solving skills they also strengthen their capacity to work effectively in teams. As a result, the culture of the organization is transformed into a learning organization. When a link develops between learning and addressing real issues in the organization, employees serve as change agents who are adaptable and flexible with the increased capacity to take action and engage in ongoing learning.
5. In the most effective organizations, employees make positive contributions to the firm. Employees willingly work above and beyond contractual obligations. Employees who are satisfied will generally engage in extra-role behaviors such as providing help to coworkers and going the extra mile for customers.
   When employees believe that the organization cares about them and the organization values their contributions, they are typically more likely to engage in prosocial helping behaviors. The culture of the organization changes as employee interactions, expectations, and perceptions change.
6. When HRD programs are designed to strengthen the human capital of a firm, the benefits include increased organizational capacity to meet strategic objectives. To become an effective organization, a firm must continually improve and change in order to meet the demands of both the internal and external environment. That means that the organization needs the necessary financial, material, and human capital for achieving desired outcomes. When this balance occurs, the organization's constituents are satisfied and a spirit of cooperation, loyalty,
   and teamwork can be observed among the people in the firm. These factors help to cultivate an organizational learning culture.

References

Eisenberger, R., Jones, J. R., Aselage, J., & Sucharski, I. L. (2005). Perceived organizational support. In J. A. Coyle-Shapiro, L. M. Shore, & M. S. Taylor (Eds.), *The employment relationship: Examining psychological and contextual perspective* (pp. 206 – 225). Oxford, UK: Oxford University Press.

Gilley, J. W., Eggland, S. A., & Gilley, A. M. (2002). *Principles of human resource development.* New York, NY: Basic Books.

Marquardt, M. J. (2004). *Optimizing the power of action learning: Solving problems and building leaders in real time*. Mountain View, CA: Davies-Black Publishing.

Marquardt, M. J. (2011). *Optimizing the power of action learning: Real-time strategies for developing leaders, building teams and transforming organizations.* Boston, MA: Nicholas Brealey Publishing.

Morgan, G. (2006). Images in organization. Thousand Oaks, CA: Sage.

Rhoades, L., & Eisenberger, R. (2002). Perceived organizational support: A review of the literature. *Journal of Applied Psychology*, 87, 698 – 714.

Senge, P. M. (1990). *The fifth discipline: The art & practice of the learning organization.* New York, NY: Random House.

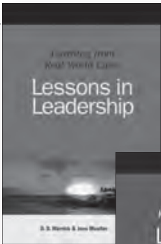
Stacey, R. D. (2001). *Complex responsive processes in organizations: Learning and knowledge creation.* New York, NY: Routledge.

BIOGRAPHY

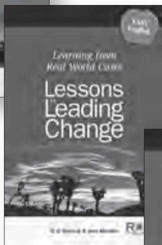
Dr. Sharon Norris is an Assistant Professor of Business and Director of Graduate Studies, MBA Programs with the Gainey School of Business at Spring Arbor University. She holds a Ph.D. in Organizational Leadership with a major in Human Resource Development from Regent University's School of Global Leadership and Entrepreneurship. Her recent publications include those on topics of organizational development, human resource development, leadership, and leadership development. She has presented her research at regional, national, and internationally conferences and received various awards for her academic achievements. Dr. Norris is a Beta Phi Scholar and recipient of the Gary J. Confessore Award for Significant Contributions to the Advancement of Learner Autonomy. The award was presented at Exeter College, University of Oxford, by Dr. Confessore, during the Autonomous Learning World Caucus. Dr. Norris received the Graduate Faculty Research Scholar Award from Spring Arbor University. She also received an Award of Excellence, Outstanding Doctor of Philosophy in Organizational Leadership Dissertation from Regent University.

Sharon E. Norris
Assistant Professor of Business
Director of Graduate Studies, MBA Programs
Spring Arbor University
Gainey School of Business
106 E. Main Street, Station #35
Spring Arbor, Michigan 49283
snorris@arbor.edu

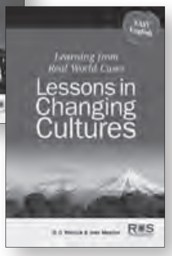
Also available in this Case Book series:



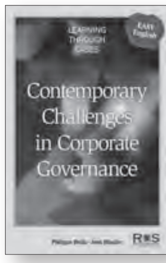
Learning from Real World Cases: Lessons in Leadership
High interest cases for leaders, students and teachers that address the essentials of being a high impact leader.



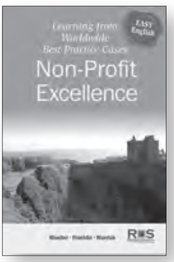
**Learning from Real World Cases:
Lessons in Leading Change**
Practical and interesting cases for leaders, students and teachers that address the essentials of leading and guiding changes.



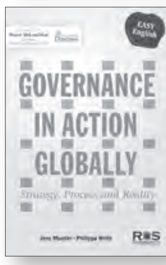
**Learning from Real World Cases:
Lessons in Changing Cultures**
Practical and interesting cases for leaders, students and teachers that address the essentials of leading in different corporate cultures.



**Learning through Cases
Contemporary Challenges in Corporate Governance**
This book has a wide spectrum of cases from across the globe with many cases that address for-profit and non-profit governance opportunities.

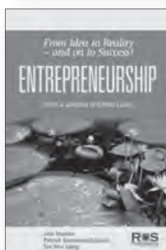


**Lessons from Worldwide Best Practice Cases:
Non-Profit Excellence**
These cases from around the world help make the complex environment of Non-Profit Management transparent and intuitive.



**Learning through Cases
Governance in Action Globally – Stategy, Process and Reality**
This book has a wide spectrum of cases from across the globe with many cases that illustrate governance excellence in different industries and entities of all sizes.

**Learning from Cases Nationwide:
Canadian Business Excellence**
Look deeply into the best-performing Canadian organizations and learn from the tools leaders use to deliver extraordinary outcomes.



**From Idea to Reality – and on to Success!
Entrepreneurship**
Creating successful and sustainable enterprises is not easy. Learn from those who have done it – and review short case examples that illustrate entrepreneurship success.

**Learning from Expert Experiences and Global Cases:
Global Leadership Strategies to Succeed Worldwide**
No organization can develop today without understanding global markets, competition and cultures. This book is a no-nonsense guide to operating successfully worldwide.

For more Info, Book Sales and Online Downloads visit
RossiSmith www.publicationsales.com