

# **Prevent Business Strategy from Hitting a Cultural Wall**

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**Options for Change**

**June 10, 2003**

# Session Goals

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You will learn:

- A behavioral roadmap for change
- The Culture Compass system for predicting and de-escalating resistance
- The Buy-in Indicators
- The Ten Red Flags for assessing readiness

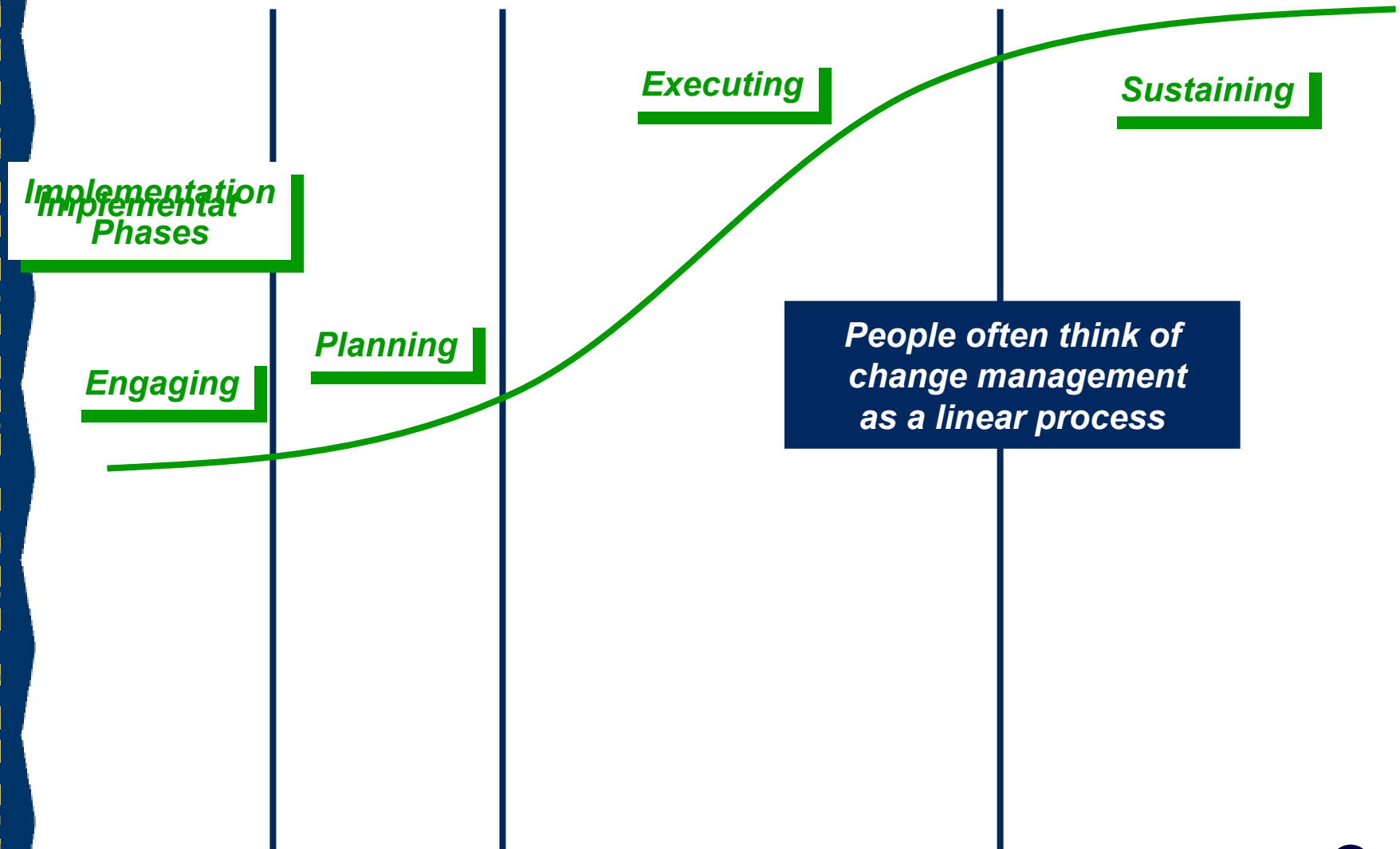
# The Change Equation

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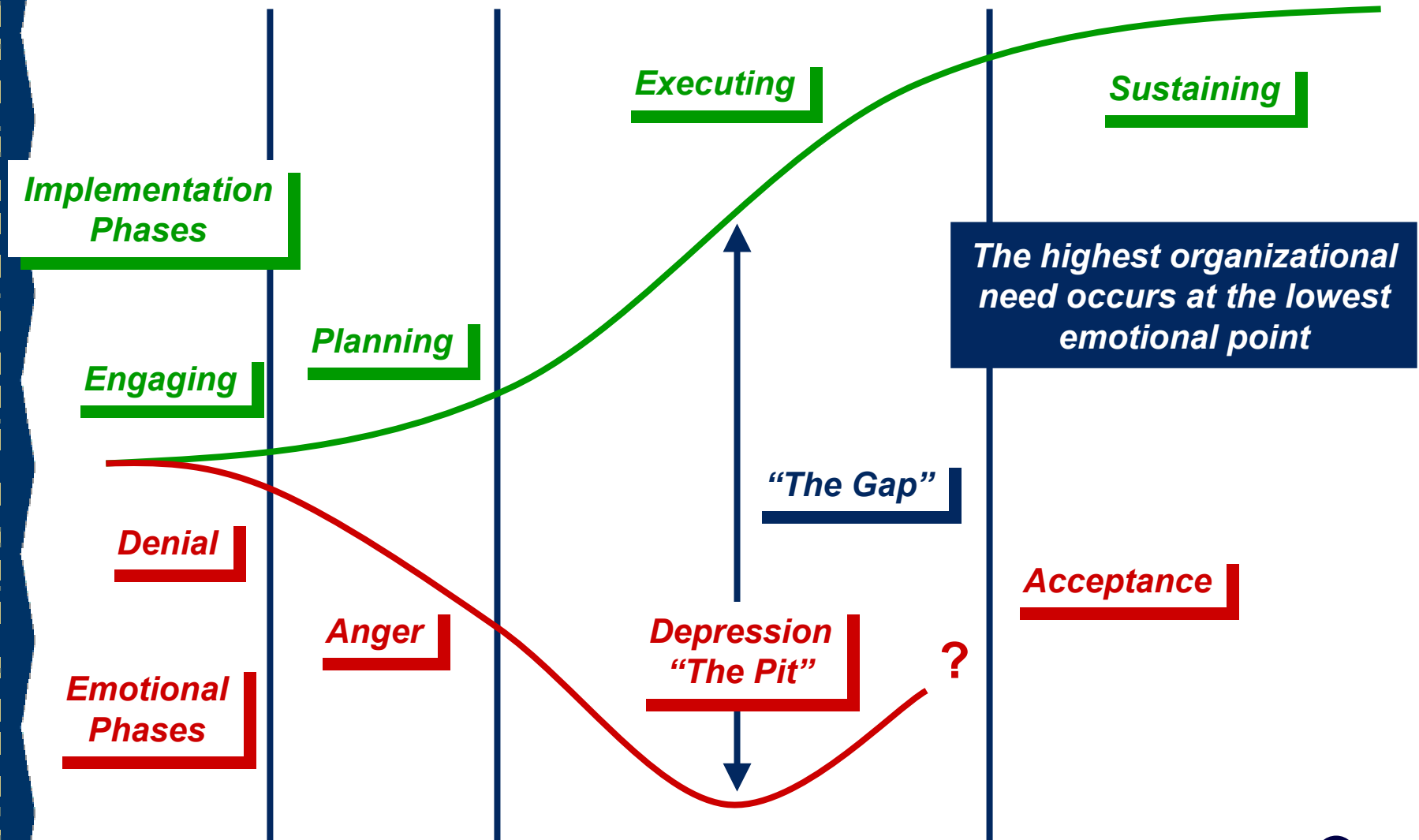
$$C = D \times V \times F \times S > R$$

- Lasting Change equals
- Dissatisfaction with the present, times
- Leadership's future Vision, times
- Engaging First Steps, times
- Sustaining Support Systems
- All of the above must be greater than Resistance to the change

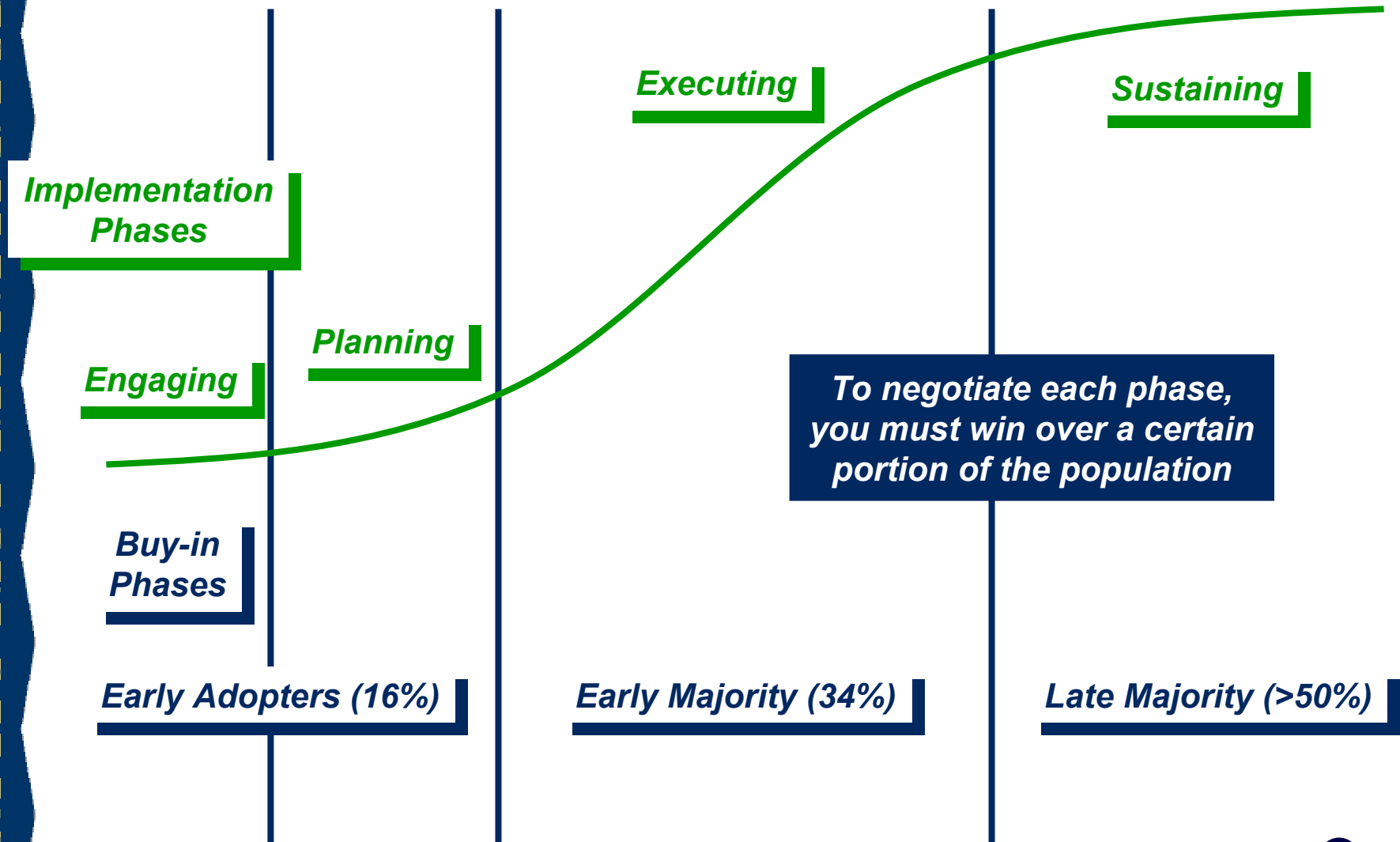
# Why Change Efforts Fail



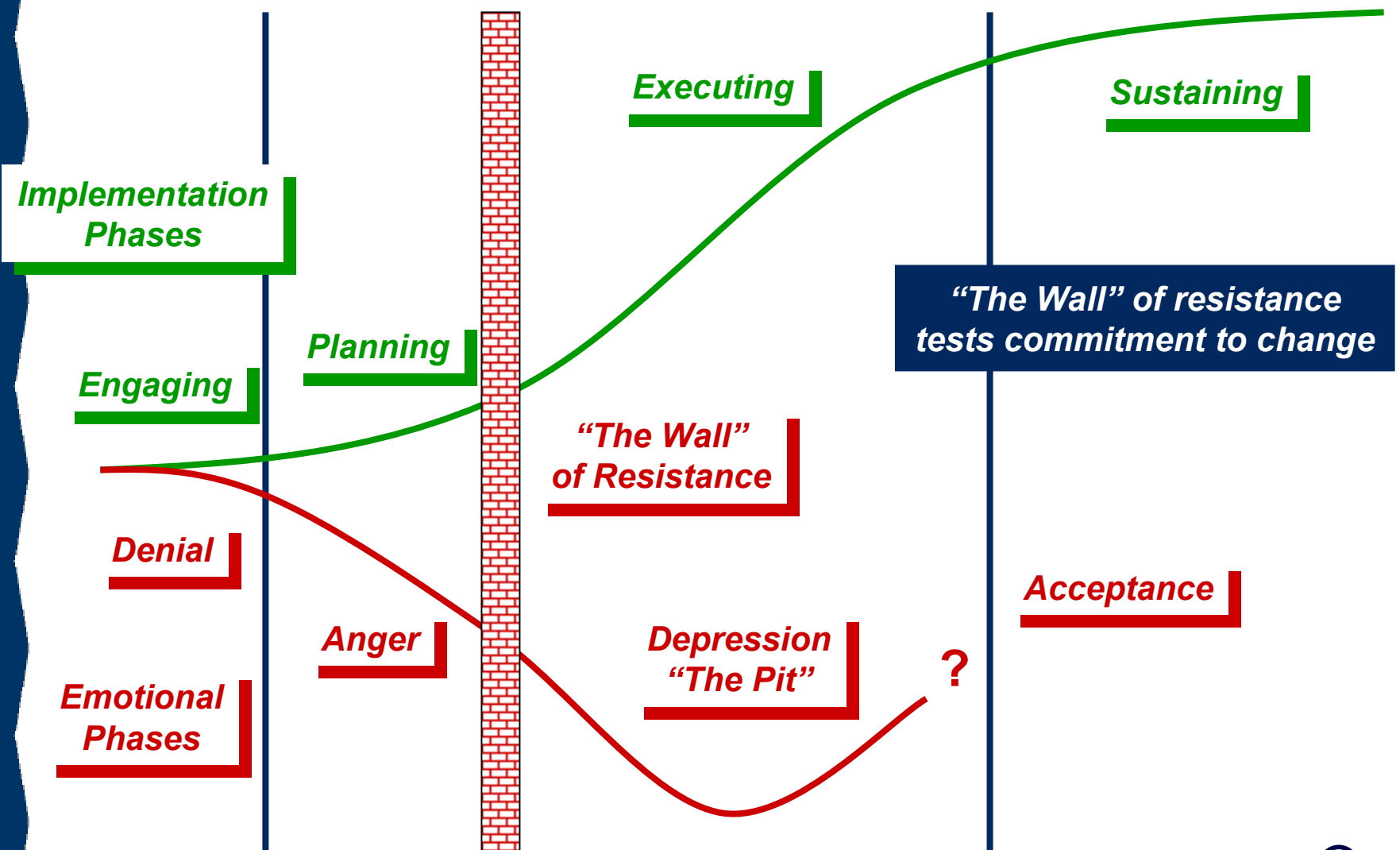
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# Implications of “The Wall”

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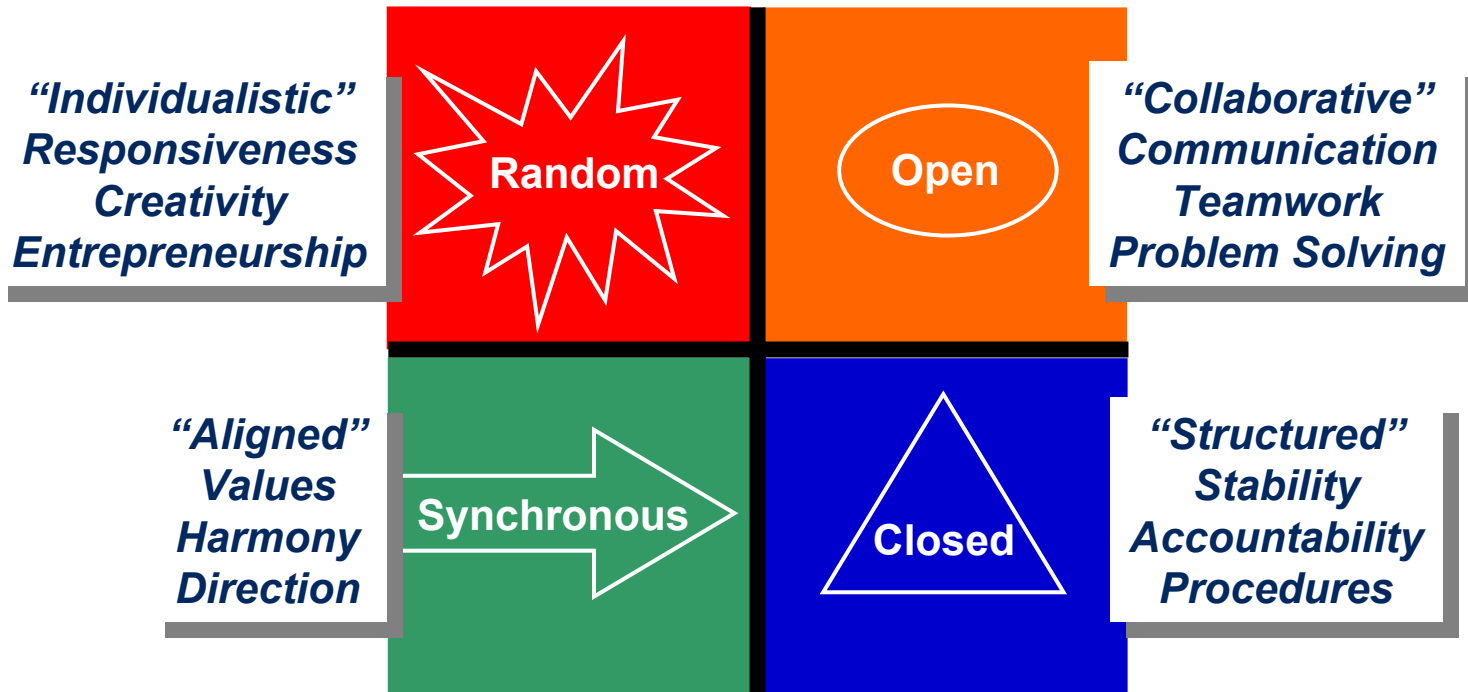
- **McKinsey:** Over half of the mergers they studied went “straight downhill in productivity, profits or both”
- **Hammer & Champy:** They were not prepared for the “massive resistance” encountered in their re-engineering projects
- **John Kotter:** “When new practices made in a transformation effort are not compatible with the culture, they will always be subject to regression”
- **Zenger-Miller:** “The major barrier to implementation of quality improvement is resistance to change”
- **Standish Group:** “Development of software applications enjoys a small chance of success (28% in small companies, 16% in medium-sized and 9% in large). Lack of user involvement in the early stage is the single largest reason for failure”

# Why Culture?

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- Clarifies context for change
- Predicts kind and degree of resistance
- Acknowledges imbedded norms
- Implies strategy and tactics for business results

# Four Culture Types



Based on the Kantor System Typology and Communicational Domains™ - used by permission

# Descriptors

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1. Decision Making
2. Leadership
3. Communication
4. System Boundaries
5. Driving Force
6. Key Processes
7. Reaction to Change
8. Reaction to Conflict
9. Organizational Structure
10. Relationship to Customer
11. Rewards
12. Feedback

# Closed Descriptors

## Enabled

- Leaders work the chain of command effectively
- Top down information is accurate and timely
- We follow structured work processes faithfully
- We work in departmental work groups
- We reward loyalty and respect for the hierarchy

## Disabled

- Leaders are authoritarian
- Top down information is sanitized and guarded
- We are completely rule-bound
- We work in silos or stovepipes
- Rising through the ranks is the only way to get ahead

# Random Descriptors

## Enabled

- We are very flexible and adaptive
- We are committed to individual freedom & creativity
- We encourage individual initiative and risk taking
- We are always changing and like it that way
- Conflict is a useful part of the creative process

## Disabled

- Anyone can come and go as they please
- Individual freedom overrides the common good
- Individual action is out of control
- Our constant changeability puts us in chaos
- Conflicts escalate without resolution

# Open Descriptors

## Enabled

- We reach consensus after open and honest dialogue
- Leaders share and rotate power effectively
- We communicate openly and honestly
- We integrate diverse viewpoints well
- We collaborate effectively to get our work done

## Disabled

- We go round and round trying to satisfy everyone
- Leaders are non-directive to a fault
- We spend too much time communicating
- We are constantly negotiating and integrating
- Overcollaboration interferes with results

# Synchronous Descriptors

## Enabled

- Our vision and values guide our decisions
- People read each others' signals very well
- We include others who share our vision & values
- Conflict recedes over time
- We seek out customers who are like us

## Disabled

- We don't deviate from the book, regardless
- Communication is indirect and covert
- We exclude non-believers
- People in conflict get marginalized
- We only talk to the converted

# View Four Video Clips

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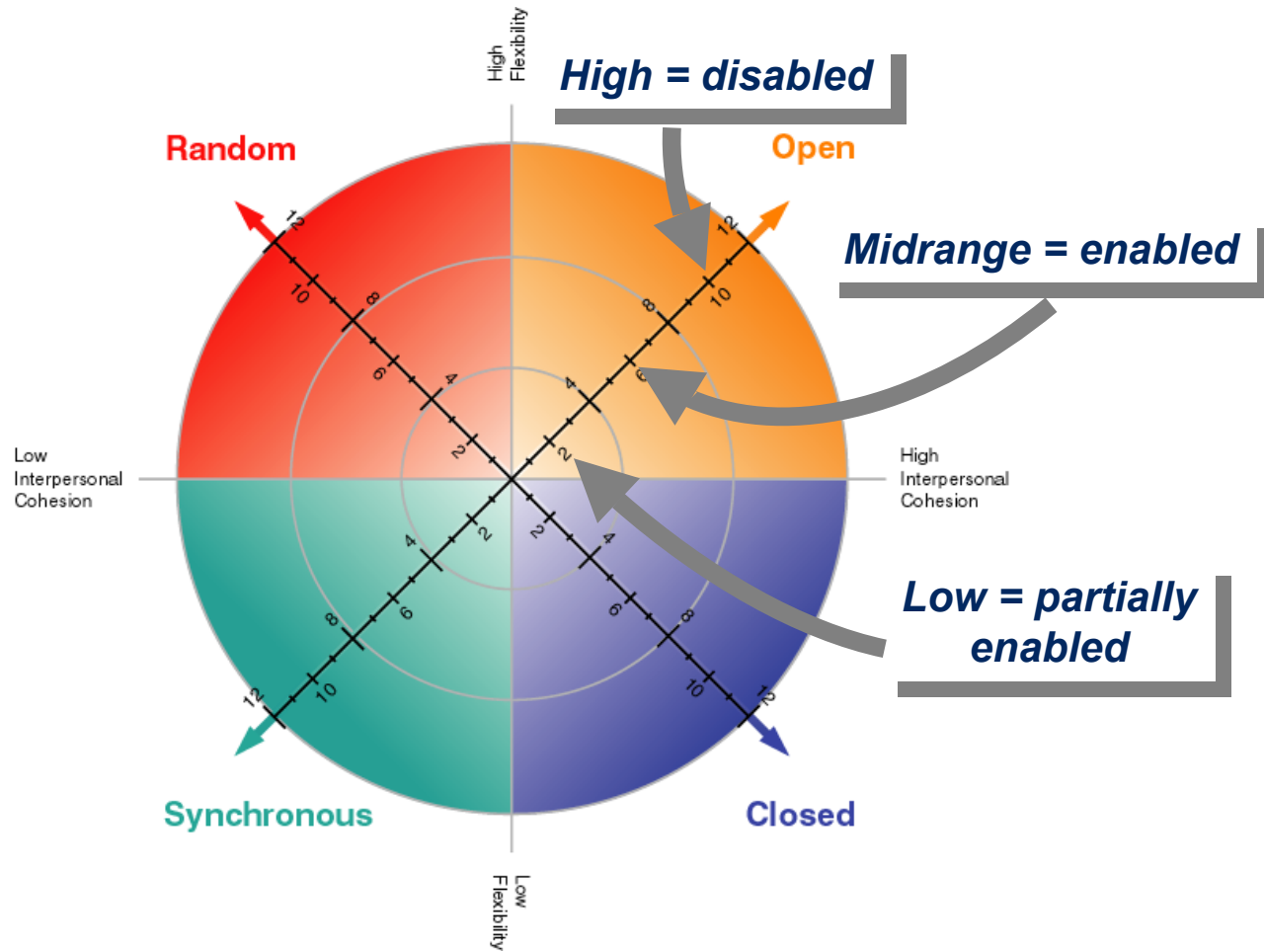
- Watch the four video clips of approximately four minutes each – *Top Gun*, *Witness*, *Wall Street*, *Reversal of Fortune*
- Pick out the dominant culture type in each video
- Pick out characteristics of the other cultures

# Assess Present Culture

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- Choose a culture that you know
- Keep it a subsystem (department or team)
- Rate your system between 1-12 in each of the four cultures
- Connect the four dots
- Share your data with your group

# Culture Compass



# Reactions to Change

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- Closed: Resists and Counters
- Random: Encourages and Escalates
- Open: Plans and Facilitates
- Synchronous: Ignores and Avoids
- Question: What are the dominant and secondary cultures at The Hartford and what are the implications for the MSM role?

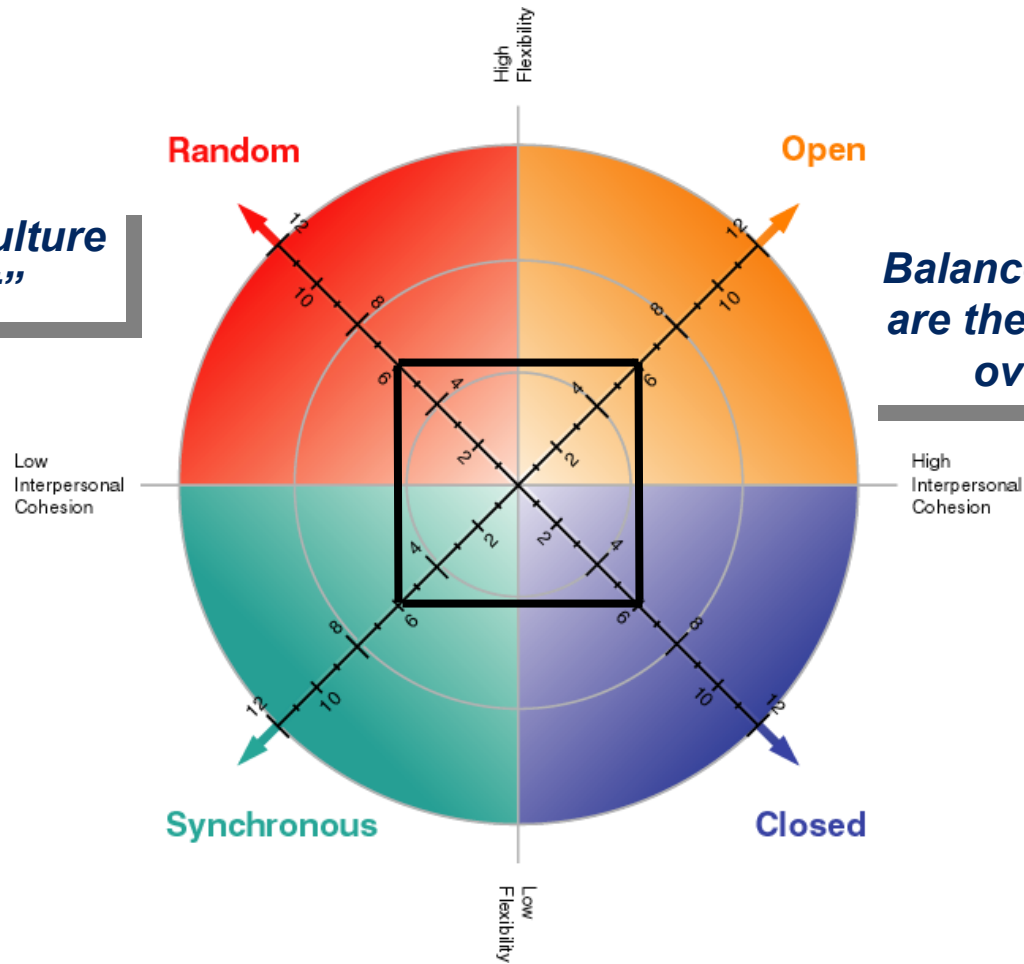
# Example – Top Financial

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- Large financial company lost \$100m FY1999 because of failed projects
- Attempted technology “fix”, resisted by Random culture
- Propagated Closed processes through “attraction” strategies – voluntary compliance, high communication, rewards and recognition
- Gained acceptance of centralized Project Management Office

# Balance

*No single culture is "best"*

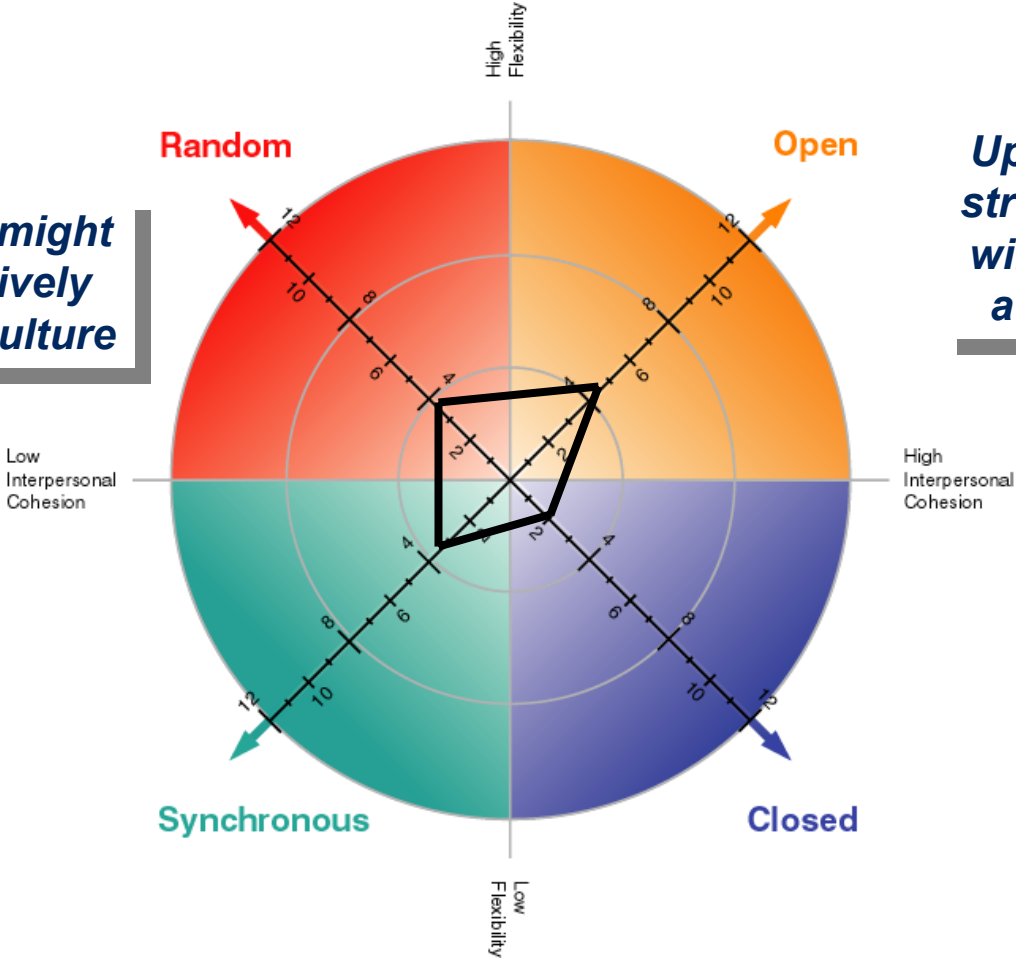


*Balanced systems are the most agile over time*

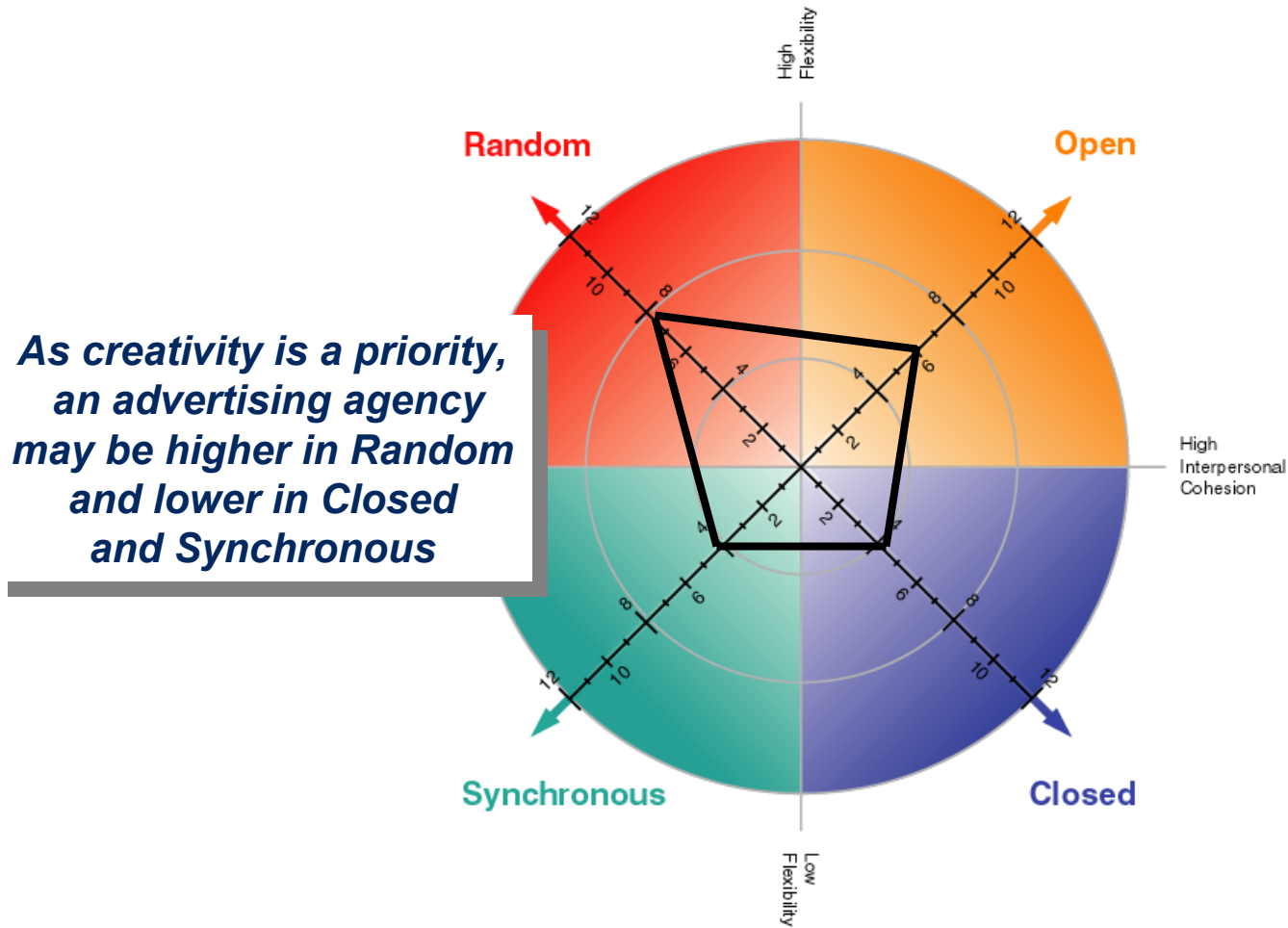
# Strength

*A non-profit might have a relatively weak Open culture*

*Up to a point, a stronger culture will outperform a weaker one*



# Industry Fit



# Borrowing Strategies

## Examples of Programs by Culture Type

<p><b>Random</b></p> <p><b>Provides:</b> Innovation &amp; Flexibility</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"><li>♦ Rapid prototyping</li><li>♦ Rewards for individual excellence</li><li>♦ Coaching</li><li>♦ Family leave</li><li>♦ High energy events</li></ul>	<p><b>Open</b></p> <p><b>Provides:</b> Teamwork &amp; Communication</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"><li>♦ Collaborative work spaces</li><li>♦ Facilitation training</li><li>♦ 360° performance reviews</li><li>♦ Dialogue and negotiation skills</li><li>♦ Diversity awareness</li></ul>
<p><b>Synchronous</b></p> <p><b>Provides:</b> Direction &amp; Alignment</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"><li>♦ Clarifying shared purpose and values</li><li>♦ Visioning workshops</li><li>♦ Competency-based succession</li><li>♦ Knowledge management system</li><li>♦ Screening and selection process</li></ul>	<p><b>Closed</b></p> <p><b>Provides:</b> Leadership &amp; Accountability</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"><li>♦ Leadership development programs</li><li>♦ Performance management</li><li>♦ Top-down strategic planning</li><li>♦ Process re-engineering</li><li>♦ Policies and procedures manual</li></ul>

# Leadership Tactics

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## Examples of Key Leadership Behaviors

<p><b>Random</b></p> <ul style="list-style-type: none"><li>• Invite challenge</li><li>• Brainstorm</li><li>• Take risks and reward risk taking</li><li>• Have fun</li><li>• Support individual initiatives</li></ul>	<p><b>Open</b></p> <ul style="list-style-type: none"><li>• Be honest</li><li>• Self-disclose</li><li>• Ask for feedback</li><li>• Communicate up and down</li><li>• Model consensual decision-making</li></ul>
<p><b>Synchronous</b></p> <ul style="list-style-type: none"><li>• Model and reinforce espoused values</li><li>• Keep common purpose visible</li><li>• Articulate a clear vision</li><li>• Create meaningful rituals</li><li>• Acknowledge similarities</li></ul>	<p><b>Closed</b></p> <ul style="list-style-type: none"><li>• Make executive decisions</li><li>• Set clear expectations</li><li>• Follow through with consequences</li><li>• Focus on organizational goals</li><li>• Stick to plans and policies</li></ul>

# Behavior Chart

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	Create or Strengthen	Preserve	Avoid
Open			
Closed			
Synchronous			
Random			