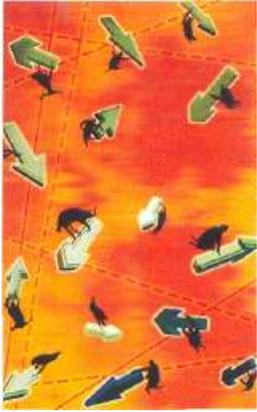


Managing a Corporate Culture 'Slide'



For corporations around the world, radical change is the new normal. Even before an earthquake in the marketplace has finished reshaping one business, its vibrations have begun rippling through another one. Helping companies execute these organi-

zational overhauls has become a sizeable — and, paradoxically, steady — cottage industry of its own. Indeed, some of us have staked our reputations and built our careers developing the ability to guide businesses through such upheavals and out of the shadow of a looming crisis. And so it's only fair that we share one thing we've learned about radical change: It's often unnecessary.

In our experience, too many senior leaders are shortsighted when it comes to change. They view it only in terms of a dramatic and monumental event, rather than the subtle journey that comes from recognizing understated environmental shifts, some of which first manifest themselves internally. Out of inertia, some managers maintain the status quo until these noticeable trends escalate into predicaments that can only be addressed by implementing radical change. It's this perspective—or lack of it—that has to change. Companies end up needing structural surgery because their leaders' own strategic practices do not allow them to sense the earliest symptoms. Their inadequacy puts their organizations' lives in peril.

We encourage managers to think of the imperative for incremental change like this: Would you rather ski jump or glide down a "bunny" slope? Both forms of the sport will get you to the bottom of the mountain (hopefully), but you will confront significantly different risks along the way. The latter may be less challenging — but it also causes less stress, boosting the chances that you will arrive at your destination intact and in good spirits. We think your

goal should be to gently glide around obstacles as they appear on the horizon. Otherwise, as exciting as the trip may be, it could end in disaster. Many of you who grew up watching the introduction to ABC-TV's "Wide World of Sports" remember the iconic video of ski jumper Vinko Bogataj, who will be eternally associated with "the agony of defeat." The chance of failure in such feats is huge; even the slightest miscalculation can lead to catastrophe. How do you know which course you are on? You'd best start with an accurate understanding of your location on the mountain. Before you make a move at any speed, it's your responsibility to know where you stand.

The same is true when you are perched atop a business. To increase your company's chances of triumphing over ever-changing conditions, you need to analyze how the market is changing. (For more on picking up external signals, see "Are You a 'Vigilant Leader,'" p. 43.) But you also need to know what your company is — and isn't — capable of doing. This is where many leaders get tripped up: They ignore the company's internal culture, oblivious to the signs that it is shifting. A cultural slide may manifest itself in any number of ways: increasing turnover, rampant tardiness, a drop in quality that is actually a byproduct of conflict. Whatever the issue, it's easier to manage if you can spot it while it is still a murmur, as opposed to a roaring morale problem. And yet, too many executives, in our experience, fail even to try. They wait for symptoms of the problem to appear in their traditional financial metrics. Or they explain away problems as quickly as they appear, partly because they tend to be subtle and open to misinterpretation. "Oh, that's just Bob," they'll say when confronting a human resources problem. "He's always a malcontent." Or "maybe we just made a hiring mistake." Their myopia, rooted in their nearsighted concentration on discrete particulars, blinds them to the expanding chasm threatening to undermine the company's long-term sustainability. By failing to study the context behind what they are seeing, they ensure that the only possible fix will be a massive reorganization. That's where we come in.

How can you avoid the agony of putting your company through a massive restructuring? Simple: Learn how to make sure it never needs one.

JOHN HUMPHREYS
AND HAL LANGFORD

Preventing our arrival means monitoring your company culture. Just what is company culture? It simply refers to the key characteristics and assumptions that an organization values — its collective personality. Groups are continually evolving; their identities are always in flux, subject to changing personnel and shifting competencies. There is little debate that a company's culture influences the attitudes, behaviors and efforts of many of its stakeholders. And while having a strong culture is often rightly associated with higher performance (think of IBM Corp. in the 1960s), it can also make institutionalizing needed organizational changes a more difficult and painful experience (IBM again, circa 1992). A strong organizational culture can create the foundation for core competitive advantage. When Jack Welch took over as CEO of General Electric Co., he molded its culture to conquer the competitive environment that he saw ahead—earning himself the unfortunate nickname of "Neutron Jack" because he left buildings, rather than people, standing. It would have been much easier for him to merely maintain the existing culture. Transforming a healthy-looking culture is, after all, much harder than waiting for the need to change to become obvious. But by then, it could be too late. While many texts declare that "everyone hates change," we think that is a fallacy. Personally, we are intellectually challenged and thus motivated by it, and we're not alone.

From our many organizational encounters, we find that senior management is often stimulated by change. The rank-and-file work force, however, can be exceedingly troubled by it and consequently resist it. To prevent that, personnel need to be properly managed, educated and involved in change that is meaningful and transparent rather than panicky.

To make rational decisions, a CEO needs to know how his company's identity is changing. One bank we know started life as an agricultural lender several decades ago. Gradually, it evolved into a full provider of financial services, but management initially failed to accommodate the fact that it was requiring and valuing different skills from its employees. The result: frustration and stress. We are also aware of a supplier of helicopter services that has benefited greatly from recruiting a steady stream of ex-military pilots to fill its ranks. The company developed a strong organizational culture consistent with these employees' characteristics and values. But today, fewer and fewer new pilots have military backgrounds, and that percentage of the company's pilots is likely to continue to decline. Consequently, the old organizational culture is beginning to slide, creating new challenges and holding great implications for the firm's future.

We are familiar with another successful organization that struggled through a period of slow growth in the past. Because of this stagnant phase, the company finds itself today mainly composed of older employees who came of age in the 1960s and lived through the economic downturn, and very much younger associates who are relative newcomers and know only growth, with a rather palpable cultural fault line separating the two groups. The company is feeling the ramifications of this shift in the makeup of its work force, and expects it to proceed farther and faster as retirements soar in the very near term. This company will never be in a better position than it is now to equip itself for the challenge of the change that is already under way.

Of course, these two brief illustrations do not even begin to account for the changing workplace in a world of increasing diversity. Suffice it to say that as globalization marches forward, organizational cultures will continue to slide. Too many senior leaders fail to understand that issues related to cultural divergence are often a fundamental source of failure. It's easy to measure the costs associated with new equipment or projects, but what about the considerable

Getting Fit

Once you've identified a disconnect between what your company's culture is becoming and what it has been, what can you do about it? Every business needs to figure that out for itself, of course, but senior management would be wise to begin by asking a few succinct questions:

How is our company going to look different in the future? Rather than holding onto to the company culture of days gone by, take an internal inventory of what's changing — anything from broad demographics to specific quality-control issues. Then hunker down for some serious internal analysis.

What are the consequences of that shift? Keep in mind that some of the changes you see might very well be positive — or could end up that way, if you catch the shift early. If you plan for it now, you can put programs and rituals in place that make the transition much smoother.

What can we do about it? As long as you know what you are up against, you can always *manage* it. Just as companies adjust their external marketing strategies as soon as they identify a growing customer base, they can embark on internal change to match what's happening. This may mean raising standards by rewarding performance — rather than loyalty — or taking a tough-minded approach to assessing your management talent.

costs that are connected with a significant shift in culture? By indulging in intentional ignorance about this, leaders allow the company culture to run amok to a point of calamity, necessitating laborious change.

Senior leaders, how does your organization measure up with regard to current organization cultural analyses? Do you perceive elements of your organizational culture as a core competency? If so, are you doing everything possible to acculturate critical stakeholders with numerous socialization stories, rituals and symbols? Are your hiring practices consistent with maintaining a strong culture? If your organizational culture is beginning to slide — and it will — have you considered the implications that will arise from each degree of movement away from the current culture, and what actions should be taken to properly manage the shift? If not, aren't you putting the firm at risk of losing its identity, and thus its mission and vision? On the other hand, might the new culture beginning to form be a good thing? Has the old culture become a hindrance no longer serving your company well in the current environment? (For more questions worth asking, see "Getting Fit.")

All of these questions must be addressed if contemporary organizations are going to effectively manage the cultural slide. We can't answer these questions concerning your particular organization and its changing culture. But you had better be able to do so. Companies that take the gentle slope and successfully manage their shifting culture can use it to their advantage and create the basis for cooperation, motivation, inspiration, commitment and performance. Companies that ignore the cultural changes within them risk descending, perhaps quite rapidly into a chasm of deteriorating identity, morale, focus and productivity. We think it's time for leaders to hit the slopes and spend some time studying the view.

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