

ACHIEVING ORGANIZATIONAL EXCELLENCE

Learning to Thrive in Unpredictable Times

By Matt Hennecke

The only thing predictable these days is unpredictability. Change is all around us, and the pace of change is accelerating. Many companies and businesses that were once robust and thriving find themselves in financial freefall. Organizations with storied histories such as Merrill Lynch, General Motors, and Motorola have ceased to exist, restructured, or lost substantial market share, leaving in their turbulent wake angry investors and unemployed workers. What has led to such turmoil in companies that once were such powerhouses?

While it may be simplistic to suggest a single, overriding cause for these corporate collapses, there are some compelling similarities that might serve to warn other organizations to be wary of complacency and watchful for signs that they are becoming dangerously misaligned with the world in which they operate.

In the work I have done with a great number of organizations over the years it has become increasingly clear that many suffer from a malady called *Organization System Dissonance (OSD)* – a misalignment of the organization with the rapidly changing world in which it operates (Figure 1). OSD occurs when organizations – which may have once been successful – ignore or dismiss changes taking place in the “en”vironment (everything *outside* the company), and when critical parts of the “in”vironment (everything *inside* the company) become disconnected from one another. When OSD occurs mission and goals become fuzzy, company culture runs counter to organizational strategies, and human resource systems begin operating independently of each other and the real needs of the organization.

Organizational System Dissonance results in chaos, confusion, and inefficiency, and left unchecked can lead to the decline and downfall of even the most admired companies.

Figure 1

Organization System Dissonance



Where It All Begins

Organizational System Dissonance typically gets its start *outside* the doors of the organization. As the world experiences significant changes in technology, markets, competition, government actions, etc., a “disconnect” develops between the mission and strategies of the organization and the new realities of the world in which it operates. Business strategies fray at the edges and show wear in obvious and not so obvious ways. What worked before may not work so well today, and may work less well tomorrow.

One of the most recent and startling examples of the misalignment of business strategies with the changing “en”viron-

ment occurred in the late 90s when Motorola held too long to its analog cell-phone technology. The world was moving to digital technology, but Motorola – the world market share leader by a wide



margin – refused to acknowledge the need for a digital phone. Instead, they ramped up their production capacity for analog phones by building an enormous facility in Harvard, Illinois.

As a result of their blunder, Motorola lost market share to digital, upstart Nokia and Motorola's share value plummeted. Today Nokia leads the market with 38.6% while Motorola is far behind with 8.3% (*News*, Brian James Kirk on Friday January 30, 2009).

Motorola's Harvard facility now sits largely empty, testimony to the dangers of holding to a business strategy too long in a rapidly changing world. In the aftermath of the Motorola debacle, one of its surviving executives commented, "We need to be about the business of rendering our existing products obsolete, because if we don't someone else will."

Mission and Culture in Conflict

It's difficult enough for organizational leaders to stay connected to the changing world, but the problems of Organization System Dissonance can spring not just from *outside* the organization, but from *within* as well.

In the last several decades much has been written about company culture. What is often overlooked, however, is that culture – those unwritten rules and values that govern human behavior – can actually *hinder* an organization's efforts to accomplish its mission and attain its business goals. Many businesses have charted new directions because of the changing world, only to be stymied in their efforts by a culture permeating the

organization that does not support or cannot sustain the new strategic initiatives.

Some years ago a Chicago-based software company experienced first-hand what happens when company culture does not support company strategy. Software companies typically follow one of two growth strategies: growth through acquisition or growth through new product development. Pansophic Systems, headquartered in Lisle, Illinois, had seen significant growth from its grassroots beginnings, and had introduced a number of new products. For a time it was one of the darlings of the software industry, having secured a place in the top 10 of *Software Magazine's* Top 50 listing.

Typical of entrepreneurial companies, Pansophic had initially been willing to take risks in order to compete in a fast-moving industry. However, as it grew, shareholder demands increased and calls for cost cutting and efficiency began to take a toll.

Imperceptibly at first the culture began to shift. Where risk-taking had once been encouraged, it was now discouraged, and creativity was replaced with a survival mentality. Before long, a new culture permeated the multi-million dollar company: those who took risks and failed were relegated to ancillary roles or banished from the organization. In short, a culture developed that was not aligned with the new product development initiatives being mapped out in the executive suite. Mixed messages were communicated to employees. They were charged with developing new and better products, but found themselves working in a culture that was risk averse. The disconnect between Pansophic's strategy and culture grew and its share value began a precipitous decline. The outcome was predictable: first there was an exodus of talent followed by layoffs. Finally, when share value reached new lows, Pansophic Systems - once a rising star of the software industry - was bought out by a competitor. It no longer exists, a victim of OSD.

Espoused vs. Actual Culture

These days, savvy organizations recognize the need to communicate the “core values” necessary for organizational success. Walk into just about any organization headquarters and you likely will see hanging on the walls (or on wallet-size, laminated cards) the company credo: “*We believe in teamwork, customer service, respect for employees, shareholder value....*” But therein lies another problem: many companies have done a good job of *espousing* a culture, but few have *embedded* it into the fabric of the organization. It’s easy to come up with five or six exalted principles. It’s much, much harder to make them truly a part of the organization. The dilemma is worsened when human resources systems work against the very culture an organization is attempting to create.

How Recruitment Can Work Against Culture

Just about every modern organization recognizes the importance of teamwork. In fact “teamwork” is one of the most commonly espoused cultural values in American business, and rightfully so. With all of the change organizations are confronting, there is a great need for collaboration in finding new markets, products, and services. Despite the clamor for teamwork, however, many organizations continue to recruit “lone wolves” – highly talented, technical/professional people who prefer to work alone and are largely ineffective as team players. Instead of hiring talent that “fits” with the desired culture, many companies undermine their own efforts by recruiting people who couldn’t work effectively on a team if their lives depended on it.



Of course, when companies undertake to recreate themselves by espousing a new and better culture, we should expect some culture gaps to exist between what they

want and what exists, but such gaps only widen when these same companies hire people whose *personal* values clash with desired *company* values. If teamwork is a critical to accomplishing business goals, then it makes sense to hire team players, yet many organizations have failed to do a good job of revising the recruiting process to ensure a proper match between candidates and culture.

When Training Systems and Culture Clash

Another disconnect occurs in organizations when what is *taught* in management training classes collides with the way people *actually* manage in the workplace. What chance do new skills have to flourish if trainees return to a hostile culture – one that discourages the use of the new skills?

Teaching someone how to be a more *participative* leader – important in turbulent times – has little chance of taking root if the existing culture of the organization encourages an autocratic style of leadership. In fact, training may do more harm than good. How? By introducing participants to new and better ways of managing that stand in stark contrast to the realities of life back on the job. Nothing discourages trainees more than being introduced to “best practices” only to return to a culture that supports “worst practices.”

What are some indicators training content is out-of-sync with company culture? The most obvious are the comments made by participants during training: “This is great stuff, but it’ll *never* work back on the job,” or, “I wish my boss would attend this training.” Such comments reveal a disconnect between training content and company culture. While there is clearly a need to break bad management practices by teaching new management skills, training by itself cannot change the culture of an organization.

When Rewards Send Mixed Messages

The most potent of all human resource systems in shaping behavior, and thus culture, are rewards. People tend to adopt behaviors that are rewarded, and avoid behaviors that are punished. Rewards include compensation, but also include recognition and promotion. The problem with many organizations is that the culture they espouse is not supported by the reward system. Even worse, sometimes rewards are in direct conflict with the very culture a company claims to desire.



Some years ago I did some work for a Chicago-based personal care company that made a claim to a set of six cultural values which included “respect for employees.” With current labor shortages, it doesn’t take much gray matter to realize the wisdom of treating employees with respect, but it’s one thing for a company to *say* it respects employees and quite another to *actually* respect them.

The Marketing Director in this particular company had reputation for berating and belittling employees openly and regularly. There was no question he was smart and capable, but if you questioned one of his ideas during a meeting or suggested an alternative course of action to the one he embraced, he would launch into an attack that often left its recipient shell-shocked.

One morning, when I arrived for a meeting, I learned of an announcement sent via email by the CEO to all employees: the Marketing Director had been promoted to Vice President. The email went on to congratulate the new VP and spoke highly of his contributions to the company. Imagine the reaction of employees who knew of the new VP’s cruelty and also knew the culture the organization claimed to uphold. In the

minds of employees this single action was clear proof that what the company *said* it valued, and what it *truly* valued did not jibe. What really mattered were results even at the expense of people. An indication of the depth of the anger felt by employees became evident the next morning: someone had scratched out the core value “respect for employees” on the values plaque that hung next to the main elevator in the lobby.

Culture vs. Organizational Processes

Another cultural value many organizations insist is part of their culture is “customer service,” yet many companies continue to use processes that hassle customers and create adversarial relationships.

Consider the prickly relationship that once existed between Proctor and Gamble and its biggest customer, Wal-Mart. In 1988, despite a \$375 million joint business the relationship between P&G and Wal-Mart was broken. While giving lip service to the importance of customer service, P&G, it seems, was doing everything it could to sour its relationship with Wal-Mart.

During this time, according to one report, Sam Walton telephoned P&G’s CEO and was transferred six times before he finally gave up, having never connected with the top executive. That event simply confirmed the disconnect that already existed between P&G’s *espoused* culture of “customer service” and its *actual* culture which was non-responsive to its customers’ needs.

Further evidence of the gap between P&G’s claim to “customer service” was its organizational structure: P&G was organized into 12 different internal product divisions, and each division separately and independently called on Wal-Mart. The result? A fragmented and antagonistic relationship. Being organized around its product line may have seemed wise to P&G executives, but it worked

against the responsive and cordial relations it wanted to have with its customers.

To its credit, Proctor and Gamble finally recognized the growing gap between its “customer service” claim and its antiquated processes and structure. The two giants collaborated on an ingenious supply-chain software system that connected P&G to Wal-Mart’s distribution centers. Today, when P&G products run low at the Wal-Mart distribution centers or even in some Wal-Mart stores, the system automatically ships more products.

Feedback Systems

There are many types of feedback systems operating in organizations these days. The most common are performance appraisals and 360° assessments. Both are designed – at least in theory – to let individual employees know how they are doing. However the “linkage” between these assessment tools and the espoused culture of the organization is often unclear or non-existent. As a result, employees get “mixed messages” about what behaviors are truly important.

In companies suffering from OSD the culture attempts to guide behaviors in one way, the appraisal system conveys something different, and 360°s introduce yet a third set of behaviors deemed critical to employee success. This leads to confusion amongst employees and erodes the clarity of purpose and practice needed for organizational success.

Organizational System Harmony

What can an organization do about the tendency to slide into dissonance? Or, put positively, how can an organization achieve *Organizational System Harmony* (Figure 2)? The first step is to continually review and realign business strategies with the changing world. Given the increasing rate of change, this step is probably more critical now than it has ever been. Danger

lurks for those companies that presume to do business as usual, while success awaits those who develop the flexibility and speed to change course in turbulent waters.

Figure 2

Organization System Harmony



Aligning business initiatives with the realities of a changing world, however, is not enough. Simultaneously an effort is needed to *reinforce* the existing culture if it supports the new direction, or *define* a new culture if one is needed. The problem is that culture is hard to change. It takes more than simply coming up with some new platitudes or hanging a few posters.

Culture change efforts should begin by identifying not only the new values needed but also the new “competencies” required of employees at all levels in the organization (individual contributor, manager, and executive). Core competencies and their behavioral anchors specify the new *technical* skills as well as the new *management* and *leadership* skills required to support the business initiatives and the company culture. Put another way, core competencies identify the “ideal” employee, manager, and executive. Once the “ideal” competencies are defined an HR

system makeover can begin with the following goals:

- 1) To recruit those who already possess the desired competencies,
- 2) To retrain existing employees so they can learn the new competencies,
- 3) To revise performance feedback systems (appraisals and 360°'s so they are "linked" to the new competencies),
- 4) To reward employees at all levels in the organization who truly live up to the new competencies, and
- 5) To rework organizational structure and processes to ensure they support the business and the new culture.

Conclusion

Yogi Berra - regarded as one of the greatest catchers in baseball history - once made the following observation: "the future ain't what it used to be." While we might be inclined to chuckle at Yogi's eccentricity and attribute his comment to a career's worth of foul balls connecting with his head, it is now clear: Yogi is right. The



future isn't what it used to be. The future, these days, is much less predictable and much more dangerous to organizational longevity.

The good news is that opportunities for growth *always* emerge during changing times. To be prepared for these opportunities organizations must learn to change with the world. Change is inevitable; Organization System Dissonance and its resulting decline is not.

Matt Hennecke is the President of LeadingWave Consulting an organizational and leadership development company. He has consulted with or worked for several Fortune 100 and 500 companies including Kindred Healthcare, Motorola, State Farm Insurance, ABN AMRO, McDonalds, and T. Rowe Price. Matt's expertise includes OD, leadership development, talent management, and succession planning strategies.



18410 Standwick Drive, Louisville, KY 40245
Telephone: 630-728-8828 Email: hennecke@leadingwave.com
www.leadingwave.com

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ORGANIZATIONAL TRANSFORMATION PROCESS

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"EN"VIRONMENT

(Everything outside the organization impacting it.)

"IN"VIRONMENT

(Everything inside the organization needing alignment.)

