denison™

OVERVIEW

STRATEGIC ALIGNMENT

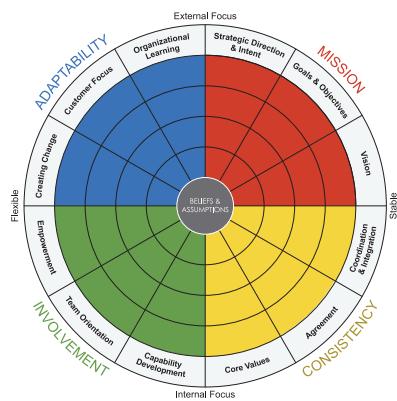**MERGER & ACQUISITION**

TRANSFORMATION & TURNAROUND

TALENT MANAGEMENT

LEVERS FOR CHANGE
ACTION PLANNING COMPANION TO THE DENISON ORGANIZATIONAL CULTURE SURVEY

The first step in a process designed to create cultural change and organizational transformation is diagnosing the current culture. Thus, the most important part of the process is translating a culture profile into action. To assist in this process, a set of suggestions, called **Levers for Change**, has been created for each of the four cultural traits: **Involvement**, **Consistency**, **Adaptability**, and **Mission**. It is necessary to recognize that culture change requires an in-depth understanding of an existing culture, and it is impossible to apply a broad set of standards for change across the business spectrum. Nonetheless, a set of suggestions that have worked well in other organizations can act as a useful resource.

The four traits are combined into a model that emphasizes that both internal integration and external adaptation are necessary for an effective culture, and that both stability and flexibility are necessary for effective performance. At first, some of these general traits, and tools used to measure them, may seem contradictory. For example, a highly involved, empowered, team-oriented culture may appear to be quite different than a culture that is goal-directed and visionary. Or, a well-integrated and coordinated culture appears opposite from an adaptive and customer-focused organization.

Organizations react to where they place their attention. The research shows that successful organizations are concerned about cost and quality, profits and higher purpose, control and autonomy, and short- and long-term performance. **The Denison Organizational Culture Survey Model** assumes that an effective culture must provide all these elements in order to be most effective. Therefore, the actions, or Levers for Change, taken must reconcile the conflicting demands while maximizing strengths and improving shortcomings.

Involvement Levers for Change

Low Involvement scores usually signal an organization in which people are disconnected from their work, unaware of its importance and its connection to the rest of the organization, unwilling to accept greater responsibility, and hesitant about working with people outside their immediate circle. Low involvement organizations usually have classic "hub and spoke" control hierarchies in which people are very dependent on their boss and very concerned about following the orders that come down the hierarchy.

Here are some useful suggestions about how organizations can improve their level of involvement:

Inform all employees about the business. Share information about performance, quality, competition, and customers throughout the organization. Question instances in which information will be distributed only on a "need-to-know" basis.

Require "bottom-up" input in all decisions. Good ideas are not restricted to executives and key decision-makers. Important contributions must come from those who are closest to the work and to the customer. You will know that you have succeeded when people do not hesitate to cross two to three levels of the organization to contribute to a decision.

Reduce number of levels in your hierarchy. Today, with information technology, networks, and matrixed organizations, there is no reason for any organization to have more than ten levels. (Using a span of control of ten, an organization with ten levels can "hold" one million people). Hierarchy is clearly necessary, but when the "pecking order" is more important than product quality, it is difficult to have high involvement.

Build the organization around teams, not individuals. Cross-train people so that they understand how work is done in other areas and how they need to work together to create value for the customer. Reward teams. Provide team training so that people experience success in teamwork and have the support they need to progress on the team learning curve. You will know you have succeeded when people stop complaining about team meetings and see teams as the best way for them to get their work done.

Require performance appraisals for everyone. Performance appraisals should include direct report and peer input, and should focus on career development as well as current job performance. And remember, the most important part of any performance appraisal is the joint goal setting that goes on face-to-face between boss and direct report.

Reward and promote people who build organizational capability. A key requirement for promotion should be how many people a manager has prepared for promotion. Reward managers based on how well they develop their own people. You will know you have succeeded when you stop worrying about your organization's bench strength and start worrying about how many of your managers are being recruited by other firms because they have learned so much working for you.

Consistency Levers for Change

Organizations that have low Consistency scores typically complain about "things falling through the cracks," and everyone not being able to "sing from the same hymnbook." In fact, one of the low consistency organizations that we worked with referred to themselves as a "loose federation of warring tribes." Customers often get frustrated with these types of companies because no one seems to be able to speak for the entire organization. While there is plainly no one "right" set of values, excellent organizations do believe strongly in the values that are important to them.

Here are some of our suggestions about how organizations can improve their consistency.

Identify your core values and then live by them. Create a dialogue throughout the organization that will identify what you stand for and how it is linked to creating value for your customers. You will know you have succeeded when employees stop carrying their plastic laminated "mission and values" cards around in their shirt pockets, and start carrying them around in their heads.

Actively work to create alignment of behavior and core values. Put the spotlight on activities that exemplify the core values. Tolerate honest mistakes that are in keeping with the values, but do not tolerate actions that conflict with core values. You will know you have succeeded when employees can make the right decision on their own by simply comparing the demands of the situation with the key values of the organization.

Include values, ideology, and culture as a regular part of training. At all levels, training should be set in the context of the culture, the core values, and skill development as a part of the organization's competitive strategy. You will know you have succeeded when technical training creates both skills and a better understanding of the organization and its purpose.

Hire people early in their careers, invest in development, and promote from within. Organizations with the strongest cultures have taken years to build them. Shaping a common mindset involves treating values as a factor in promotion and using on-the-job experiences to shape values and attitudes.

Create a common base of experience for people from different parts of the organization. With large, global organizations that support many different products and technologies, there is often little that the employees share in common. Design career tracks that cross organizational boundaries. Use experience on multi-functional teams to develop a common mindset.

You will know that you have succeeded when your people concentrate on common business interests rather than on their organizational boundaries.

Create your own heroes, celebrate your own victories. Public recognition of those whose achievements reinforce the culture will keep the core values alive and changing with the times. You will know that you have succeeded when there are so many extraordinary achievements that you have trouble picking the best ones.

Adaptability Levers for Change

Organizations with low Adaptability scores usually have an inward focus and have difficulty responding to customers, competitors, and employees with new ideas. Low adaptability organizations run on inertia, and their past achievements can create barriers for future success. Managers often spend most of their effort responding to departures from standard operating procedures. Top executives in these organizations usually spend their time controlling the organization and managing short-term performance, rather than leading change or thinking long term.

Here are a few suggestions about how you can improve the adaptability of your organization.

Hire a few outsiders in key roles in your organization. Outsiders bring new ideas in a way that insiders never can. Be certain to manage the integration of outsiders so that a "new culture/old culture" conflict does not erupt. You will know that you have succeeded when your old organization's "antibodies" stop trying to reject the new ideas.

Visit your customers. Do it often—not to sell, but to listen. Make certain that people throughout your organization do the same, particularly if their jobs do not require them to deal with customers regularly. Find new ways to partner with them. Use focus group videos and information systems to make certain that everyone in the organization is aware of customers' reactions to their products.

Reward risk-taking even if it means tolerating some failures. Try new things, learn from them quickly, and incorporate what works. "Ready, fire, aim" beats "ready, aim, ready, aim..." every time. Failure can be one of your most important sources of learning.

Set targets for the percentage of revenue that comes from new products. Adaptable organizations derive a sizeable percentage of their total revenues from newly developed products. Manage this number and reward those who improve it. You will know you have succeeded when you start to actively "cannibalize" your own products before your competitors do. As they say in Silicon Valley, "It is better to eat your own lunch before someone else eats it for you."

Redesign your organization around small profit centers. This forces everyone to respond to market forces and allows the nimble the chance to produce results. You will know that you have succeeded when the leaders of successful profit centers become teachers and show the less successful ones how they did it.

Start managing as if time was your most important resource--because it is! Compressing time and learning to respond quickly will force adaptability. Managing time rather than costs requires that you focus on creating value for customers and nothing else. You will know you have succeeded when people start making decisions that place more emphasis on time than they do on cost.

Create forums for learning that are visible and valuable. Organizations that learn invest time in face-to-face discussion dedicated to sharing, integrating, and defining best practice. Those that do not make these investments usually argue that they cannot afford the time it takes to learn. You will know you have succeeded when the costs associated with a two-day offsite meeting for a product development team are viewed as a "rounding error" on the overall investment in such a project.

Mission Levers for Change

Organizations that have low mission scores usually have top executives who focus on controlling their organizations, second-guessing their direct reports, and making detailed decisions about products, people, and resources. These companies are typically busy reacting to competitors who have redefined the rules of the game and changed the nature of competition. Goals are usually not very meaningful to many employees, and the long-term purpose of the organization is not very inspiring.

Here are several suggestions about how the sense of mission can be improved in an organization.

Give the future the attention it deserves. Top executives need to adopt long-term strategy and direction as their highest priority. If they do not do it, you can be certain no one else will. You can tell that you are succeeding when the top executives are spending most of their time on issues that have a time horizon of five years or longer. As Casey Stengel once said, "If you don't know where you're going, you're likely to end up somewhere else."

Develop a philosophy that long- and short-term interests can be reconciled. Concentrating on the long term does not mean neglecting the short term. Finding ways to serve both at the same time needs to become second nature.

Concentrate on changing the rules of the game in your industry. The most successful organizations are always those that change the rules of competition in their industries. Then everyone else is forced to follow their lead and react to their moves. This requires an almost obsessive focus on competitors outside the organization and continuous rethinking of how your organization creates value.

Make everyone in the organization familiar with your strategy and vision. When everyone shares a mental model of a desired future state, the effects are very powerful. It establishes a standard of excellence that redefines ambition. You will know that you have succeeded when people in a dilemma make decisions that are in keeping with the strategy and vision.

Involve others in defining and redefining your mission. Good ideas can come from anywhere, inside or outside your organization. Involve managers, executives, and employees, as well as stakeholders and customers, in your discussion. Engage them in a discussion of how your organization creates value for society. You will know that you have succeeded when everyone is pleased with the mission, but no one is exactly sure where it came from.

Everyone must connect their own goals to the mission, vision, and strategy. Global strategy and vision are not enough. Everyone in the organization, from the boardroom to the mailroom, must be able to define their own goals in terms of the overall mission, vision, and strategy of the organization. Strategic direction must be supported at all levels. You will know that you have succeeded when the top executives and shop floor workers can talk about their joint progress toward the same goals.

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