

Removing the Barriers to Becoming a High Performance Business

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Two years ago, one of our clients, the international Morgain Group (not its real name) tried to implement its internal vision of the High Performance Business. Having analyzed the sometimes conflicting needs of interested parties, Morgain had focused its efforts on improving crossfunctional processes related to product development and launch. Now it was ready to transform itself into a streamlined business.

Managers at Morgain had had problems in the past in trying to achieve the full benefits of improvement initiatives. They were managerially sophisticated and had adopted a corporate Total Quality Management program 18 months earlier. But everyone still complained that „fiefdoms“ and turf battles tended to stifle corporate programs. They called it „The Morgain Culture.“ This time, the top managers intended to get things right.

They did everything by the book – launching a program designed to ensure that everyone in the Group would soon be talking the same language, working toward the same objectives, and adopting the redesigned and rethought multifunctional processes. Board and management put the High Performance Business message across in every internal speech and memo. Each manager in Morgain went to a training course or awareness seminar that had „working together for the future“ as its theme. Change management consultants were brought in to teach teamwork and facilitate the transformation of the company.

Eighteen months later, however, Group managers had to face the fact that the program had failed. Despite comprehensive training and well-structured process manuals, the benefits that managers had promised themselves and their shareholders had not materialized.

What was going wrong? Once again, managers blamed the „Morgain Culture.“ Accepting the conventional wisdom that you cannot change culture quickly without serious disruption and loss of key staff, they decided that there was little they could do.

That conventional wisdom is wrong. Time and again we have worked with companies to make „cultural“ changes that accelerated the adoption of High Performance Business recommendations – without resorting to shock tactics or stripping layers of management. You don’t need to change the whole culture all at once to encourage people to work in a fundamentally new way. What is more, you can achieve noticeable change in only a few months. What you need to do is change some of the unwritten „rules of the game“ that govern individual and company behavior.

Rules as Barriers or Catalysts

Every company has unwritten rules. Employees gain insight into some of them from the company’s mission statement, corporate guidelines, and manuals. They pick up the rest by observation and osmosis. They see what works and what doesn’t and act accordingly.

As Exhibit 1 shows, the rules inside people’s heads tend to be drawn from a variety of formal signals, such as organization structure and reward systems, as well as from less tangible signs, such as shared values and leadership styles. The net effect is a set of key rules and their perceived implications that influence people’s behavior. Individual interpretations of what may be the same basic key rules result in a variety of sometimes unpredictable behaviors.

Among the most important rules in most companies – because they affect people’s lives so directly – are the rules that relate to management control. Managers can try to influence the behavior of the people who work for them in the ways they handle recruiting, hiring, firing, training, rewarding, and punishing them. Within a given company, people’s behavior tends to be dominated by only one of these approaches – usually the reward system.

Each facet of management control is itself multifaceted. Rewards, for example, come in a variety of forms, including remuneration, career progression, job content, and status. At Morgain, employees had always seen career progression as their key reward; management, in turn, saw the reward system as its single most important control lever (Exhibit 2).

Morgain, of course, had its own set of key perceived rules when the company began trying to transform itself into a High Performance Business. Anyone who was even partially successful in Morgain instinctively understood the key rules and their implications. Being „company people,“ they had also worked out (often unconsciously) how they had to behave to be rewarded. Taken as a whole, these interrelated key rules, together with their perceived implications and resultant behaviors, constituted the unwritten rules of the game at Morgain. The three key rules had to do with career progression, the reward system, and management control.

Exhibit 1

Rules of the Game

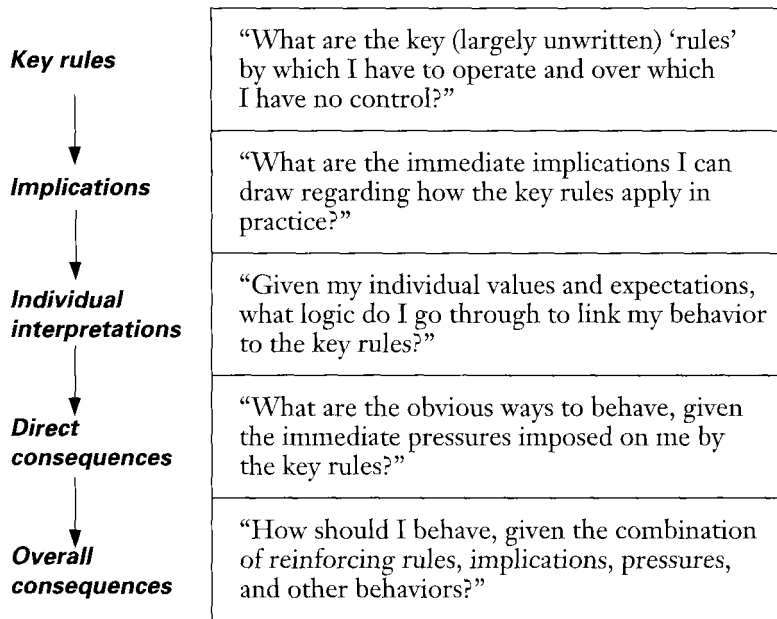
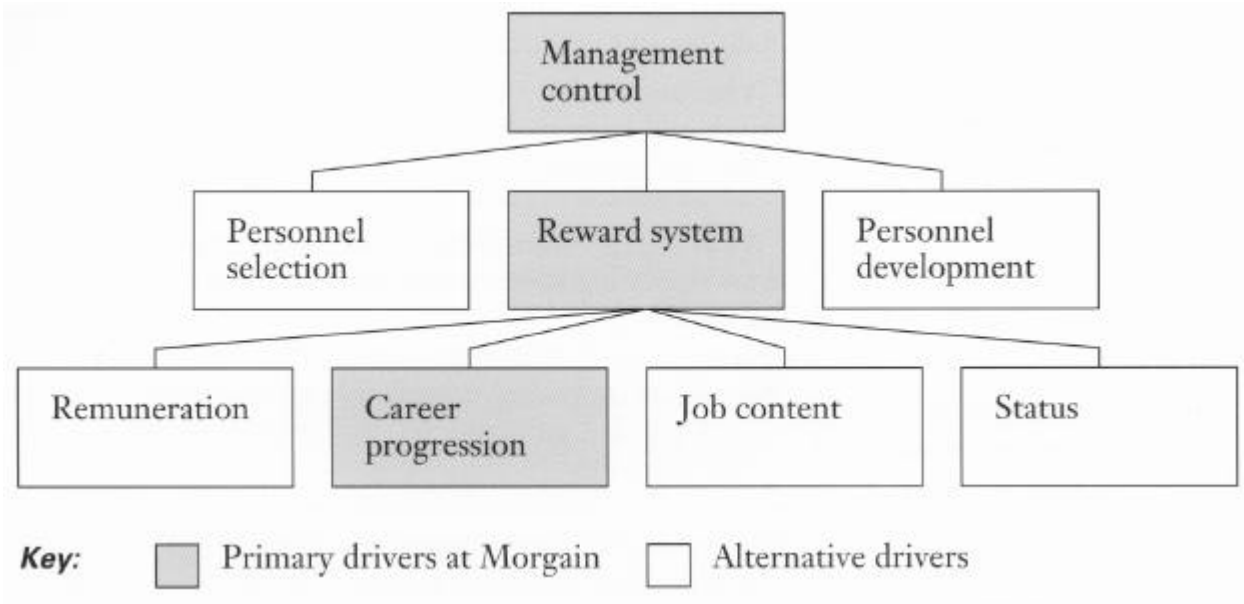


Exhibit 2

Classes of Rules Relating to Management Control



In the list below, each key rule is followed by its principle implications.

Key Rule 1: *„Your company wants to grow its own managers who have breadth rather than depth of experience within the corporation.“*

- „The more jobs you have in different parts of the company, the faster you will progress.“
- „If you develop too much depth by staying too long in one part of the company, it may actually damage your long-term career prospects.“
- „Whatever you do wrong, the company will try to redirect your career rather than to fire you.“

Key Rule 2: *„You are rewarded primarily for the current results of your own current area.“*

- „You should concentrate only on trying to improve and grow your own current area.“
- „You should not waste time trying to help grow other people’s areas.“
- „Any long-term effects of your actions are relevant to you only if they affect the (as-yet-undetermined) area that you will then be in.“

Key Rule 3: *„The most powerful of your ‘bosses’ has the greatest influence over your career progression and current rewards.“*

- „It is necessary to keep your boss happy.“
- „It is generally possible to exercise direct control management over people beneath you.“
- „It is possible for only your most powerful ‘boss’ to exercise direct control over you.“

Morgain’s transformation program required genuine crossfunctional cooperation, a long-term perspective combined with consistency of purpose, and an overall willingness to change. However, the company’s key unwritten rules encouraged individualism, short-term focus, resistance to change, and a number of other behaviors, of which the six highlighted in Exhibit 3 were the main barriers to transformation.

After 18 months, management had done nothing to change the key rules. As a result, the logical way to behave, given the existing rules, had not changed either. Attempts to change behavior directly, which had the effect of making the behavior inconsistent with the unchanged key rules, only created conflict within individuals, who felt torn between what they could see was best for the company and what they knew was best for themselves.

Such inconsistencies between High Performance Business initiatives and corporate rules of the game are common. However, even when companies have similar key rules, the problems those rules cause tend to be specific to their individual cultures. For example, the rules of the game at Skotech (not its real name), another recent client, were very similar to those at Morgain, but the results were different.

Key Rule 1: *„In general, your company values depth rather than breadth of experience within the company (and the trend is toward requiring fewer people).“*

- „You should aim to stay in your current function in the company.“
- „You will tend to be surrounded by the same people throughout your career.“
- „The old ‘safety net’ against being fired is gone.“

Key Rule 2: *„You are rewarded for the current results and quality of your work in your function and the number of people below you, provided you ‘play by the rules.’“*

- „You should not ‘break the rules.’“
- „You should not waste time on issues that are broader than (or that might reduce the size of) your own area.“
- „You should focus on producing results soon.“

Key Rule 3: *„Your boss above all others affects your career progression and other results.“*

- „You should try to keep your boss happy.“
- „Your boss can exploit the hierarchy to command and control you.“
- „You can exploit the hierarchy to command and control your subordinates.“

Exhibit 3

Consequences of the Rules of the Game at Morgain

<i>Direct consequences for employees</i>	<i>Overall consequences for the firm</i>
Short- to medium-term issues will always have higher priority for me than longer-term issues.	Tendency to stay in the company "for life"
I will tend toward direct control, not participative management, and will try never to give away power.	Networking, project management, etc., prove difficult to implement
My own department/unit will tend to have my first loyalty (over product or business loyalties).	Prevalence of power struggles and criticism
I will always try to "keep my options open" by maintaining links with headquarters.	Desire to hide mistakes through diffused responsibilities
I will accept "sink or swim" assignments to further my career.	Preoccupation with negotiation from "hidden agendas"
I will always tend to give low priority to fundamental issues.	Tolerance of inadequate directors/managers
The status quo has worked well enough for others. I, too, can work within it so I will not support initiatives to "change things."	Tendency for new bosses to arrive, disregard the past, and "start their own hobbies"
I will tend to accept unreasonable demands/milestones from my most powerful boss and never say "no" to him/her.	Tendency for "macho management," lack of communication or consensus
I will not tend to raise problems regarding higher levels than my own (such as corporate business).	Tendency to lack relevant knowledge (and waste existing knowledge)
	Lack of "balanced portfolio" approach to short-term performance versus longer-term benefits

Key: Main barriers to transformation

Exhibit 4 shows the consequences of the rules at Skotech. Its Information Systems Group had spent more than two years rethinking business processes throughout the company in an effort to transform it into a High Performance Business, but implementation was causing problems. Again, we found that inconsistencies with the rules of the game were the barrier. Although the key rules at Skotech were similar to those at Morgain, differences such as the preoccupation with depth rather than breadth of experience, combined with different individual interpretations, produced a different set of inconsistencies.

How Rules Shape Behaviors

For High Performance Business transformations to succeed, senior management must ensure that the behavior that naturally follows from the unwritten rules is in line with corporate objectives. The first step is to assess the extent and type of change required throughout the organization. Working with clients in many industries, we have developed formal Corporate Change Management techniques to help in this process. At each point of conflict or obstruction, you can use the techniques to see which rules are causing the problem. The results cannot be quantified, since they depend on individual interpretation of each rule, but they provide a framework for action.

Exhibit 4

Consequences of the Rules of the Game at Skotech

<i>Consequences for User Groups</i>	<i>Consequences for the Information Systems Group</i>
I will not cooperate (even if I appear to) on process-oriented improvement projects.	Corporate improvement should be driven by process re-engineering.
I need genuine service and support from central functions.	I am not interested in providing customer satisfaction.
Fundamental projects are unimportant to me.	Only fundamental projects matter to me.
The Project Planning Committee is of no help to me.	The Project Planning Committee is crucial for the company's future.
I prefer to do projects myself (maybe using outsiders) rather than use the Systems Group.	We should be involved in every business process project.
Crossfunctional project work will always be a lower priority to me than functional work.	It is natural for us to take the lead in High Performance Business.
I see no justification for changing my behavior.	I see no justification for changing my behavior.

Key: Main barriers to transformation

Part of our Corporate Change Management analysis for Morgain (Exhibit 5) shows one of the barriers to becoming a High Performance Business. The chart shows how people interpreted the implications of the key rules. It also shows the degree to which the behavior is driven by each implication – and who feels the pressure to act in this way.

After analyzing what was going on at Morgain, we concluded that two of the perceived implications of the rules were causing the most damage: „Any long-term effects of your actions are relevant to you only if they affect an (as yet unknown) area that you later move to“; and „It is necessary to keep your boss happy.“ These two implications had almost twice as much negative impact on the company as any others.

At Morgain we found a reasonably consistent interpretation of the rules of the game. People tended to „job hop“ every two or three years, creating strong crossfertilization among functions, sites, and levels in the hierarchy. As a result, most people viewed the rules in similar ways. Some groups – for example, Research – did not stick to the rules as much as others, but only because they felt under less pressure from the rules, not because they interpreted them differently.

At Skotech, however, we found a very different story (Exhibit 6). Here there was little job rotation because of the value attached to depth of experience. As a result, the Information Systems Group, which was trying to transform the company, interpreted the unwritten rules quite differently from the rest of the company. Consequently, the behavior of the Systems people and the User people differed fundamentally.

Matching Rules to Plans

At the moment, Skotech is at a crossroads. For the first time, its senior management is beginning to understand what the unwritten rules of the game are and how they are hindering its transformation to a High Performance Business. What can they do?

At the least, they can ensure that improvement initiatives fit within the existing rules. Those that do not fit will tend to fail. The analysis of the unwritten rules provides a framework for working out what will work and what should be modified. This somewhat passive stance is appropriate where it is impossible, for political reasons, to change the rules (for example, within a small subsidiary of a centrally managed corporation).

Exhibit 5

Example of Corporate Change Management Analysis for Morgain

<i>Overall</i>	Tendency for new bosses to arrive, disregard the past, and „start their own hobbies“
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<i>Individual interpretation of rules</i>	<i>Our bosses rotate through many jobs, some of which they are inadequately prepared for, and consequently they rarely inherit a comprehensive and coherent strategy from their predecessors.</i> <i>They concentrate their efforts on improving their own areas, because that is primarily what they are rewarded for. So they come up with creative ways of demonstrating as quickly as possible their suitability for moving to a new (better) job.</i> <i>They can force these „hobbies“ on the rest of us, and we rarely say „no,“ but instead accept their demands even if they are unreasonable. Or course, we all tend to act the same way as our bosses...</i>
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<i>People involved</i>	<i>Levels: All, especially upper management Locations All, especially U.S. Functions: All, except Research</i>
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The more attractive alternative is to fine-tune the rules of the game to make them more receptive to the behavior you want to encourage and far less tolerant of the behavior you need to stamp out. Then the desired changes in behavior will fit with the rules inside people's heads. Top management pronouncements and company training will appear more important and relevant – because they show the right way to act, given the new rules.

Begin by assessing the implications of any changes. Before modifying the rules, be sure that any changes will not have undesirable side effects. Changes designed to remove an apparently isolated behavior can end up causing more problems than they solve. Introducing financial incentives for teamwork, for example, will only confuse and demotivate people who believe that their career development depends on protecting their own patch.

You also need to plan the sequence in which you will make changes. Before tackling the rules of management control, for example, which tend to be close to senior managers' hearts, you might want to adapt the rules for career progression and reward. Indeed, such modifications might bring about the desired behavioral changes on their own. Throughout the change management process, pragmatism rules the day.

Stripping out a whole level of managers has been a classic turnaround ploy, brutal but straightforward. It can, however, have undesirable side effects. Realigning the rules of the game requires skill and creativity, but has the advantage of being evolutionary with controlled side effects. With Corporate Change Management techniques, it can also be quick.

In Morgain, the rule change was straightforward. Top management made a deal with its key managers. They would stay in their current jobs for five years instead of job-hopping after two or three. After that, they would have the chance to move two rungs up the corporate ladder, to a post decided primarily by a corporate human resources officer, not by their functional boss.

Within six months, the company was transformed. People knew that they would be staying in their current jobs long enough for medium- to long-term planning to show results. Networking made more sense because the pay-offs would be tangible and time spent working for other functions would not appear „disloyal“ – at least not to the human resources officer.

People throughout the company declared that they had gone through a culture change – but there had been no trauma, no unpleasant side effects, and no long delays. Top management had simply recognized that employees were behaving just as any other group of bright, ambitious people would behave, given the old rules of the game. So they changed the rules. We believe that if others did the same, much of the pain involved in becoming a High Performance Business would simply disappear.

Exhibit 6

Example of Corporate Change Management Analysis for Skotech

User Group consequence I will not cooperate (even if I appear to) on process-oriented improvement projects.

Individual interpretation of rules *Although some believe that corporate improvement should be IS-driven, I realize that „improvement“ equals staff reduction, which scares me. Anyway, my boss probably doesn't really want to shrink his/her empire and any results are too far off to be attractive. Therefore, we are not really interested in major process-oriented projects that cut across different functions, and we know the Systems Group's reputation for not providing true customer service – otherwise we might have cooperated. So, I will continue to appear cooperative and thus keep my boss happy, and neither of us will appear to break the rules.*

Systems Group consequence Corporate improvement should be driven by process re-engineering.

Individual interpretation of rules *Although the individual business areas think they know what improvements they need and when they need them, in reality they are very parochial and very short-term-oriented. Process re-engineering can be used to counter both of these shortcomings, but only those of us who keep up-to-date with the current thinking are in the driver's seat. After all, why should we expect other people to understand what companywide benefits could be achieved through re-engineering? We know that many groups don't cooperate because they are scared of the long-term implications, but our bosses believe in a High Performance Business future, so we must all recognize the fact. In a culture where no one breaks the rules, process re-engineering provides a long-needed catalyst for change and also provides a check-up mechanism for bosses to ensure that each group is working as it should. I want to spend my career in the Systems Group, so if I don't continue to believe in the fundamental role of process re-engineering, what am I doing here?*

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