

# A Failure to Communicate

*The Perils of Management By Initiative And What To Do About Them*

Nancy Bartels

The two reports referred to in this article, "The People-wise™ Organization" and "House Divided: Views on Change from Top Management—and Their Employees," crossed our desks some weeks ago. They stimulated a fair amount of discussion here, and we hope they do the same in your offices. We welcome your responses. How do you view the corporate/competitive environment of the next few years? How do you see yourself and your company fitting in? Can these ideas work in the gear industry? Let us know what you think.

**T**he CEO of Bigger & Better Gears is ecstatic. His latest cost-cutting programs, which implemented a team approach to production (eliminating two layers of supervisory staff), changed the inventory control system and established a new set of quality control goals, have cut his expenses in the last quarter by 40%. The expensive set of initiatives was worth it. B & B's competitive position looks much better; so does its bottom line; the stockholders will be pleased.

But at the other end of the plant, in the employee lounge, the quality-control manager is talking to a friend from accounting: "What a joke. We spent two days talking about our new philosophy of 'quality-based thinking.' Everybody was supposed to be free to pull product that

didn't meet standards without waiting for approval. Then the first time there was a production crunch, we got dumped on for holding up the line. Now morale stinks. My people think they've been lied to. Frankly, I think quality is worse than before because now nobody cares. I don't know about you, but I'm polishing my resume."

Her friend replies: "Yeah. They let half the accounting department go. Of course, we still have the same amount of work, so we've hired back three guys as consultants. The only difference is that now they're billing us \$100.00 an hour for their time. So much for cost cutting. If I hear about one more management initiative, I'm going to throw up."

And down on the production line, the shop steward is mulling over the



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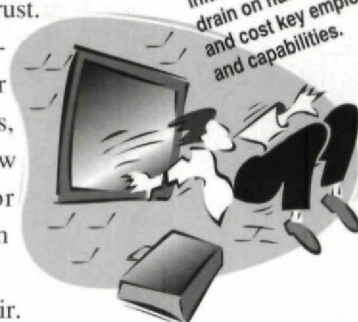
three formal grievances he received this morning. That makes a total of eight for the month, more than were filed all last year. The revamping of inventory control is not working. If anyone had bothered to ask him, he could have told them it wouldn't. Now his people are disgruntled and are openly resisting the attempt to form production "teams." They're using the work rules in the union contract to obstruct the changes about which they were not consulted and which they distrust.

They're frightened of another round of layoffs, and with a new contract up for negotiation in three months, strike is in the air.

A nightmare scenario, you say. Never happen at my plant. Are you sure?

According to a survey of 3,500 North American executives and 3,000 non-managerial employees done last year by Kepner-Tregoe, a management consulting firm with offices around the world, this disparity between top management and employee perception of change

Repeated failed initiatives can cause a drain on human assets and cost key employees and capabilities.



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initiatives is all too common; yet companies continue to implement program after program.

The survey, "House Divided: Views on Change from Top Management—and Their Employees," suggests that in the present hypercompetitive global manufacturing environment, many companies are suffering from "initiative addiction." Forty-two per-

foster the growth of cynicism, and permanently alter the concept of "employee loyalty." Short-term numbers may look good, but the long-term health of these companies is not so promising.

### Shifting Paradigms

The reason for the apparent failure of these well-intentioned programs, according to another Kepner-Tregoe report, "The

structure and processes are enablers or inhibitors, but they don't define how an organization or an individual behaves." Any program that puts systems and structures ahead of the people who implement them runs the risk of spectacular—and expensive—failure.

The report suggests that the people-based model challenges the very way we look at running a business and managing people. According to Shari Johnson, a principal at Kepner-Tregoe who has worked with many automotive and heavy industry firms to implement change, even the tools for corporate success are different now. "It used to be that technology or access to large amounts of money or large infrastructures globally were competitive advantages. Now anyone has access to those things. Now it's what you do with your people and what your people do with technology that's the critical difference."

In this model, it's the people and their accumulated judgment, perceptions, experience, intuition and intelligence that will determine the success of the organization. And the way to best tap this collective wisdom is not the old top-down, pyramid-shaped management system. A more horizontal, flexible management model is evolving in some of the most successful companies.

Johnson says, "I see it going even beyond that. I

see organizations that don't have official structures. Levels of management are going to greatly decrease. Already we're working with organizations that have at a particular site a plant manager, his staff and self-managed teams, and I think we're going to see a lot more of that."

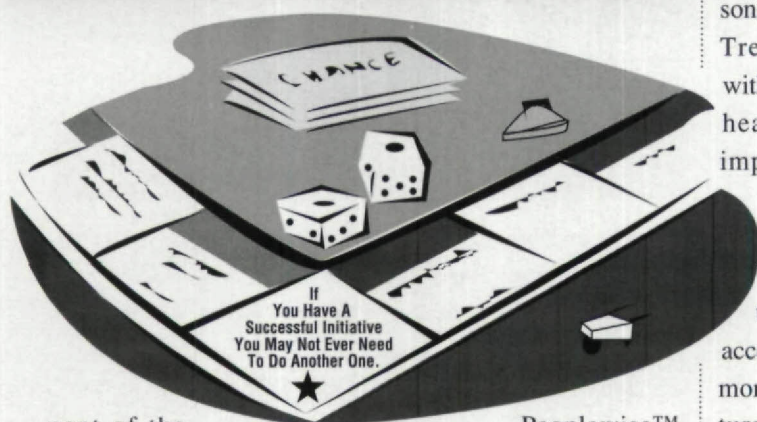
If Johnson and the other change gurus are right, then the reason so many change initiatives fail becomes clear: corporations spend millions of dollars creating systems and structures for the next millennium and try to insert them into a 1960s performance environment. Then when the individual program fails to live up to its promise, the tendency is to move on to the next "new and improved" program and try it—every time dealing only with the symptoms, not the real problem. Mr. Bantoom Lamsam, president of the Thai Farmers' Bank, is quoted in the Kepner-Tregoe report: "So much change in organizations is little more than rearranging the chairs and tables. What's most important is to get the people to change."

### Implementing

#### People-Based Change

The fundamental point of people-based change is to look at what a company has done traditionally—manufacture a product—from a different point of view. Says Johnson, "... what this [model] basically says is 'Let's put a different focus on what we are

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cent of the companies surveyed had undertaken *eleven or more* change initiatives, including strategy setting, employee empowerment, downsizing, customer service improvement, restructuring or productivity improvement, in the last five years. Companies that have already undertaken one such initiative are more likely to do so again, and most companies focus on the immediate bottom-line return of these programs rather than on the long-term competitive health of their companies.

The result in many cases is that these initiatives cause a steady drain on human assets, cost key employees and capabilities,

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Organization," is a failure on the part of management to understand the shifting paradigms of the workplace. Historically, organizations have been seen as a collection of systems, processes and structures. To make change, you tinkered with the system. The basic assumption was that changing the system changed peoples' behavior.

The truth is, it's the other way around. "The Peoplewise Organization" quotes Amy Marks, Senior Vice-President of Human Resources at USF&G: "The same people tend to behave in the same way even when placed within different organizational structures. Organization



doing and realize the importance of people as we go about doing it.”

This is not to be confused with “management by warm fuzzies.” According to Johnson, people-based management has nothing to do with making people feel good, but everything to do with corporate survival. “Your motivation is not to make people feel good and/or involved,” she says. “Your motivation is to be better than your competitor.” And the way to do that is to tap the collective wisdom of all your employees.

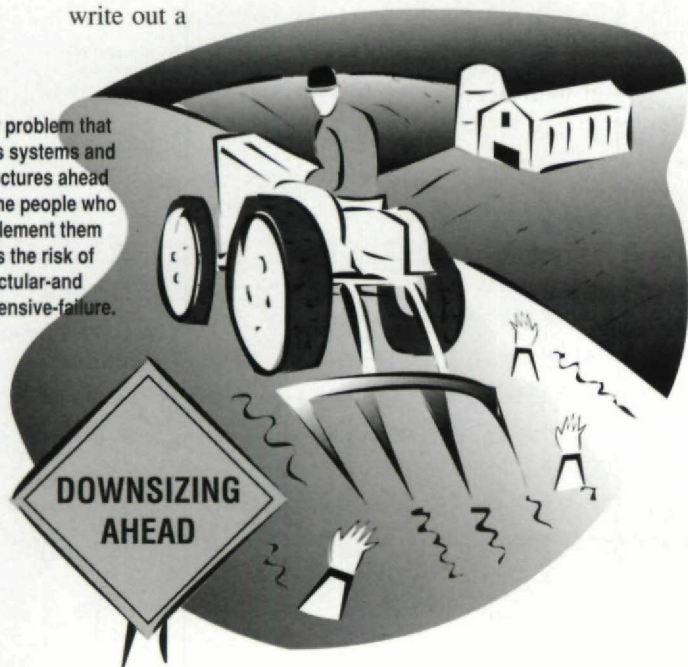
Step one is for top leadership—both management and employee—to determine a new set of values and beliefs that will be the basis for change at the company and to do so with the people directly involved in the change. This will call for a sharing of goals, ideas and strategies and for firm commitment on the part of everyone involved. It’s not enough to write out a

high-flown mission statement. Corporate leadership has to be willing to back it up with real time, real money and real change.

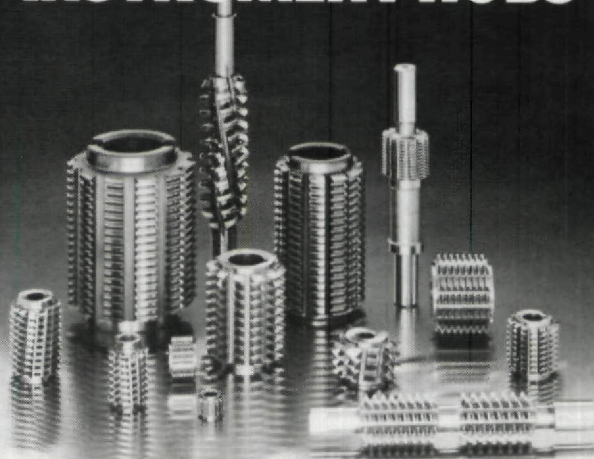
The second step is for management to demonstrate in significant ways its commitment to these new values by its behavior. Lip service is not enough. Says Johnson, “We are not just role-modeling things that are easy. If you say that independent decision-making is something you value in your organization, then you have to let people do it. You can’t second-guess them.”

The other important factor in implementing changes is to involve the people who will actually be affected by them. In a union shop, the union must be involved from the very beginning. At the Chrysler plant in New Castle, IN, one of Kepner-Tregoe’s success stories, a plant in danger of being closed was turned around in two years to the point where it is

Any problem that puts systems and structures ahead of the people who implement them runs the risk of spectacular and expensive failure.



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actually hiring people. In this case, the head of the UAW and the vice-president of labor relations for Chrysler sat down together and hammered out what worker involvement should look like.

Johnson says that remembering the unique characteristics of unions is critical to success. Union leaders are elected, and they have to answer to their constituencies. They cannot be expected to take positions that will be perceived as hurtful to their members or will jeopardize their re-election.

Learning to work with the union contract is also important to implementing change. If management and union leadership sit down together early in the process and agree on values and beliefs and lay out goals, and if management shares corporate strategy and helps union leadership to understand where the organization is going, a union contract can become a tool for change. Johnson says, "We've gone through 50 to 80 years of interpreting every word to the letter, but our experience is that once you establish a win/win approach, a union contract is really a flexible instrument."

The other group that senior management has to bring into the picture is middle management and supervisory staff, particularly if the planned initia-

tive is one that will affect this group's perceived power. Says Johnson, "A lot of these people have come up through the ranks. They've worked very hard to become supervisors, and now they see their power base being taken away, so they're extremely reluctant."

She adds, "The best way of getting something positive to happen is to sit down with them very early in the process. Begin to articulate what the supervisory role will look like in the new organization, what skills are needed, what values, what benefits."

### Trust-Building

This early spade work is essential for building the trust necessary to make these kinds of broad initiatives work. But building trust is not easy, especially if your work force has been burned in the past by a number of failed initiatives. On the other hand, it's wrong to assume that you cannot begin an initiative until you have trust.

Trust is a process that builds on itself. Every





successful transaction creates more trust for the next time. "There are always individuals who are looking, to a greater or lesser extent, for ways to prove that 'Here we go again,'" says Johnson, "but trust is the result of activities; it's not the precursor of change."

Trust is also a two-way street. Management has to trust that its employees want the company to succeed. Johnson says, "Our experience is that people want to be involved. Everybody in an organization from the CEO down to the hourly production

One way around this is the dual-track approach. Johnson recommends beginning with organizing for the short term to focus on some significant areas of improvement where you can facilitate quick turnaround. This tactic gives the signal that the potential for real change is there, and it produces tangible, measurable results.

It also helps employees (and management) to "keep the faith" during the difficult middle phase of change when nothing seems to be happening or, worse, when the program seems like a failure. This is the place

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worker is working for personal reasons, but they are also there to improve the organization's effectiveness at the point where they can have an impact on it, given the right environment in which to do that."

Sharing the corporate strategy and including employees in discussions of basic values reinforces these positive motivations.

### The Dual-Track Approach

One major reason employees are so mistrustful is that change initiatives frequently bog down in the middle. They begin with great fanfare and hype, and six months later things are back to where they were. Then management decides it's time for a different initiative, and the process begins again. In the meantime, trust erodes and cynicism builds.

where it is both hardest and most important to sustain leadership, and, according to Johnson, the point where most initiatives fail. "It's like a rubber band. If you take your right hand and pull and then let go, it's going to go back to its original position."

### Breaking the Initiative Cycle—Beyond Trust-Building

Changing the corporate cultural environment is not unlike turning an aircraft carrier at sea: it takes time, and it's not a one-person job. But you can harness the people assets of your organization to initiate effective change by providing them with an environment that contains certain crucial elements.

First is role clarity. When the system is changing, people are unclear as to what their new roles should

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be. In a people-empowered organization, role clarity is a very difficult issue because the old, clearly defined organizational boxes into which everyone fit are gone. People need time

to get used to a fluid structure that allows them to move in and out of different relationships given the particular task.

The second factor that will impact people's will-

ingness to become suggestions are invited and then ignored, don't be surprised if no second round of suggestions is forthcoming.

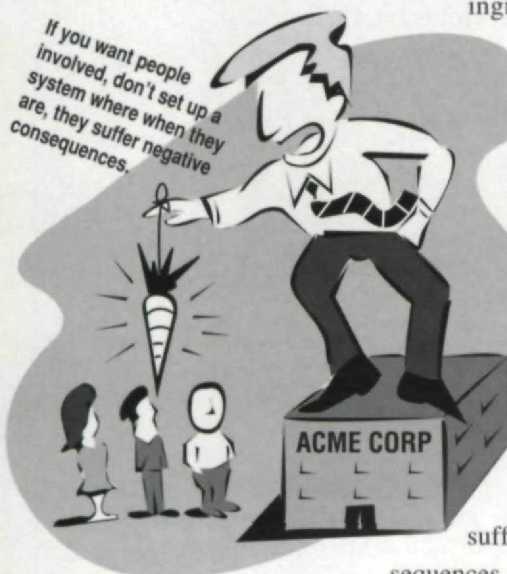
The third factor is the inverse of number two. People need positive reinforcement. When employees respond in a positive way to change initiatives, say by accepting more responsibility or being innovative about the way they do their jobs, they need to be encouraged. Says Johnson, "They need to hear, 'This is good. Keep doing this.'"

The people-based organization is an evolving one. At no point in developing such a structure do you arrive at the point where you can say, "Now we're

there. Now we can stop." But such an organization is inherently agile. It can respond smoothly and effectively to the changing demands of the outside environment. It is also the way to break the initiative cycle. The reason is simple, says Johnson. "If you have a successful initiative, one that's working for you, you may not ever need to do another one." ■

*Illustrations by Darryl Shelton of Shelton Design.*

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ingness to become actively involved in change is the consequences to them personally. If you want people to be involved, don't set up a system where when they are, they suffer negative consequences. For example, if

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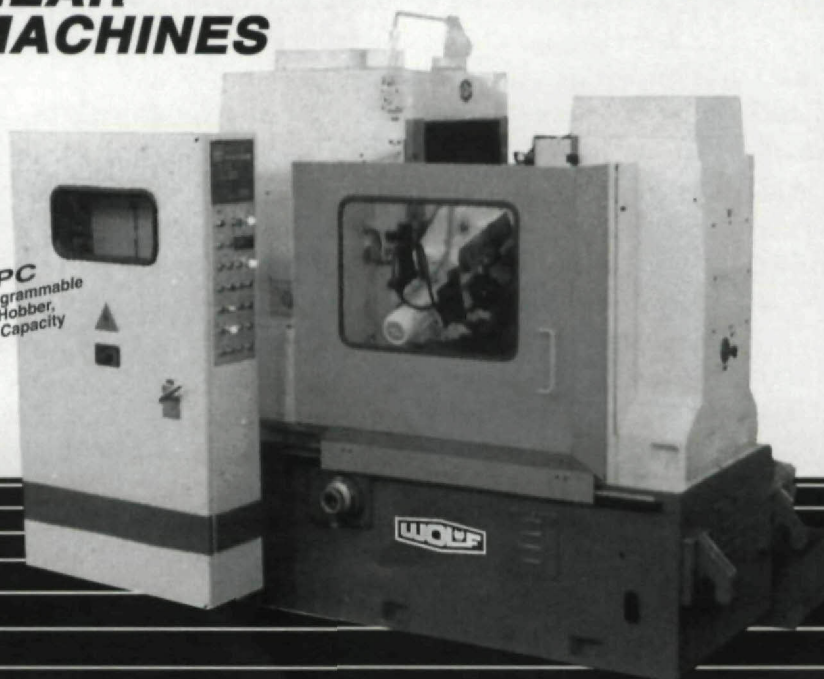
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