

Reflections

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Changing Culture Change*Diana McLain Smith*

A common belief exists that leaders can manipulate organizational culture, like a sculptor shapes clay. But whereas the expression of culture, such as written mission statements and office arrangements, can easily be changed, people's implicit assumptions often prove more difficult to shift. Based on insights from culture experts, Diana McLain Smith and others at a small professional services firm sought to change the firm's culture to close the growing distance among senior leaders and others. They found that by observing and transforming relationships along three axes, they were able to surface, examine, and alter the shared assumptions that lie at the core of a firm's culture. Equally important, they learned that culture isn't a top-down or bottom-up creation: it is a joint venture created by followers and leaders in relation to each other and their external constituents.

Learning Lean: Don't Implement Lean, Become Lean*Michael Ballé and Peter Handlinger*

Many leaders have tried to apply the "Toyota approach" to improve performance and financial results, yet few have succeeded. Those who do have learned that they can never *implement* lean per se but rather must strive to *become* leaner every day. According to Michael Ballé and Peter Handlinger, the "system" in "Toyota Production System" is not a cut-and-paste set of practices, but a series of related *learning activities* aimed at developing individual competence and teamwork. The authors use the example of a "lean" construction company to illustrate the positive outcomes that can occur when people observe worksite problems for themselves and struggle to find solutions together. Based on these principles, the authors identify four general lessons for any CEO who hopes to achieve lasting results from lean efforts.

Leadership for Our Times: The Leadership System Model*David Kantor*

In the face of a performance crisis, organizations meet with an essential decision: delve deep into their own workings to uncover the complex web of forces driving their decline or place their hopes and fears in the hands of a heroic savior. As the rash of CEO turnovers in the last five years powerfully demonstrates, the white knight approach is the prevailing panacea. Perhaps the hangover of those childhood fairytales compels us to so stubbornly cling to the myth of the hero who charges in to save the day. Yet, as experience has demonstrated time and again, savior CEOs rarely live up to expectations. In this article, David Kantor offers an original argument for replacing the CEO-as-savior model of leadership with one that comprises a system of interconnected leaders with equivalent but widely varying sets of capabilities.

Renewing Leaders: Beyond Servant Leadership*Joseph Jaworski*

The notion of transformational, or servant, leadership has been around for thousands of years. It has been the standard against which we have judged our most revered leaders – until now. In his new book, *Source: The Inner Path of Knowledge Creation*, Joseph Jaworski suggests that servant leadership is no longer adequate to meet today's challenges. He calls for a more advanced generation of leaders, which he refers to as "Renewing Leaders" or "Stage IV Leaders." Jaworski explains that what sets these individuals apart is their unique capacity for combining their cognitive understanding of the world with their ability to connect with the "Source," an underlying intelligence that provides them with the power to create the kinds of organizations and society we desire. In this excerpt, Jaworski paints a compelling profile of one such leader whom he believes exemplifies and embodies this most advanced stage of leadership.

Changing Culture Change

DIANA McLAIN SMITH

A common belief exists that leaders can manipulate organizational culture, like a sculptor shapes clay. But whereas the expression of culture, such as written mission statements and office arrangements, can easily be changed, people's implicit assumptions often prove more difficult to shift. Based on insights from culture experts, Diana McLain Smith and others at a small professional services firm sought to change the firm's culture to close the growing distance among senior leaders and others. They found that by observing and transforming relationships along three axes, they were able to surface, examine, and alter the shared assumptions that lie at the core of a firm's culture. Equally important, they learned that culture isn't a top-down or bottom-up creation: it is a joint venture created by followers and leaders in relation to each other and their external constituents.

**“Before I built a wall I'd ask to know
What I was walling in or walling out.”**

– Robert Frost, “The Mending Wall”



Diana McLain Smith

Few organizations build cultures adaptive enough to sustain a firm's competitiveness over time. By 2006, only six of the 18 companies showcased in the 1994 bestselling book *Built to Last* still outperformed the Dow Jones Industrial Average. “The other twelve,” strategy experts Gary Hamel and Liisa Välikangas wryly observed in the *Harvard Business Review*, “have apparently gone from great to merely OK.” The road to merely OK may or may not be paved with good intentions, but it is most surely paved with outdated cultural assumptions, and these cultural roads are proving very hard to repave.

That's why so many leaders now say what design experts David Nadler and Michael Tushman concluded in *Competing by Design*: “Culture . . . is the single most difficult aspect of organizational architecture to reshape in a lasting way.” The soft stuff of culture, it seems, is the hardest stuff to get right. Yet it is also the most important, determining how firms – or more aptly, the people in them – actually behave.

Perhaps no one knows this better than Allan Kennedy, coauthor of one of the first books written on corporate cultures. His efforts to put his ideas into practice at a small firm called Selkirk Associates in the 1980s still have much to teach us about how *not* to shape the culture of a firm. More recently, with the benefit of Kennedy's experience, and with insights from culture experts before and after Kennedy's time,¹ I set out with folks at another small firm to see what kind of cultural change we could create. The two experiments together suggest that:

- Relationships, not individual leaders alone, shape and reshape the invisible assumptions that lie at the core of a firm's culture.
- Relationships hold the power to reinforce or transform the cultural assumptions that give rise to outdated hierarchical, functional cultures disconnected from the marketplace.



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For Kennedy, this was not a long-term goal, something that would evolve naturally in the fullness of time. On the contrary, it was a pressing, immediate concern. Accordingly, he focused all his attention on creating such a culture from the start. “I spent lots of time,” he says, “trying to think about what kind of values the company ought to stand for and therefore what kind of behavior I expected from people.” These thoughts eventually went into a detailed statement of “core assumptions,” which he reviewed and amplified with each new employee. In the same vein, Kennedy and his colleagues chose a “guiding principle,” namely, a commitment to “making people more productive.” They would pursue this ambition, everyone agreed, “through the products and services we offer” and “in the way we conduct our own affairs.”

By all accounts, they acted like one big happy family in a large room with no offices and a lot of camaraderie – that is, until the day the walls went up.

- Only by transforming key relationships will culture change go deep enough to last.

This article tells the tale of these two culture experiments and reflects on what they together have to teach us about culture and culture change.

EXPERIMENT 1

Designer Cultures

In the early 1980s, just as ideas about corporate culture were taking off, Allan Kennedy launched a software company as a kind of culture laboratory. As the firm’s CEO and cofounder, Kennedy wanted to see if he could use the ideas from his book to build a highly flexible, entrepreneurial culture based on collaboration, decentralization, openness, democratic decisions, respect, and trust. An article in *Inc.* magazine recounts:

At first, everything went according to plan. Bound together by the firm’s espoused assumptions and values, the group scurried to develop exceptional software products for sales and marketing management. By all accounts, they acted like one big happy family in a large room with no offices and a lot of camaraderie – that is, until the day the walls went up. The *Inc.* article continues:

The problem stemmed from the situation in the big room, where the technical people were laboring feverishly to develop Selkirk’s first product, while the salespeople were busy preselling it. The former desperately needed peace and quiet to concentrate on their work; the latter were a boisterous lot, fond of crowing whenever a prospect looked encouraging. In fact, the salespeople crowed so often and so loudly that the technicians complained that they were

being driven to distraction. Finally, they confronted Kennedy with the problem. Their solution, which Kennedy agreed to, was to erect five-foot-high movable partitions, separating each functional grouping from the others.

In the memory of Selkirk veterans, the day the wall went up lives on as a day of infamy: a symbol of divisiveness that undid all their best-laid cultural plans.

Indeed, the erection of the walls touched off a feud between engineering and marketing that eventually grew into “open organizational warfare,” according to Kennedy. “I let the wall stand, and a competitive attitude developed where engineering started sniping at marketing. We had two armed camps that didn’t trust each other.”

That, however, wasn’t the worst of it. Once they released their first product, they discovered that the market didn’t value customer service quite as much as their culture did:

Not that there was anything wrong with the product. It was, in fact, a fine piece of software, and it premiered to glowing reviews. . . . The problem had to do with the price tag, a whopping \$12,000 per unit. The Selkirk team had come up with this rarefied figure, not out of greed, but out of a commitment to customer service – a goal to which they had pledged themselves as a part of their cultural mission. In order to provide such a service, they figured, a Selkirk representative might have to spend two or three weeks with each customer helping to install and customize the product. Trouble was, customers weren’t willing to pay for that service, not at \$12,000 per unit anyway. After a flurry of interest, sales dropped off. . . . “We just blew it,” says Kennedy. “We were arrogant about the market. We were trying to tell the market something it wasn’t interested in hearing.”

By the time the team figured this out:

Selkirk’s entire sales effort was in shambles, a victim of its commitment to employee auton-

omy. Sales targets were seldom realized. Indeed, they were scarcely even set. At weekly meetings, salespeople would do little more than review account activity. In the end [Kennedy] was forced to fire more than half of his staff, slash prices by 87%, and start over again.

Many firms today, most of them older and wiser than Selkirk, have made worse mistakes on a grander scale.

What Happened at Selkirk?

Many firms today, most of them older and wiser than Selkirk, have made worse mistakes on a grander scale. Over the past 20 years, I’ve watched countless culture change efforts fail to dismantle functional fiefdoms or transform sluggish hierarchical behavior, and I’ve seen just as many strategy efforts fail because the assumptions upon which they were based were out of touch with the market. So how do leaders make such mistakes, especially those like Kennedy, who are committed to collaboration, learning, and trust? Are they just isolated lapses of judgment, or do they reflect something more fundamental?

I believe they reflect something more fundamental: the largely shared, implicit belief that leaders are like sculptors and that culture is like clay, susceptible to direct manipulation. I suspect it was this belief that led Kennedy to confuse the expression of culture – written documents like values or mission statements, espoused beliefs or assumptions, office arrangements, rituals, and rites – with a culture’s less visible but more powerful core: the *implicit assumptions* people carry in their heads. Because Kennedy was so focused on the former, he overlooked the assumptions people brought with them to Selkirk. It was those assumptions that governed how the people at Selkirk interpreted events and how they behaved, individually and collectively. To see what I mean, let’s look more closely at how the sequence of events unfolded

at Selkirk and at the assumptions informing each step:

- First, a fight breaks out between sales and engineering over the groups' conflicting needs: the technical group needs silence to concentrate; the sales group needs to celebrate its victories to stay pumped up. At play in how this fight unfolds is the implicit assumption that one group's needs must prevail over the other's. This zero-sum, adversarial assumption made their conflict intractable, requiring intercession from above.
- Next, the two groups don't try to work things out between themselves; instead, they each go to Kennedy to complain about the other. Here a second shared assumption comes into play:

Embedded in these choices is an implicit assumption about his role as leader: his job is to fix problems, not help the team work through any conflicts among groups or between values.

if you can't settle a dispute among yourselves, send it up the hierarchy. This second assumption reinforces the first one about the intractable nature of conflict. After all, if you assume you can send your conflict up the hierarchy, why bother settling it among yourselves?

- In their meeting with Kennedy, the technical folks "confront" Kennedy. Interesting word. One can only imagine what they said – "Hey, buster, you created this great big office space with no private offices. *You go fix it!*" – at which point, they suggest a five-foot-high movable partition to separate the two functional groups. Embedded in this move is the assumption that their role as followers is to say what's wrong and needs fixing, and that the participatory leader's role is to do what they say – or run the risk of being viewed as undemocratic, a clear violation of their espoused values.

- Kennedy responds by doing what the technical group demands, telling himself that he's simply adhering to the firm's democratic values. What he doesn't see is that he isn't adhering to that same democratic value with the sales group (he never consults them), nor is he adhering to the firm's espoused value of collaboration (he doesn't ask the groups to collaborate on a solution with his help). Embedded in these choices is an implicit assumption about his role as leader: his job is to fix problems, not help the team work through any conflicts among groups (in this case, sales and engineering) or between values (in this case, openness to the technicians' needs and collaboration among groups).
- The next thing you know, a five-foot wall goes up, confirming everyone's assumptions about the intractable nature of conflict. With the wall creating greater distance between sales and engineering, an even more competitive attitude develops between the groups, turning them into armed camps that don't trust each other.
- In the end, Selkirk's entire sales team is in shambles, making it late to discover that customers aren't willing to pay \$12,000 per unit for a service the folks at Selkirk assumed customers would value.

What Can We Learn from the Selkirk Experiment?

"We just blew it," Kennedy said in the *Inc.* article. True enough. But they didn't "just" blow it. Selkirk's failure was the inevitable consequence of people's interactions with each other and with their customers – and the assumptions informing those interactions.

Think about it. Had the relationship between engineering and sales been less adversarial and more collaborative, their dispute would never have landed on Kennedy's doorstep. And had Kennedy and his direct reports forged a relationship in which they shared responsibility for solving the problem between sales and engineering, Kennedy would never have erected the wall. As it was, their relationships weren't up to the job of resolving the competing needs and interests of different groups, or any

tensions that arose among espoused values once put into practice. Instead, their relationships – and the assumptions underlying them – conspired to sabotage the collaborative, democratic ideals everyone held dear. As a result, they were unable to learn from each other or their customers, and their firm came crashing down.

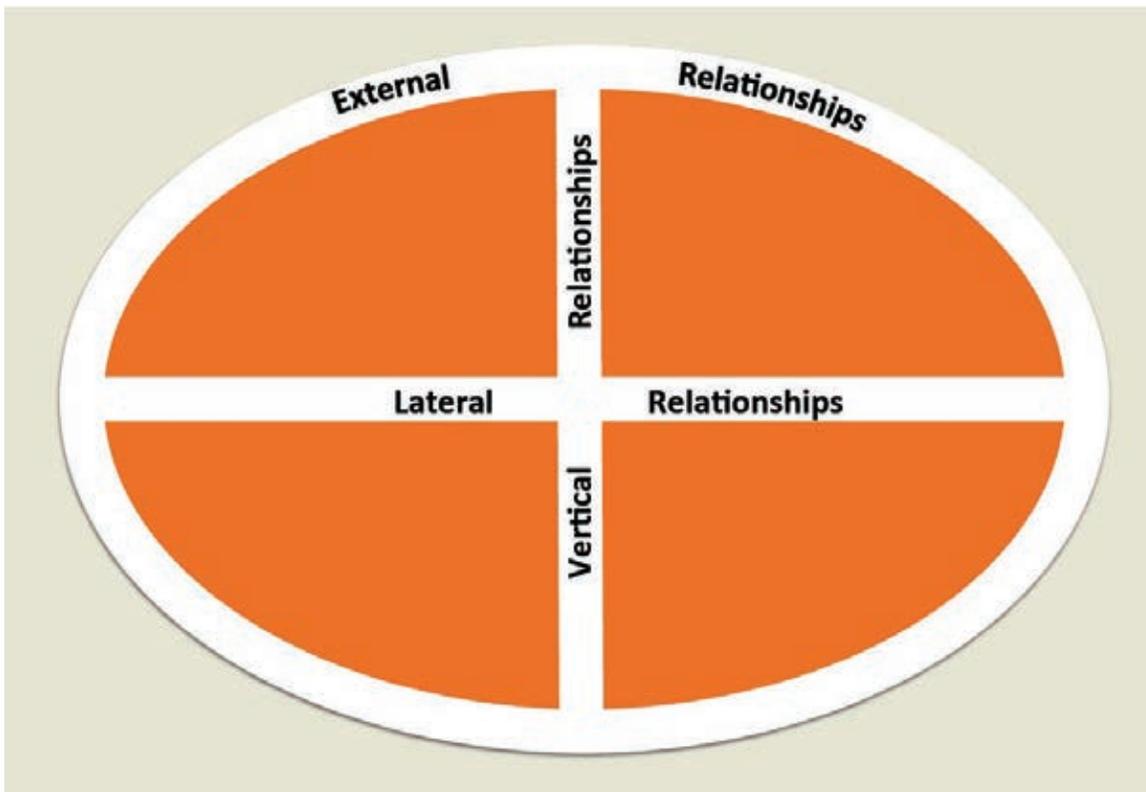
So what do we still have to learn from this 30-year-old experiment? A lot. Kennedy's experience has taught me four lessons I've never forgotten:

- You should never confuse the visible face of a culture with the invisible assumptions that lie at its core. While the face of a culture may be as malleable as clay, the core is more like glue: quick to adhere, hard to unstick.
- You can't dictate or mandate cultural assumptions. People will always bring their own assumptions – forged at school, at home, and at past organizations – to whatever firms they join. Those assumptions can only be transformed through new social experiences.

- All social experience takes place in the context of relationships, and so it is in the context of relationships that people will either change or perpetuate their assumptions.
- The quality of a firm's relationships determines which outcome occurs and thus whether (and how fast) people and their firm will learn, change, innovate, and adapt.

These lessons have helped me see that culture isn't a top-down creation – or even a bottom-up one. It's a joint venture created by followers and leaders in relation to each other and their external constituents. After years of studying and tilling different cultural soil, I've come to think of these relationships in geometric terms along three axes that together define a culture's assumptive core: *vertical* (relationships across levels), *lateral* (relationships across functions), and *external* (relationships with customers, suppliers, channels, investors) (Figure 1).

FIGURE 1 **The Geometry of a Firm's Culture**



This way of thinking led me to wonder: perhaps if we focused as much attention on developing adaptive, learning-oriented relationships as we do on developing adaptive, learning-oriented leaders, we might breathe some cultural life into our adaptive, learning-oriented aspirations. In any case, that's the hypothesis we set out to explore two years ago at a small professional services firm only slightly larger than Selkirk.

EXPERIMENT 2

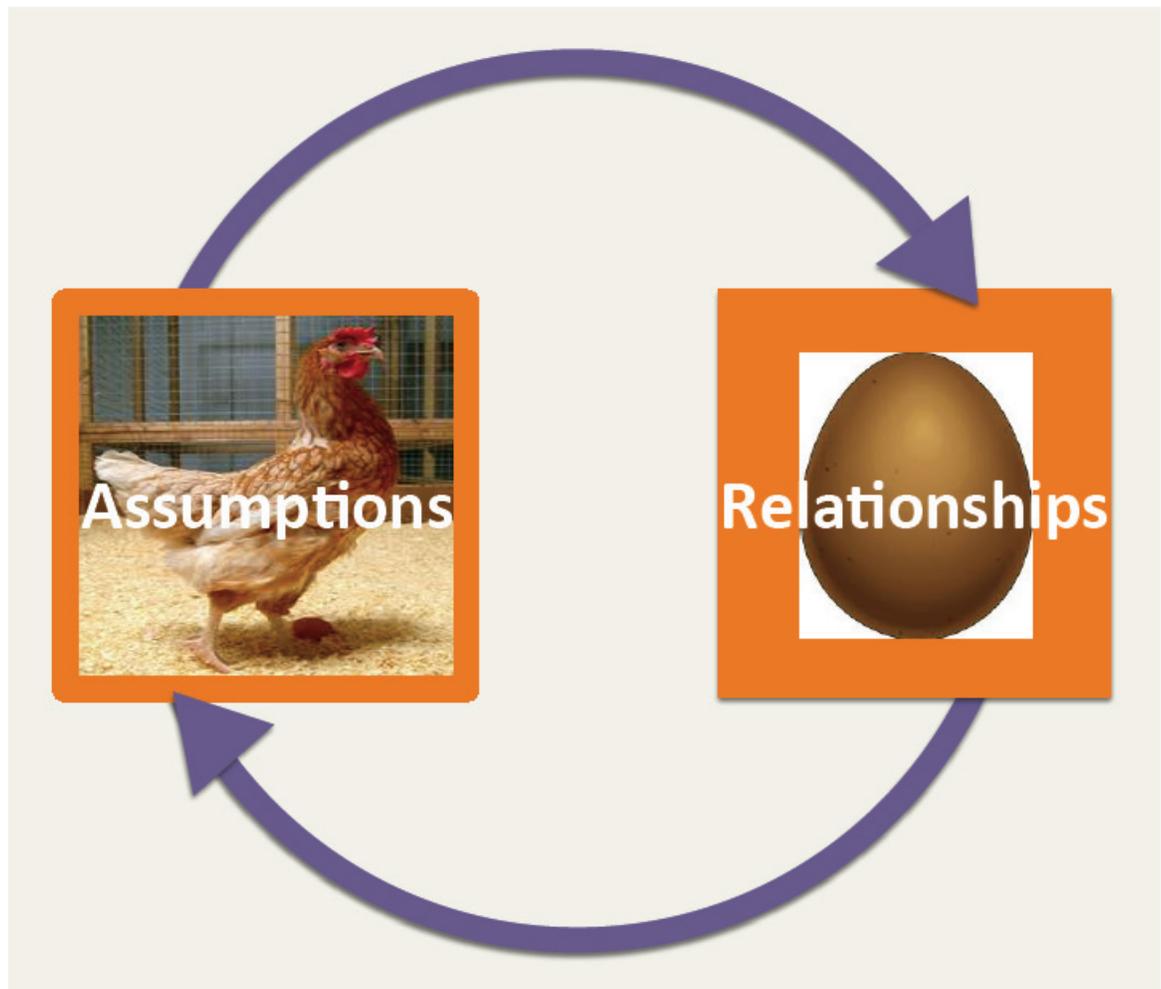
A Relational Approach to Culture

In 1979, six years before publishing his seminal book on culture, *Organizational Culture and Leadership*, Ed Schein observed: "Almost any change in behavior, assumptions, attitudes, and values is mediated by interpersonal relationships of one kind or another." More recently, cognitive

psychologists R.G. Lord and C.G. Emrich made a similar point: "Collective cognition is neither created or housed in the mind of a single individual. Instead, it reflects a socially constructed understanding of the world derived from social exchanges and interactions among multiple individuals in a group or organization."

In the real world, matters are a bit more complicated. That's because we face a tricky chicken-and-egg problem. That is to say, our interactions not only shape our assumptions – making them more or less adaptive – those assumptions also shape our relationships, making them more or less adaptive as well (Figure 2). And here's the rub: the less adaptive relationships are, the less likely they are to transform the assumptions that prevent people and firms from realizing their aspirations.

FIGURE 2 **The Cultural Chicken & Egg Problem**



The INNOVATE Experiment

Two years ago at a small, highly successful, fast-moving professional services firm I'll call INNOVATE, Inc., you could see the effects of this chicken-and-egg problem every day. Despite their success and aspirations like Selkirk's to build an entrepreneurial, collaborative, learning-oriented culture, staff and partners at all levels had come to feel disconnected from the firm's most senior leaders and from the clients whose work had brought them to the firm. Like the people I've studied in many other firms, they assumed that they were helpless to close the growing distance among them. In their minds, that distance was an immutable by-product of INNOVATE's high-pressured, frenetic, transactional culture, something that lived "out there," totally outside their control, shaped by the most senior leaders who held all the power and all the decision rights.

As a result, when things got especially frenetic or pressured, as they often did, people saw no point in saying much or in negotiating their competing needs. They just hunkered down, did their jobs, complained to each other, wasted precious time waiting for decisions from above, and planned their eventual exit from the firm. Of course, this behavior only reinforced their assumed helplessness and widened the distance among staff, partners, senior leaders, and the clients we served. Worse yet, it cemented the unawareness that helped create and maintain the problem.

To crack this chicken-and-egg problem at INNOVATE, we decided to start with relationships. We figured, since seeing is believing, it would probably be easier to act our way into believing differently than it would be to ask people to believe their way into acting differently.

With that hypothesis in mind, we targeted relationships along the three axes mentioned earlier – *vertical* (relationships across levels), *lateral* (relationships across functions), and *external* (relationships with external constituents) – attending to each axis in that order. We thought that by changing the patterns underlying these relationships,

TABLE 1 **Stages of Culture Change**

Stage 1	Mapping the Cultural Terrain
Stage 2	Distrupting Current Patterns and Assumptions
Stage 3	Inventing New Patterns and Assumptions
Stage 4	Integrating and Building

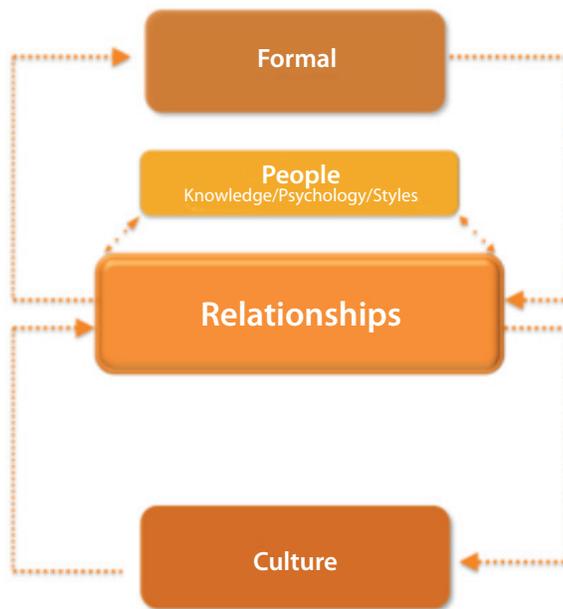
we might be able to change the shared assumptions that were holding people back, which in turn would make our relationships more adaptive and so on. By doing so, we hoped to jumpstart and sustain a virtuous cycle – transform relationships to transform assumptions to transform relationships and so on – all of it breathing life into our aspirations and creating change that would last.

When we first set out, we didn't expect change to happen overnight. We recognized that if we wanted to get to the core of the firm's culture, we'd have to stage change over time. Now, looking back two years later, I can see that we went through three stages of change and are about to enter a fourth (Table 1). Though very different in focus and results, each stage unfolded in the context of key relationships along each of the three axes, informed by new data and guided by a new idea.

It's easier to act your way into believing differently than to believe your way into acting differently.

Stage 1: Mapping the Cultural Terrain

This first stage was guided by a concept called *Steering Mechanisms* (Figure 3, p. 8), which helps people see the mechanisms through which organizations chart their course and create results.² As shown in Figure 4 (p. 9), the idea highlights the role people's relationships play in translating a firm's formal strategies and structures into cultural realities. Throughout the change effort, we used this idea to focus our collective attention on relationships as a lever for culture change, so folks could see how relationships – created and main-

FIGURE 3 **Steering Mechanisms**

tained by them – shaped cultural phenomena that up until then had felt totally outside their control.

To map the cultural terrain during this first stage, we collected data – observations, tape recordings, surveys, and interviews – that allowed us to map the relationship patterns that were defining our culture and affecting our ability to achieve our aspirations, serve our customers, and grow our impact. We then used the results of this inquiry to structure a series of firm-wide conversations through which people came to see something they had not previously noticed: that through their relationships, everyone was creating a cultural reality no one especially liked. They now faced a more conscious choice: Would they continue to play the game or transform it (Figure 4)?

Through their relationships, everyone was creating a cultural reality no one especially liked.

That choice – while disconcerting and even troubling to some – liberated people from their assumed helplessness and empowered enough of them to take the risk of reaching across divides that had emerged over time.

As you might expect, not everyone jumped into the culture-change pool right away. Some waited to see what happened when others dived in, others put only a tentative toe in the waters, while still others insisted that the water was shark-infested and anyone going in was nuts.

Stage 2: Disrupting Current Patterns and Assumptions

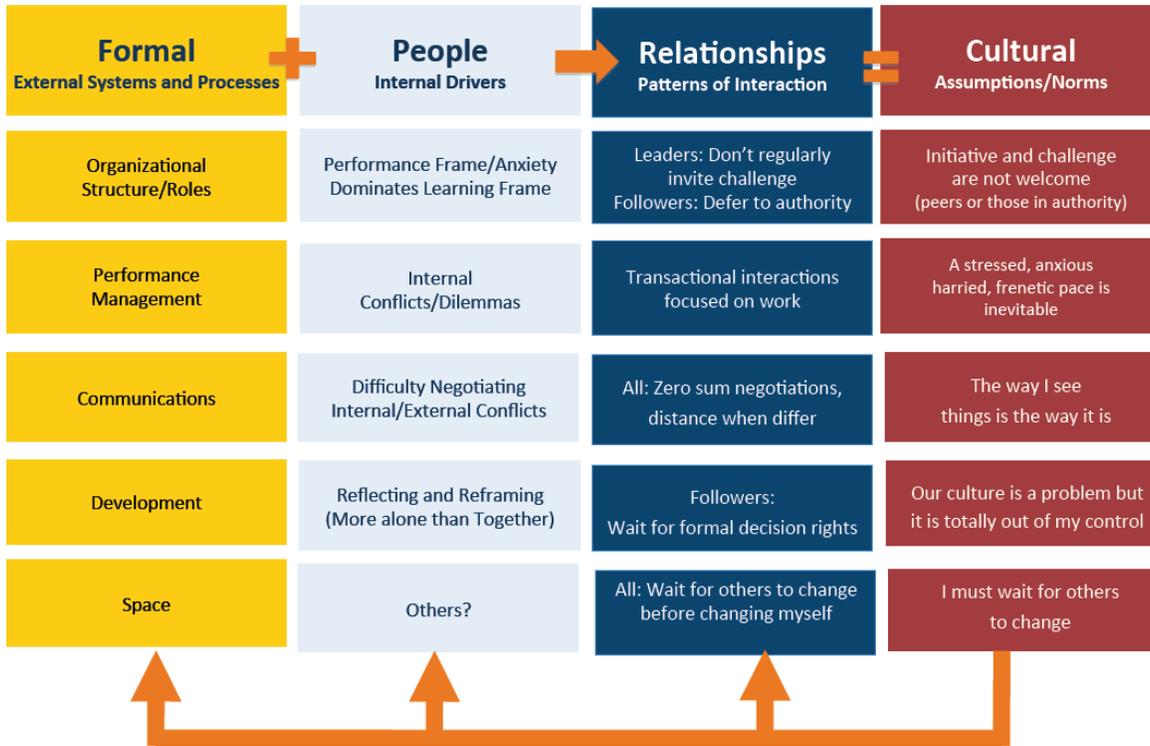
No matter. We had enough folks at each level jumping in to move us into the second stage of change. At the beginning of this stage, we made a number of formal changes to address the handful of issues that had left staff feeling disconnected and hopeless. Most important among them was the creation of a new performance system and what we called “functional homes.” Each home was led by a managing partner, who was held accountable for developing staff members and ensuring they felt a sense of connection to their work, the firm’s leadership, and their clients’ work.

At the same time, we also held staff accountable for ensuring this shift actually happened. That was the new deal: “If you want greater connection, then help make it happen. It’s on you, too.” Had staff not also taken responsibility, leadership would have retained total responsibility and, along with it, total control. Sharing control meant sharing responsibility and accountability as well.

It also meant working through the cultural assumptions and formal structures that were making mutual control and responsibility for change difficult across levels. To get at those, we continued our firm-wide conversations, focusing on the challenges people were facing. As we talked these through, we drew on another guiding idea called *Patterns of Awareness* (Figure 5, p. 10). This idea, which captures well-documented cognitive biases, shows how each person in an interaction sees only half the picture: what the other person is doing and how that makes them feel. What they don’t see is what *they* are doing and how that makes *others* feel. Nor do they see how each person in the interaction is eliciting or reinforcing the very behavior they find difficult, creating a vicious cycle.

FIGURE 4 **Reflecting on the Results of Our Inquiry**

Q: Will you play the game or transform it?



This idea helped us disrupt the highly shared and limiting assumption that others are to blame and we ourselves are helpless by showing that the fault lies not in the stars or even in individual people, but in the patterns of interaction we together create.

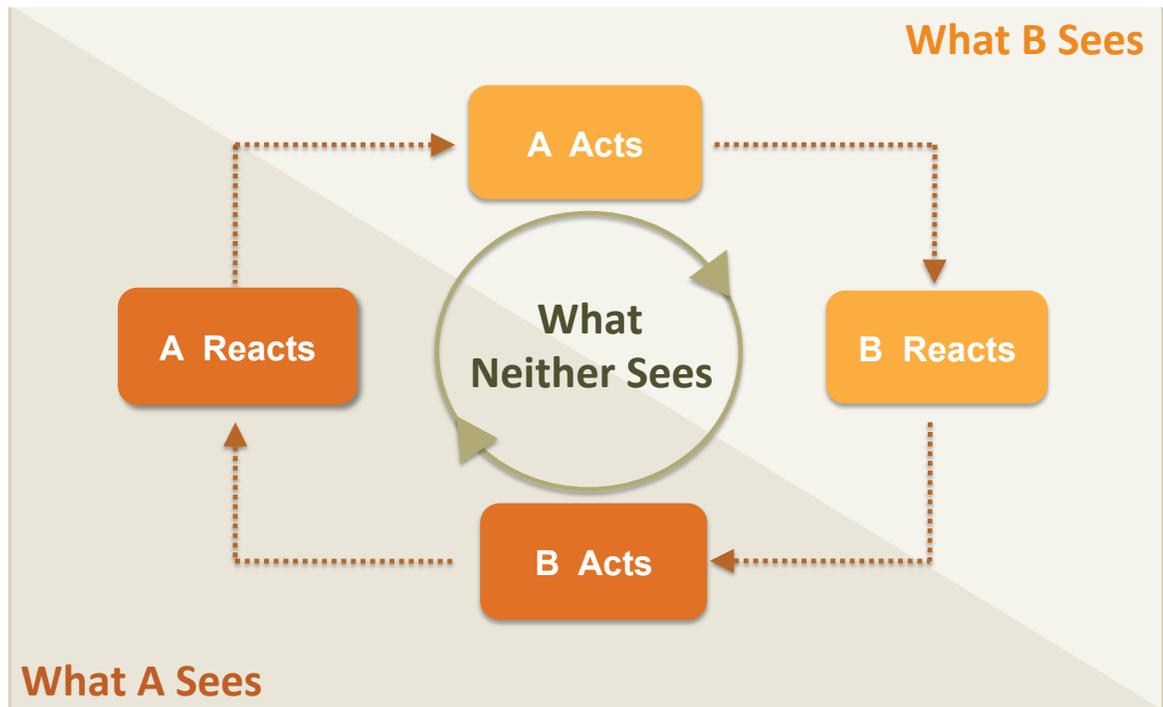
More aware of their own behavior, people began to entertain the notion that they might be forging – and therefore could alter – patterns of interaction they didn't like. Still, we knew it would take more than insight alone to transform something so basic. It would take repeated practice and reflection in the context of the challenges people faced each day.

With that in mind, we offered voluntary seminars for folks to reflect on themselves in relation to others as they grappled with their work. Though someone well versed in these ideas facilitated each group, peers had the greatest impact, with

people helping each other uncover and reexamine the implicit assumptions that had been holding them and the firm captive.

Transformation takes repeated practice and reflection in the context of the challenges people face each day.

As word spread about what folks were learning in these groups, more and more people in and outside the seminars began doing things differently to see what happened. Many of these mini-experiments generated different results, suggesting they were on the right track: that if people acted differently, others might act differently, and together they might be able to create a virtuous cycle that would eventually move them in a more adaptive, less limiting direction.

FIGURE 5 **Patterns of Awareness**

Seeing truly is believing. At this point, enough people were seeing enough of a difference to reconsider the cultural assumption that they were helpless and those at the top held all the cards.

Enough people were seeing enough of a difference to reconsider the cultural assumption that they were helpless and those at the top held all the cards.

Stage 3: Inventing New Patterns and Assumptions

As we entered this stage of change, we could see a new assumption begin to emerge – the assumption that through our own actions and the relationships we create, we can either perpetuate or change the culture around us. This emergent belief is all we needed to create patterns of interaction that opened up the possibility for growth and learning rather than assuming it away.

As new patterns emerged, more and more people joined the change effort. This made it possible for us to broaden our scope, involving more people along all three axes and gradually shifting our focus externally. Here, we focused on a select number of clients and investors, going through the same steps with them we'd taken internally: mapping patterns of interactions and uncovering the assumptions that limited what we were able to learn and achieve together.

During this stage, we also went deeper, unearthing other assumptions at play within the firm – assumptions about what it means to perform, learn, and succeed as well as about who's "in" and who's "out" and why. As we did this work, we could see more learning-oriented patterns of interaction take hold, as people more openly reflected on their assumptions and on how they were affecting their own and the firm's performance, learning, and growth.

During this stage, we relied on a third guiding idea, *The Anatomy Framework* (Figure 6), to better understand why one person's actions led another

person to react and act in a particular way. By looking at people's interlocking frames, and at the cultural knowledge embedded in their repertoires and in the firm's social context, we could more clearly see that these patterns were a product of our own making, and thus could be unmade and remade.

Though highly productive, this peeling back of the relational onion never became (and should never become) a widespread daily event; the demands of a fast-growing firm would never permit it. Instead, we focused on a handful of highly symbolic relationships – relationships that, if changed, would have a transformative impact on people's assumptions about how things work. What's more, this process unfolded in the context of doing the firm's work – making decisions, implementing plans, figuring out how to solve a problem – with an eye toward improving our performance. By taking this targeted, goal-oriented approach, we were able to build our cultural capabilities while getting the work done, without sacrificing one at the altar of the other.

Stage 4: Integrating and Building

Over the past six months, we've entered the fourth and final stage of culture change. I suspect that by the end of this stage, we will return full circle to mapping new cultural terrain and changing again. At the moment, however, our attention is devoted

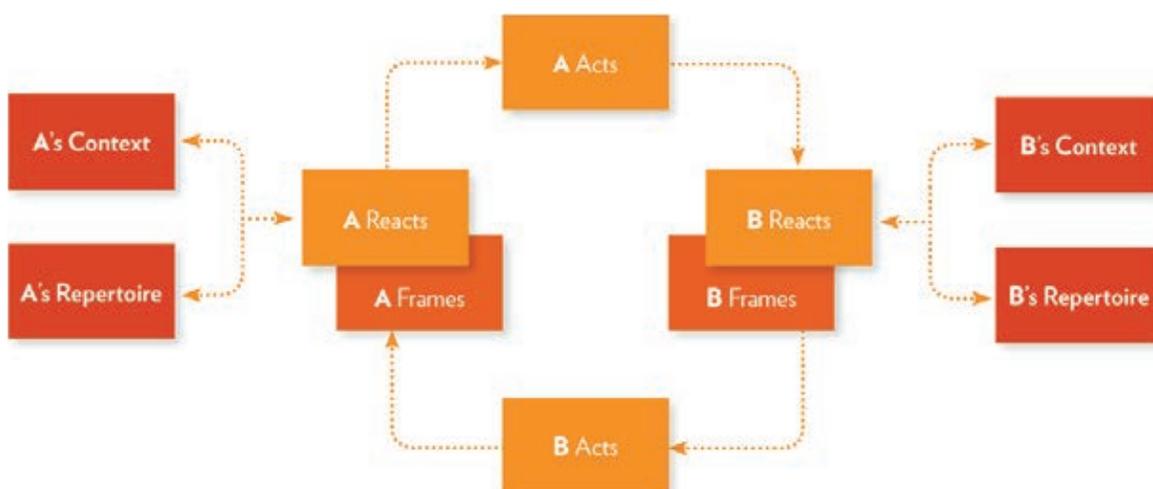
to integrating and building on what we've learned so far, even as we recognize that this round of change – like all rounds – has its limits.

We were able to build our cultural capabilities *while* getting the work done, without sacrificing one at the altar of the other.

Our focus returns to the formal organizational level, as shown in the *Steering Mechanisms Framework* (Figure 3). Only now, with a good deal of cultural learning under our belts, we're freer to design formal strategies and structures that meet our aspirations and the demands of our external environment *without* having to work around or compensate so much for the limits of our culture and the relationships that define it.

In the past, for example, we might have hesitated to pursue our deepest aspirations for fear of alienating potential investors; now we have a manifesto that captures those aspirations, and we're engaged in an open dialogue with our investors about how best to realize them. In the past, we viewed decision rights as a purely formal matter, with senior leaders needing to define them more clearly; now we see that our assumptions about our own power define the decision rights we feel

FIGURE 6 **The Anatomy Framework**



more or less free to exercise, no matter what the formal reality says. In the past, we rarely discussed these matters; now we discuss them with greater competence and genuine curiosity.

Still, during this last stage, the limits of change are also becoming more apparent. Cultural assumptions – though shared at one level – always carry a more variable, personal hue. Take two assumptions at INNOVATE: *I must perform well to succeed* and *I must learn from mistakes and failures to succeed*. Though highly shared, these assumptions vary in their hold on people and in their meaning. For a small number of folks, the two hold equal sway and their meanings peacefully coexist. These folks believe excellence depends on learning from mistakes and failures, which leads them to take risks and to talk about mistakes and failures openly.

But for the vast majority of people, the two assumptions don't coexist quite so easily. While they consciously believe it's important to learn from mistakes and failures, they worry that these will reflect poorly on their performance. As a result, they hesitate to take risks, and they expend a lot of unnecessary energy navigating the tension they perceive between the two assumptions.

For still others, the two assumptions are irreconcilable, leading them to avoid mistakes altogether and to cover up their failures, making it hard for them to learn or to improve their performance.

The problem, when it comes to culture change, is this: that last group, though small, makes it much harder for the middle majority to build a culture that values performance and learning in equal measure and that has the cultural competence to constructively resolve any tensions between the two. As a result, left to their own devices, members of that last group will slow culture change down and ultimately define its limits.

Since we're still grappling with this conundrum ourselves, we don't yet have any good answers. In the meantime, we're looking to the first group to encourage the middle majority to join their ranks by demonstrating what's possible. If that works, we're hoping it will gradually shift the center of cultural gravity more in the direction of high-performing learners. But the data is not yet in on this approach, so it's too soon to draw any conclusions – except for one.

Culture change is a lot more complicated than any of us would wish, yet wishing away those complications only makes it more so. Given that, it's best to engage them and see what you can make of them.

A Brief Reflection on Selkirk and INNOVATE

A lot of time has passed since Kennedy's Selkirk experiment, yet few firms have learned its lessons. Most still focus on the public face of a culture and leave its invisible core intact. Others make changes at the formal level only to see those changes washed out by the deeply ingrained assumptions that inform individual and collective behavior. Still others focus on building culturally desirable capabilities in individual leaders, independent of the relationships in which they must exercise those capabilities, making them difficult to use in the heat of the moment.

The experiment at INNOVATE suggests that by observing and transforming relationships along three axes – vertical, lateral, and external – you can surface, examine, and alter the shared assumptions that lie at the core of a firm's culture. The approach at INNOVATE emphasizes the role relationships play in translating formal designs into cultural realities, and it puts culture change back in the hands of the people who create it. Everything I've learned to date suggests that's where culture change belongs.³ ■

ENDNOTES

- 1 For more writings on culture and culture change, see Geertz, C. (1973). *The Interpretation of Cultures*; Sackmann, S. (1991). *Cultural Knowledge in Organizations*; Schein, E. H. (1985). *Organizational Culture and Leadership*; and Van Maanen, J. (1988). *Tales of the Field*.
- 2 For more on Steering Mechanisms, see Smith, D. M. (2002). "Keeping a Strategic Dialogue Moving" in Simcic, P., Brown, P. & Wiig, R., eds. *Corporate Communication: A Strategic Approach to Building Reputation*. Gyldendal Norsk Forlag. Also available at www.dianamclainsmith.com and www.actiondesign.com.
- 3 For more on how to apply the frameworks cited here, see Smith, D. M. (2011). *The Elephant in the Room: How Relationships Make or Break the Success of Leaders and Organizations*. Jossey-Bass. You can also find resources at www.dianamclainsmith.com.

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COMMENTARY 12.1

Commentary

ROBERT HANIG



Robert Hanig

In reflecting on some of my recent experiences with a number of global organizations in the field of organizational learning, leadership, and cultural transformation, I have found the most practical and well-informed clients are interested in improvement in the following areas: results, capacity, and sustainability. *Results* constitute specific and measurable improvements in profitability, development impact, resource efficiencies, etc. *Capacity* refers to the ability of the organization and its people to produce the results themselves without high levels of ongoing external support. *Sustainability* is the ability to not only continue and expand on initial improvements, but also to develop the insight and intelligence to discern, generate, and nurture the conditions necessary to create an enabling environment and to sustain competitive advantage.

Most, if not all, students and practitioners of organizational learning have concluded that improvement in these three areas requires a particular type and quality of organizational culture. At the same time, they are profoundly

frustrated as most of their attempts to define, generate, or influence this condition we call culture have landed somewhere on a scale between disastrous and mildly successful.

The principles, frameworks, and illustrations in this article represent a significant contribution to our ability to understand and influence the elusive and critical dimension of organizations we call culture.

Diana Smith's synopsis of Allan Kennedy's Selkirk experiment in "Changing Culture Change" rings true to those of us who have been intimately involved in culture change efforts. It describes the overly familiar experience that produces profound cynicism in all but the most stubbornly optimistic. Through this case,

Diana forwards the notion that cultural assumptions can only be changed through social experience, and that all social experience takes place in the context of relationships. Therefore, it is in the context of relationships that people will either change or perpetuate their assumptions.

Rather than simply presenting a new and interesting theory, Diana names and explores some of the core challenges and dilemmas of culture change. She suggests a way forward with a simple yet powerful framework that shows how relationships translate formal strategies and structures into cultural realities and that outlines the stages of culture change. The principles, frameworks, and illustrations in this article represent a significant contribution to our ability to understand and influence the elusive and critical dimension of organizations we call culture.

By revealing the fundamental components of personal and shared assumptions, their causal connections, and the patterns of behavior they produce, Diana provides us with a new perspective, language, and set of practical

tools with which to grasp and shift the cultural realities that too often diminish our ability to realize our personal and collective aspirations in our organizations, institutions, and communities.

Act Your Way into Believing Differently

One of Diana's key observations, that *it's easier to act your way into believing differently than to believe your way into acting differently*, has proven to be particularly effective in my work and personal life. Robert Fritz, a colleague and author of numerous books on learning, creating, and change, expresses a similar principle in a different way: *Changes in reality precede changes in belief*. Here's a simple example of the power of this insight applied. Suppose you were given the task of teaching someone to swim, a person who had a deep-seated belief that this skill was impossible to learn. In this example, we have two choices – work on changing this belief or simply ask the person to join us in the pool for a hands-on swimming lesson (practice in moving arms, kicking feet, and holding breath). Good luck with the first choice, because for every argument we would offer explaining why it is possible for this person to learn to swim, he or she would respond with examples of why it is *not* possible. By opting for the second choice – acting your way into believing differently – we never argue with or confront the belief but simply guide him or her in practicing the new skills. It is difficult to maintain a belief that something is impossible once you are actually doing it!

Examples abound of how this approach has been applied in organizational contexts, including the most extensive leadership intervention in British Petroleum's history.¹ Despite skepticism by many BP senior executives, we were able to produce unprecedented financial results, increase leadership capacity, and sustain effectiveness in many parts of the business by using a radically new approach that included an in-depth relationship building/engagement process within and between key segments of the leadership population.

The success of this BP intervention also underscores some of the principles Diana explains in the INNOVATE story. Because the intervention team was made up of leaders from all aspects of the business, the principle of *"If you want greater connection, then help make it happen"* was particularly relevant. To ensure that our work was directly related to the actual technical, organizational, and cultural challenges facing BP, we engaged leaders from many different parts and levels of the organization in sponsoring and leading the core of the development and review process. In this respect, another critical principle was that of *"working through cultural assumptions and formal control structures that were making mutual control and responsibility for change difficult across levels."*

"No problem can be solved from the same level of consciousness that created it."

– Albert Einstein

Am I Doomed?

In recent development programs that my colleagues and I have designed and conducted for leaders engaged in organizational change initiatives, a profound question has begun to surface frequently. In its simplest terms, that question is, "Am I doomed?" or "Is there anything I can do to shift the problematic social conditions of the larger system of which I am a part?"

The willingness to simply and honestly ask this question while suspending the usual, often superficial responses can in itself produce a transforma-

tional moment. Coupled with our willingness to reconsider our commitment to our aspiration, to accept that our implicit assumptions may be inadvertently diminishing our capacity to effect change, and to explore other approaches to our relationships, the possibility for transformational change becomes even greater. As described in

the INNOVATE case, considering and experimenting with shared assumptions – in particular, “*I must perform well to succeed*” and “*I must learn from mistakes and failures to succeed*” – demonstrates the profound implications that this type of individual and collective inquiry and subsequent action can have on the quality of relationships, on an organization’s culture, and on learning and growth in our own lives.

“In adaptive contexts, you cannot abstract the problems and challenges from the people and systems that produce them.”

– Ronald Heifetz²

Beyond Abstraction

The principles, frameworks, and approaches that Diana outlines in this article provide a coherent and accessible explanation of the mechanisms from which seemingly impenetrable sources of collective behavior emerge and are sustained. They also offer a language and practical approach for enhancing our critical relationships and creating healthy cultures so that *we are able to build our cultural capabilities while getting the work done, without sacrificing*

one at the altar of the other. Indeed, the serious application of these ideas and methods constitutes an effective way of meeting the challenge of producing results, building capacity, and sustaining competitiveness in our organizations, institutions, and communities. ■

ENDNOTES

- 1 Priestland, A., & Hanig, R. “Developing First-Level Leaders,” *Harvard Business Review*, June 2005.
- 2 This quote is from a personal communication, although similar ideas appear in all of Heifetz’s books, including *The Practice of Adaptive Leadership: Tools and Tactics for Changing Your Organization and the World*.

ABOUT THE AUTHOR

Robert Hanig is director of RLH Consulting and a founding member of the Society for Organizational Learning. He currently designs, directs, and delivers management and leadership interventions and programs for the World Bank, the International Finance Corporation, and the International Monetary Fund.

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