



Culture Change: The Key to Sustained Transformational Results

*As organizations implement enterprise-wide Capability Transformation programs that impact growth and profitability, senior leaders realize that true Transformations are rooted in cultural change. Senior leaders own the vision, architecture, and direction of the transformation. True cultural change actually **drives** the transformation and is an enabler for sustainable success. A culture's transformation increases an organization's speed, its ability to create value and its capability to consistently deliver.*

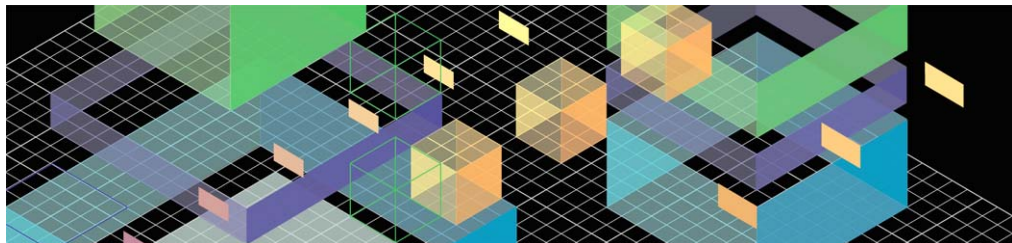
Culture Change: Understanding the Complexity

Most people in an organization cannot define what the organization's culture really is, let alone define how to change it. As a result, attempts to leverage culture change as part of an overall capability transformation have typically yielded inconsistent results. The complexity of driving a successful culture transformation lies in understanding the following areas:

1. The current culture and how it impacts business performance
2. Linking strategy and business objectives to the culture change
3. Identifying the leadership skills necessary to drive a culture change
4. Developing talent at all levels in order to perpetuate the culture
5. Establishing and rooting a new set of expectations around behavior and performance
6. Articulating a change message that is understood organization-wide and is reinforced in all aspects of how the business operates

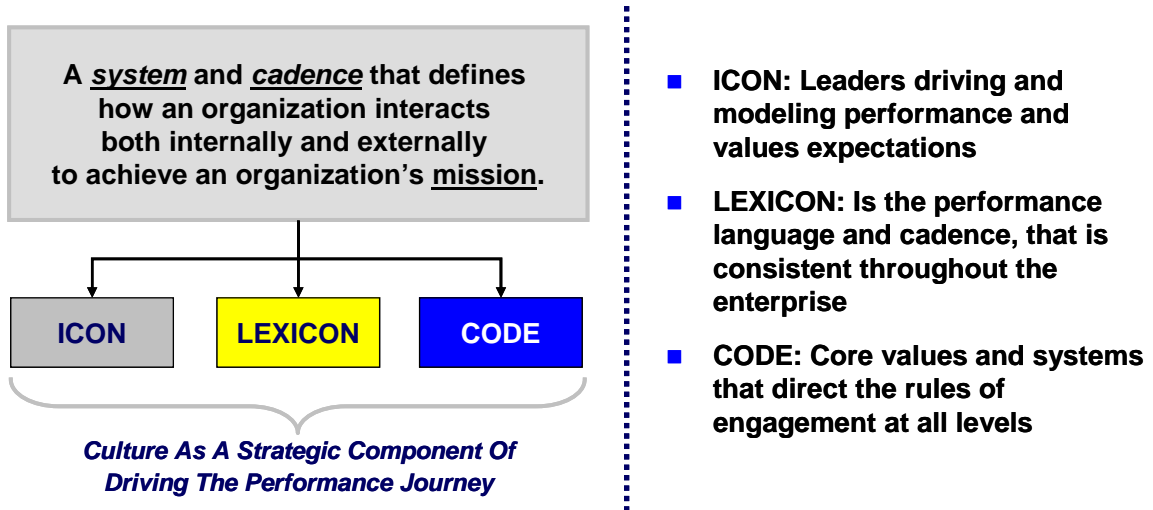
ICON, LEXICON, CODE: A Systems Model for Culture Transformation

Successful Organization Cultures are managed through true systems that integrate all business functions in order to provide an enterprise-wide business cadence, that consistently link key behaviors to the performance levels necessary to profitably achieve strategic imperatives. Successful cultures have a system that connects Icons, a Lexicon, and a Code:



1. Organization cultures have *icons*; these are individuals who are held up and promoted as embodying how to lead and drive results in an organization. They know what winning looks like and, equally as important, how winning happens. These leaders are the architects of how customer expectations are translated into superior business performance. Think of an individual in your organization who, through their leadership, has transformed a function, or delivered year over exceptional results using the right process. This is iconic behavior.
2. Organization cultures have a common *lexicon*, where continuous improvement and performance become the spoken language for all functions, locations, and business units. This lexicon sets not only the expectations around results, but the processes by which one must achieve the results. It represents the complete body of standard language and standard process across the business that drives sustainable performance. One can walk the Nummi facility (a joint venture between GM and Toyota) and see that all employees talk the same language around 5S, visual management, and daily management. They truly understand the Toyota Production System principles and live them every day.
3. At their foundation, organization cultures have a *code*. *This code is the set of core values and guiding principles that dictate how individuals in an organization should interact internally and externally.* Danaher Corporation’s unyielding commitment to their core values of “Continuous Improvement is our Way of Life” and “We compete for Shareholders” is driven deeply into the organization. Danaher assesses employees against their core values in their performance reviews. It is both what you do and...how you do it.

A successful culture identifies, implements, and enforces the necessary behaviors that seamlessly convert Voice of Customer (VOC) inputs into highly satisfied customers. In that regard, a cultural transformation not only drives the business transformation, it is chiefly responsible for isolating the optimal human performance imperatives necessary to generate superior cash flows and profit margins.



Human Capital Alignment Delivering Shareholder Value

With culture as the guiding force that delivers sustainable results across the enterprise, senior leadership, as the chief cultural architects (Icons), have two critical responsibilities both to

external shareholders and internal associates that ultimately determine long-term success. They must be deliberate in developing and implementing:

Leadership Agenda:

Armed with key tools and core business strategy, senior leaders have the responsibility for delivering a cultural agenda that clearly communicates: a) change expectations, b) change implications and c) the application of process and performance disciplines across the enterprise. In so doing, the organization is consistently provided with a galvanizing agenda promoting consistent processes and results expectations

Leadership Focus:

What gets measured gets done. Once the cultural change agenda has been communicated, leaders across the enterprise must closely monitor and scrutinize the organization’s reactions to their expectations. What leadership is truly paying attention to must be aligned with the cultural change agenda. Are the high level business metrics focused on the critical few levers of success? Are they regularly and deeply reviewed? Are daily performance metrics captured and reviewed daily? Ultimately, superior alignment between leadership expectations and inspections will drive performance and organizational buy-in. Leadership *rigor and discipline* are fundamental to this process.

Relentless, Consistent Performance: Understanding the Transformation Model

In order to drive a successful culture transformation one must have a model and a standard process. The Culture Transformation model below begins with a deep examination of the organization’s mission and core values. The messages that emanate from the mission and core values will become the *Code* that drives the organization’s internal and external behaviors. This critical process step forces the need for fundamental changes in internal communications, leadership skills, organization structure, performance management, reward and recognition systems and most critical, how an organization develops talent to perpetuate the new culture.

A Successful Culture Transformation: Path To The Future State

1	Mission, Vision, Core Values	Defining the Culture
2	Leadership Behaviors	Define and uphold expectations
3	Communication Strategy	Messaging Process and System
4	Organization Readiness	Structure & Skill to execute Strategy
5	Performance Management	Individual performance linked to business imperatives
6	Reward & Recognition	Processes to reinforce performance and values
7	Talent Management	Processes to sustain Leadership Depth

*Optimal Structure to
Create Performance Culture...*

*Processes Driving Sustainable
Results ...*

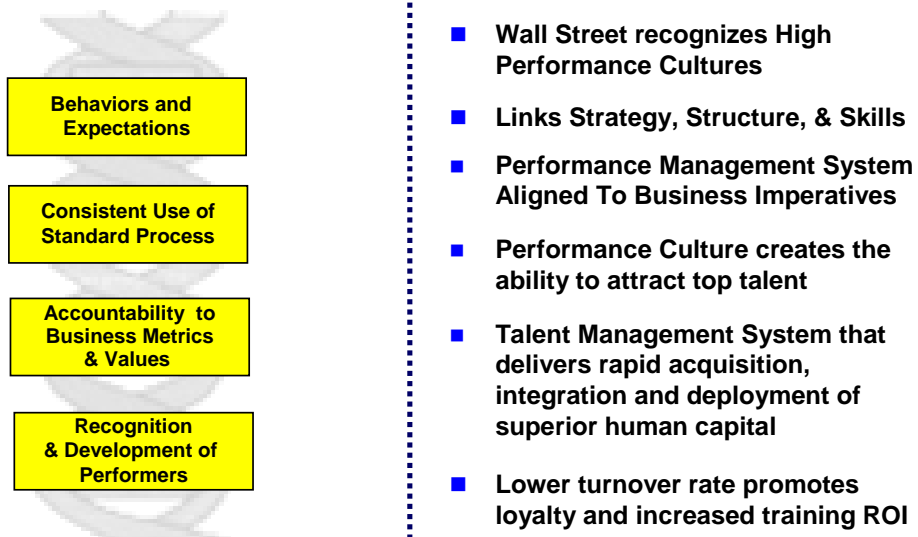
Transformation Journeys Require Disciplined Processes

As the previous illustration highlights, senior leaders evaluate the transformation journey holistically by creating a guiding set of principles, translating strategic goals into required process changes, backed by appropriate skills and behaviors as well as ensuring that the organization has the talent required to perpetuate the culture. While each transformation will unfold as dictated by market factors and growth requirements, understanding each component of the model and its integration into a system can serve as a useful tool to ensure that management attention is properly focused on the processes. Leaders must relentlessly pursue alignment and improvement in each of these areas in order to experience the benefits of a culture transformation.

Value Capture: Where a Culture Transformation Leads

Ultimately, the complete integration of the enterprise-wide business strategy and cultural transformation combine to yield the framework necessary to generate sustainable results and superior financial performance. Wall Street, with a number of clear examples including Danaher and Toyota, understands that true Lean transformations are *culturally driven* and yield quantifiable benefits including employer-of-choice status, accelerated acquisition integration, greater employee retention rates, and superior stock performance as a result of increased stability and earnings predictability.

Benefits Capture: Available Opportunities Via Cultural Change



Resulting in Superior, Sustainable Performance...

Summary

Culture Change must be at the forefront of an organization's transformation journey. It is the enabler of rapid change and enterprise-wide capability improvements. Adopting a systems approach coupled with standard processes provides an organization the ability to sustain these capability improvements through the true alignment of human capital to the strategic imperatives of the business. This sustained improvement will result in greater shareholder value. A Culture Transformation is the most powerful lever that senior leadership can pull in their efforts to improve business performance.

About the author

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A partner responsible for LHC's Lean Culture and Human Performance practice, Guy Schiller has over 20 years experience leading the development and implementation of Organization Development and Lean Culture transformations.

About Lean Horizons Consulting

Lean Horizons Consulting offers integrated competencies for achieving enterprise-wide performance transformation to global firms in the manufacturing, energy, consumer products, financial services, pharmaceutical, bio-technology and healthcare sectors. Lean Horizons further serves investment firms regarding acquisition integration and rapid value creation. Lean Horizons aligns Lean and Six Sigma capabilities with the deployment of enterprise strategy to deliver unique, end-to-end solutions that incorporate the organization's business model, core processes, functions and information systems. Lean Horizons' field force of internationally experienced industry professionals bear direct lineage to the Toyota Production System, lending a unique combination of explicit and tacit knowledge to Lean performance transformations.



Strategically Creating Value through the Elimination of Waste

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