

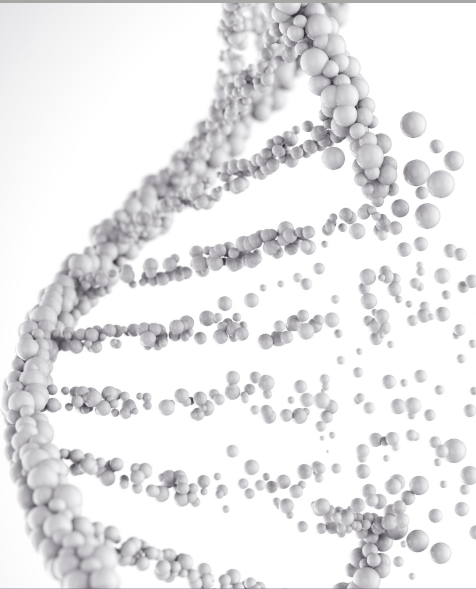
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The Little Black Book of Change

The 7 Fundamental Shifts for
Change Management that Delivers

CHAPTER FIVE / SHIFT FIVE



**Cutting through
the DNA.**

Shift 5

CUTTING THROUGH THE DNA





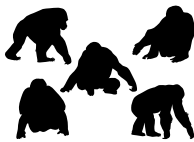
We have already said that context is decisive, and it determines the actions people will take. By definition, the ambitious new future cannot be achieved with people thinking the way they have always thought, and doing the things they have always done. We also know that people tend to revert to their old set of assumptions. So a shift is critical, and can only be achieved by tapping into the organization's "DNA".

Discover the unconscious DNA

When you identify and understand the organization's dynamics, structures, existing rhythms and assumptions, you know how the unconscious DNA of the organization works.

To illustrate this, consider for a moment the intriguing habitual behaviour demonstrated by monkeys in *The Monkey Story*, which is about an experiment with five monkeys locked in a cage with a ladder leading towards

the top, and a banana hung from the ceiling above. The following is an extract from *Business Exposed* by Professor Freek Vermeulen¹.



"... One of the monkeys would race towards the ladder, intending to climb it and grab the banana. However, as soon as he would start to climb, the scientist would spray the monkey with ice-cold water. In addition, he would also spray the other four monkeys ...

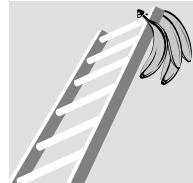
When a second monkey was about to climb the ladder, again the scientist would spray the monkey with ice-cold water, and apply the same treatment to its four fellow inmates; likewise for the third climber and, if they were particularly persistent, the fourth one. Then they would have learned their lesson: they were not going to climb the ladder again – banana or no banana.

In order to gain further pleasure or, I guess, prolong the experiment, the scientist outside the cage would then replace one of the monkeys with a new one. As can be expected, the new guy would spot the banana, think 'why don't these idiots go get it?!' and start climbing the ladder. Then, however, it got interesting: the other four monkeys, familiar with the cold-water treatment, would run towards the new guy – and beat him up.

The new guy, blissfully unaware of the cold-water history, would get the message: no climbing up the ladder in this cage – banana or no banana.

¹ Source: *Business Exposed* – Professor Freek Vermeulen, Oct. 2010.

[They then continued to replace one monkey after another until] ... a new monkey was introduced into the cage. It ran toward the ladder only to get beaten up by the others. Yet, this monkey turned around and asked 'why do you beat me up when I try to get the banana?' The other four monkeys stopped, looked at each other slightly puzzled and, finally, shrugged their shoulders: 'Don't know. But that's the way we do things around here'...



What this story illustrates is that all organizations develop habits and ways of working that become routine and the way we do things around here – this is the organization's culture or DNA whose purpose is to lock in specific behaviours and actions. The key challenge for you is to be able to stand outside your organization's DNA to observe it afresh and challenge where it is hindering progress – this is a high class ability!

Break unconscious addictions

The unconscious addiction we have in our organizations to continue doing things the way we always have is an automatic response that takes control of us! We are looking to surface this and break it once and for all.

Leaders need to help their people to break free from their past experience and inhibitors, because these usually only stand in the way of impactful and sustainable change. This is achieved by uncovering the context, confronting past



experience where necessary and looking at the "real" conversations people are having.

"People need to come together and be exposed to an environment that encourages open discussion."

People need to come together and be exposed to an environment that encourages open discussion. Once views, opinions, challenges and concerns have been shared, a basis for alignment will emerge and commitment to change can be gained.

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

Albert Einstein

What is needed at this point is concerted training and development that will give you the ability to fundamentally transform their context. This in turn will allow people freedom to explore ideas and ambitions that would have previously been considered impossible, so they can make their ideas reality in a short time frame. Without these new ways of thinking and acting, you are resigned to trying to solve the problems from inside the box of existing mindsets.

Unconscious DNA is critical

Organizational DNA creates what is good, bad, celebrated, rejected. It sets the expectations of the company and



unconsciously guides the ways of working and habitual behaviour and rituals.

Other challenges embedded within the DNA of an organization show up as follows:

- An unconscious way of being successful:
 - If you don't know it you can't expose it.
 - Underlying assumptions that guide actions.
- A natural power base that has evolved within the organization:
 - This might reside in a specific department, region or level of the hierarchy.
 - Certain personality types may be revered.

How to cut through the DNA

To start to disrupt the previously successful (but now limiting) perspectives of an organization and its people, here's how you must change:

From Leaders:	To Leaders:
<ul style="list-style-type: none">• Living with limiting habits and rituals.• Constrained by history, such as previous strategies.• Blind to limitations and stuck in the box.• Playing politics.• Conforming to Organizational frameworks.	<ul style="list-style-type: none">• Breaking limiting beliefs and assumptions.• Committed to driving changes in mindsets and behaviour.• Aware of limits and choosing at will to work outside of them.• Taking decisions based on what's best for the organization.• Stepping away from the norm.

Handle structural challenges

Organizational structures play an important role in the performance of any organization. The various forms of ownership have different influences in terms of culture, behaviour, drivers and process, depending on the model.

All organizations exhibit this, including:

- Plc versus private equity
- subsidiary versus head office
- matrix and regional structures.

The type of organization you operate in is actually irrelevant. There will be differences in these environments, but one thing remains the same – people need to recognize what these structures require to make them successful. There will be differences that arise that must be considered. Certain organizational structures will perform tasks better than others depending on their overall aims and objectives.

An organization's ownership will lead to differing behaviours and characteristics in the delivery of business performance and change. For example, let's discuss private equity (PE) in comparison to a public limited company (Plc), where some behaviours and characteristics are common, some similar and some completely different due to the aims and approaches to executing the organization's objectives.

It should be noted that in other organizations, whether it is manufacturing, retailing or public sectors, similar differences will be seen.

The table below looks at different characteristics (e.g. natural desire for performance in PE with corresponding clarity of purpose and incentives) and the differences that exist in Plc business environments.

PLC VERSUS PE – CONTEXT FOR LEADERSHIP

PE	Plc
<ul style="list-style-type: none"> • Clarity of purpose. • Cost/benefit analysis is clear. • Positive attitude to risk. • Responsive (shorter decision making). • Clear incentives to be entrepreneurial and perform well. 	<ul style="list-style-type: none"> • Purpose less clear – historically driven? • Priority to protect brand/reputation. • Negative attitude to risk. • Decision making hierarchical/drawn out? • Job security and "safe pairs of hands" valued.

Understanding differences and how to deliver change in these environments is important. It requires leaders to identify and work with the DNA in these differing business environments. The various forms of ownership have different influences on leadership behaviour. For the purpose of providing meaningful examples of the different leadership challenges and the different relationships generated within and across the organization, the Plc and PE ownership models will be discussed in more depth to highlight potential challenges.



COMPARING THE PLC AND PE MODELS

Plc organizations are generally guided by their legacy. Plc operating routines are generally strong, if not sometimes rigid. In many instances, if all the senior management were to leave, the company would continue doing the things it knows how to do without disruption. Business performance would probably drift over time, but nothing is likely to happen in the short term. In many situations, the strength of the company's brand or reputation provides protection.

"The more risk adverse, the lower the ambition."

The bigger the company, the more it may try and protect its brand and reputation rather than change, even when change could positively improve performance and results. Initiating and mobilizing change in a large and complex organization is going to be challenging. Attitude to change has a direct influence on the ambition of the company to make shifts in the business. "The more risk adverse, the lower the ambition" is a sweeping statement. However, the statement does provide the context for assessing the management's likely commitment to change. For example, a change to restructure an airport terminal layout to improve queuing at check-in desks is unlikely to be received well when the baggage handlers are on strike for pay and the airport has been closed. There would be more important short term priorities. When the issues of today have been resolved, the organization will



be more receptive, even though logically today may be the best time to reorganize the airport whilst it is empty.

"The bigger the company, the more it may try and protect its brand and reputation rather than change."

Once change has been accepted, the need for continuous organizational alignment is important. This will require good supporting information for selling each phase of the change, up-to-date and regular communication and a process to keep the organization aligned with the change as it progresses (specifically, but not limited to, those directly involved).

Due to political networks and complexity arising from a matrix organization, powerful commentators, conflicting objectives and lack of clarity at the middle and lower levels of the organization will exist.

Our experience has shown that people need to be prepared for change so that the organization is "fit for purpose". In smaller as well as larger organizations, bringing people together to discuss issues and engage them in what appears to them to be difficult situations both present and future needs to become routine.

If not, it is highly likely that the organization will quickly run out of alignment and change will slow and possibly stop. As you may have experienced, busy organizations develop new and exciting initiatives on a frequent basis. If alignment is not maintained, even an important change



can lose its profile and pace as people switch their attention to the next up and coming project. These organizational characteristics and associated behaviours must be recognized and managed. The importance of continuous organizational alignment is often overlooked.

In the public eye, PE companies are seen as higher risk environments with higher returns on investments from successful examples, but also unwelcome losses from failures. However, the private equity environment raises confidence and enthusiasm for change. Both the potential rewards and clarity of purpose and objectives provide stronger motivations that positively influence the management's assessment and subsequent management of business risks. Plc companies do not have this clarity of purpose and the management of risk can be amplified, bringing a greater emphasis on concerns of poor performance or disruption during a period of change.

Private equity is not promoted as the ideal solution as it does carry drawbacks whereby its focus on performance can lead to short-term thinking and possibly taking bigger than necessary risks. PE environments are often cited as lean and mean, but they still need to be fit for purpose to manage change and that is consistent with all organizations.

CONSIDERATIONS WHEN ASSESSING DNA USING OUR COMPANY OWNERSHIP EXAMPLES

The learning from both ownership examples relates to understanding the DNA in each environment and the



corresponding approach to change and how to manage it before and during the related shift that will take place.

Both ownership models generally introduce risk management processes, but in private equity in general the environment is less risk adverse. There is clarity of purpose and their staff can understand more clearly the targets of the company and why change is needed. Due to shorter and quicker routes for decisions and communication, alignment between management is easier and more effective.

There is no right or wrong with differing ownership models, although the working environments can be very different, as discussed.

Therefore, it is advised that leaders and change managers consider:

- The need for frequent and up-to-date communication to avoid the power of commentators slowing or stopping progress. Also, avoid new and perceived to be more up-to-date projects taking away the engagement in change (especially in large and complex organizations that are guided by the past).
- Assess the DNA and the current context within the business to ensure change is presented at a time when it will be accepted and be given the right level of importance.
- Ensure that alignment of management and staff across the organization is not considered as a one-time event. It should be continuous.



- Clarity of purpose and objectives, rewards and related methods of motivation as seen in PE will help engagement and the ongoing participation and interest of stakeholders.

Once leaders and change agents have recognized, embraced and prepared for the above it allows for new ways of thinking and a new approach.

Leaders typically face additional force fields in the form of structural challenges within their organizations:

- Playing politics in the hierarchy (this determines what people can and can't do).
- Prioritizing hierarchy over the objectives of the organization.
- Assumptions about the perceived capabilities of certain functions and/or divisions.

In a similar way, these force fields must be managed to avoid delays in progress.

Bringing the unconscious DNA to the surface

The challenge

A global leader in FMCG recognized that they had a burning platform. For the last two years, management had been desperately trying to wake the

organization up, to change behaviour and to promote taking ownership of information, as well as being accountable for their commercial objectives in the context of some significant up and coming competitive challenges.

The organization gave growth and profit returns of 7% year in year out, and it was very happy with those returns. However, the organization had become complacent as a result of normalizing this situation. Despite this, their market place was becoming more competitive, and it was getting harder and harder to win business.

Those 7% returns were under serious threat. Efforts to make people more empowered and ambitious were falling short – the existing DNA meant that people only committed to what they thought they could deliver, as they had never missed plan. The leadership had not seen the need for change as each year the results were "ok".

What this meant in practice was that the organization looked historically at what they could do and then committed to this level of performance, rather than being more ambitious and trying new things in order to win in the changing market place. As time went on, the unconscious DNA that had worked well for so long started to backfire – and the company came under threat as they were unable to break through the status quo.

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