

When Catastrophe Transforms Culture | Whitepaper



Changing the World -
One Organisation at a Time™

Learning From Unintended Culture Change	Page 03
Background: A Proud History	Page 03
The Beginning of the Change	Page 03
Today: Tough Times and Reaction to Risk	Page 04
Defining and Measuring Culture: Current Culture	Page 05
Seeing the Gap: Ideal Culture	Page 08
Acting Blue in a World of Red and Green	Page 09
Role of Leaders	Page 10
The Future of EF Engineering	Page 11

Learning From Unintended Culture Change

In the ongoing discussion on the topic of organizational culture, the focus had progressed from topics addressing:

1. Whether organizations have a culture (they do), to
2. How culture influences business performance (it does), finally to
3. How culture can be changed or developed to promote the norms most advantageous to business and its members.

Articles on culture change typically illustrate success stories, the effective turn-arounds, the best cases and best practices for promoting adaptive, collaborative, empowering, high-performing, Constructive, organizational cultures. The story told here is a different one — it is an example of how organizational culture can be changed, although as a cautionary one.

When discussing culture, we need to understand that culture is driven by history and leadership; however, it is less about what happened in the past that matters, and more about the lessons we and our leaders took away from that experience that guides and shapes culture.

The Background: A Proud History

For over fifteen years, a small engineering firm (“EF Engineering”) valued and promoted a Constructive culture in which employees felt supported in decision-making, empowered to take appropriate risks, to satisfy clients, and earn new business. Open, productive communication was expected and supported and for many years this combination of engineering expertise, collaborative & communicative work groups, and empowered members allowed the business to flourish.

The Beginning of the Change

While the goal-oriented and collaborative culture contributed greatly to a history of high performance, long-term growth and business successes, the culture began to take a turn toward Aggressive and Passive norms as a result of a business crisis and leadership’s response. When a trusted business partner stopped paying his bills, EF Engineering experienced a crushing financial loss, combined with what had recently become a challenging economic environment. Even after the owners pooled their resources to address the shortfall, the trauma of the crisis, changed leadership and the culture sharply.

Despite, and perhaps in part because of, the lack of control over the situation, leaders internalized this problem and began seeing their team as the source of further potential problems. Responding to this crisis with new highly defensive and fear-driven leadership, a culture of autonomy and innovation quickly turned to one of micromanagement and centralized decision-making. One employee noted, “It all changed after that [financial loss]. Leaders wanted to be personally involved in every decision. And no one wants to be seen making a mistake. It’s cutthroat. People cover ignorance with arrogance, shifting the focus to confrontation instead of correcting the mistake and learning from it.”

Today: Tough Times and Reaction to Risk

A loss of this magnitude can drive organizational change, and for EF Engineering, this was the case. In the wake of the financial troubles, leadership changed their approach, becoming far more risk-averse and promoting a culture of aggressive and risk and even opportunity-avoidant behavior.

Today, the culture and resulting performance is described as being intolerant and non-collaborative; 60-80 hour work weeks are the norm, and no one takes their paid time off. Decision-making takes forever. Business growth is glacial. Leaders don't talk to each other. When they do, confrontations often arise, taking days to resolve, stalling progress and jeopardizing deadlines. Senior leaders overexpress their relevant knowledge and experience, invariably weighing in on decisions of engineers and other professionals. These actions slow down productivity and squelch innovation.

As can be the case when all decisions must be made by one person, responsiveness is compromised. "If leaders don't agree with the methods, they're not willing to just trust employees who have the expertise. I was told once, 'You don't make decisions. You provide information so I can make decisions.' The micromanagement is holding us back. No one wants to take the ball."

One example of this centralized decision-making producing unintended results occurred when the President of EF Engineering developed a one-page marketing sheet on his own for an upcoming trade show. Without consulting anyone, he named the product the Diversified Onboarding Resource Collator, or DORC. In addition, there were numerous typos and other errors due to no one else having input on the document. The client for whom the DORC was made, one of EF Engineering's biggest clients, saw the promo sheet and asked questions about the product name, those who were involved refused to take ownership or feedback. The reaction toward customers was awkward and confused, the reaction toward team members was argumentative and aggressive. Some try to survive by working extra hard and chasing perfect outputs. Others attempt to lie low and avoid attracting attention. Cliques have emerged from these groupings, creating "teams" that don't work well together and have no clear vision on how to be successful as an organization.

Some team members have found success by supporting the boss's ideas, even when they don't have the knowledge to provide informed opinions. Sycophantism buys these members perks such as less scrutiny over hours logged and decisions made, leading to leaving early or coming in late and from-the-hip choices. But the favor with leadership isn't a result of success on the job. One such team member leveraged the goodwill he built into extra vacation time and other perks, but no one wanted him on their teams, clients didn't like working with him, and he had an actual track record of not getting work done. In the end, he leveraged his elevated title at EF Engineering to an offer from another company. "Despite his reputation with leaders, which he got by agreeing with all their ideas, he was described by one client as 'The least can-do person' in EF Engineering."

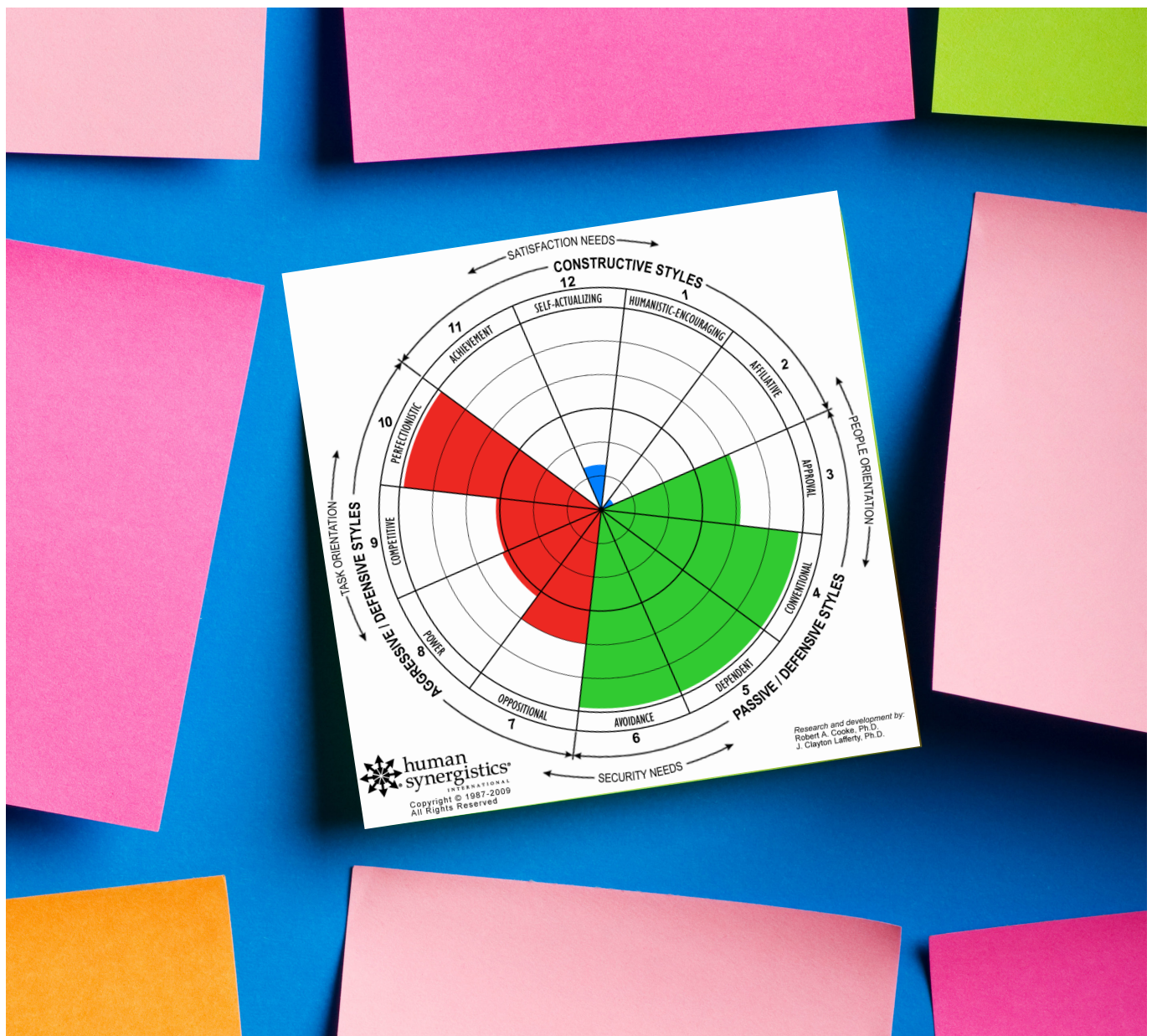
These changes are not benefitting customers either. One engineer described the client relationship by stating: "They love the outcomes, but hate the processes." Internal disagreements are made public in client meetings and deadlines are missed due to decision paralysis and multiple gatekeepers. Triage is common, making decisions based on what will work in this environment rather than what is best. Despite these culture challenges, employees are invested because they enjoy the challenges their roles as engineers hold. Businesses perform better when the culture enables employees to best manage the challenges within their jobs, rather than serving as yet another challenge for the employee to overcome.

Defining and Measuring Culture

What does this culture „look like“ at EF Engineering: *Current Culture*

Organizational culture is driven by norms or patterns of behavior within businesses and across functions and this is what the Organizational Culture Inventory® (OCI®) measures. Effective organizations encourage and support Constructive behaviors in leaders, teams, and individuals.

Knowledge creates potential for power, and tools such as the Organizational Culture Inventory® (OCI®) provide an accurate snapshot of the behaviors that employees believe help them fit in. It is a powerful tool to understand what is really going on in an organization, and why. The OCI® measures twelve different behavior styles, which are grouped into three “clusters”:
Constructive, Passive/Defensive, and Aggressive/Defensive styles.



Constructive styles involve interacting with people and approaching tasks in ways that aim for satisfaction and growth.

Behaviors associated with Constructive styles include:

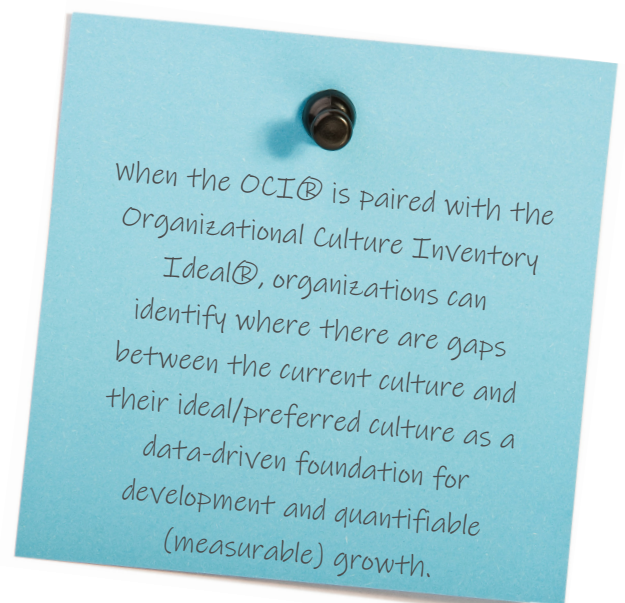
- Striving for excellence
- Working to achieve and accomplish goals
- Innovation and creative thinking
- Working effectively and in collaboration with others
- Promotion of learning and open, effective communication

Passive/Defensive styles describe cultures where people are expected to approach each other cautiously and to protect their own security. The four behaviors are associated with:

- Shifting decisions and responsibility to others
- Avoiding conflict
- Working to achieve only minimum standards
- Withholding of ideas, input, and information
- Reduced overall employee engagement & contribution

Aggressive/Defensive styles focus on approaching tasks in ways that promote and support their own security. For example: winning as an individual, rather than as a company, is of high importance within Aggressive organizational cultures. The four behaviors are associated with:

- Tendency to dominate and control others working against other members of the team or the organizational
- High levels of stress and conflict
- Poor long-term goal orientation and business sustainability
- Communication is characterized by negativism, cynicism, criticism, and sarcasm



EF Engineering’s strongest cultural “styles”

EF Engineering’s strongest cultural “styles” are **Perfectionistic**, **Avoidance**, **Dependent**, and **Conventional**. The primary characteristic of each style is shown in the table.

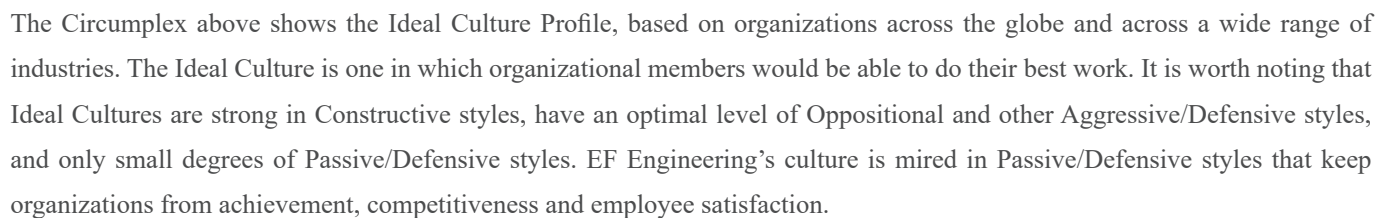
Style	Characteristics	Behavior at EF Engineering	Outcomes
Perfectionistic	Set unrealistic goals. Personally take care of every detail.	Leader makes all decisions.	Team members’ expertise goes unused or overruled.
Avoidance	Procrastinate. Wait for others to act first. Not get involved.	Team members often don’t push innovation forward. Make moves once they are approved.	Avoid being blamed for mistakes at all cost.
Dependent	Never challenge superiors. Be predictable.	Agree with leader on decisions.	Waiting on decisions from leaders to move forward on projects. Clients frustrated by turnaround times.
Conventional	Resist ideas that are different. Conform. Avoid confrontation.	Not challenging decisions or making recommendations based on expertise.	Keeping heads down to avoid standing out and/or confrontation.

On the Organizational Culture Inventory®, these behaviors are captured within the Aggressive/Defensive styles and the Passive/Defensive styles. Aggressive/Defensive cultures promote interacting with others in cautious ways and protecting one’s own security. When leaders micromanage and scrutinize every decision, employees tend to back off from making their own initiative and recognize that avoiding blame or criticism holds more value to their current position than does taking calculated risks to drive innovation or performance improvement.

These styles encourage stasis. They are the enemy of innovation and growth. For EF Engineering, the outcomes of these styles are exactly what the leaders were trying to avoid — additional risk. This kind of culture causes companies that rely on innovative performance, to become less and less competitive in the market.

Protecting one’s turf and place in the company is a common reaction to micromanagement, as is waiting for direction and following “the rules” above all else. Identifying and over-emphasizing mistakes in others’ work keeps the focus away from one’s own performance, and ultimately detracts from the performance of others, those being micromanaged, as well. Within this type of defensive culture, employees discover and learn that keeping their “heads down and getting through one day at a time is an effective survival strategy.”

When employees of EF Engineering are asked what should be taking place:
Ideal Culture



- 8 -

Acting Blue In World of Red and Green

So what can be done to turn the tide? How can one person make a difference in a Passive/Defensive or Aggressive/Defensive culture? Not everyone is up to the task.

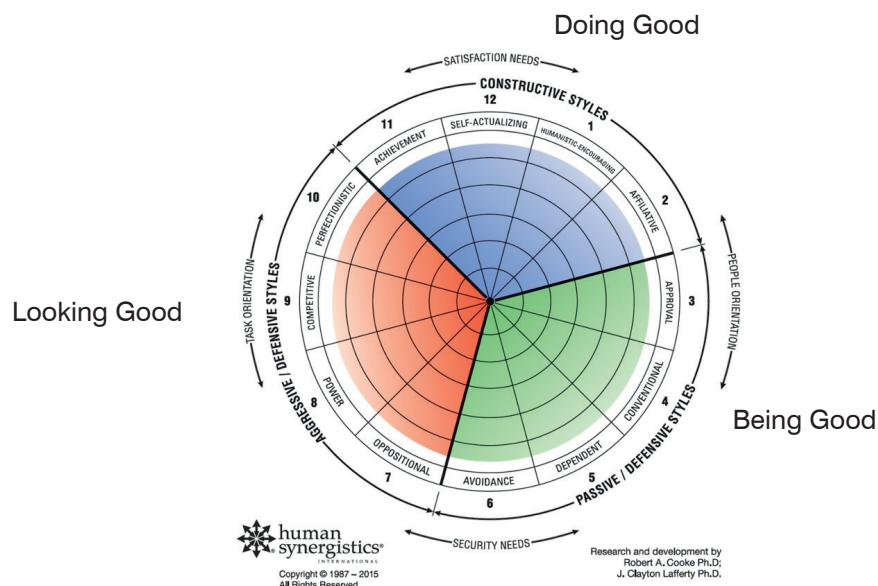
Passive/Defensive cultures can feel comfortable and consistent, but often lack the responsiveness to market demands required for sustained success. Team members don't take risks or try to stand out and be noticed; in fact, going unnoticed may be prized. People follow the rules. They wait to be told what to do.

In Aggressive/Defensive cultures, internal competition takes precedence over winning against external competitors. Highly Aggressive/Defensive cultures often have high levels of burnout and turnover. It takes a lot of energy to survive in this culture. Organizations who embrace the OCI® often begin to use the colors of the Circumplex to describe culture and behaviors. "Aim for Blue" and "You're being too Red" are phrases many organizations have adopted to identify behaviors and embed continuous dialogue about work styles and culture.

It is not uncommon for subcultures, that are in opposition to the status quo within organizations, to exist but this isn't necessarily a negative outcome. Sometimes breaking with norms is appropriate, especially when it means making a healthier working situation for oneself. In this case, one employee chooses to challenge the Aggressive/Defensive and Passive/Defensive norms and assert Constructive styles in his interactions with clients and team members.

"Disrupting the Green" has been the mission of a handful of dedicated employees. They don't want to leave because they like the projects, and many have been there long enough to remember more Constructive times, and more importantly, they have committed to "Acting Blue." One employee who focused on acting Constructively noted, "It takes effort, but I try to focus on helping customers and working around the system in place. I blow off the criticism from peers and leaders and do what I think is right."

Customers like the products, but don't like the processes, so improving their experience whenever possible benefits the company and increases personal satisfaction, two key ways to "Do Good" as referenced above. Still, the Passive/Defensive styles are often the most resistant to change because of their embrace of the status quo. Sometimes, these cultures swing to Aggressive/Defensive first on the journey to Constructive. It often takes a dramatic shift in leadership styles to drive a culture change.



Role of Leaders

Leaders influence culture, whether they acknowledge their role or not. When leaders fight with each other and argue, they are setting norms that employees may follow, which is exactly what is going on in this company. Human Synergistics' Leadership/Impact® assessment shows leaders the types of behaviors they are consciously or unconsciously encouraging.

When leaders who once fostered an environment of trust suddenly wanted to be involved in every decision, hamstringing innovation and influencing missed deadlines and client dissatisfaction. With the new level of scrutiny of every move, employees focused less on doing their best work and more on making sure they were shielded from blame. Another important factor to consider is that culture develops whether leaders tend to it or not. Actions are reinforced or discouraged, hopefully as a reflection of the organization's values, but sometimes behaviors that are encouraged or rewarded are at odds with the mission or values of the company. Employees look to leaders for cues, and if there is a misalignment, observing and repeating behavior typically takes precedence over looking to the mission statement.

Dramatic outside changes can lead to culture shifts, but remaining focused on Constructive behaviors is the most reliable way forward. Passive/Defensive companies get left behind. Aggressive/Defensive companies, who wear out employees, aren't sustainable in the long-term. Constructive styles balance tasks and people goals in a healthy way and support customer satisfaction.



The Future of EF Engineering

While leaders taking care of all decisions and approvals might make intuitive sense to some, these practices put a lot at risk. By attributing an outside event to an internal source, autonomy and trust have been replaced by micromanagement. Passive/Defensive cultures put themselves at risk for turnover and loss of competitive advantage because team members hamstrung by these styles will seek out Constructive organizations when there are opportunities. The team members who do stay don't drive top performance or customer satisfaction; they stay on because organizational life is comfortable.

The transformation from Passive/Defensive to Constructive cultures is a challenging one to undertake. It is often easier to coach Aggressive/Defensive cultures to shift their styles to Constructive, because they are already active. Passive/Defensive cultures must be nudged toward progress. For EF Engineering, reintroducing trust in team members' decision-making appears to be an important first step. This will require leaders to stop blaming employees for external events.

Cultures can change for better or for worse, and tools such as the OCI® are effective in monitoring and changing culture. For organizations such as EF Engineering, they could be the first step in a journey toward restoring its former success.

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