*From the library of The Identity Circle — Insights and ideas about leading, managing and living through the lens of identity.*

# FOCUS ON CHANGE MANAGEMENT

## *Humanize Strategy for Change*

***Synopsis:***

**Change is as much a human process as a business process. Yet, the "logic" of each is vastly different. Left unresolved, these two processes invariably collide, causing change initiatives to implode. Resolution is only possible by dealing with the "transformation paradox:" the need to make the hard stuff — business strategy and economic goals — "soft" and the soft stuff — vision and values — "hard" and thus implementable company-wide.**

SEPTEMBER 1996

# FOCUS ON CHANGE MANAGEMENT

## Humanize Strategy for Change

### *Resolving the Transformation Paradox*

by Laurence D. Ackerman

**Change is as much a human process as a business process, yet the "logic" of each is vastly different. Left unresolved, these two processes invariably collide, causing the change initiative to implode. Resolution is possible by dealing directly with what I term the "transformation paradox" —the need to make the "hard" stuff (business strategy, economic goals) "soft" and the soft stuff (vision and values) "hard," and thus implementable throughout the organization. Combined, these two facts of business life reframe everything from the role and articulation of "vision" and "mission" to the development and concrete implementation of meaningful values. In all of this, broad-based employee involvement is pivotal to "humanizing" strategy.**

A major diversified industrial concern began a sweeping change initiative a few years ago around a new strategy to globalize the business. The company already was a truly international enterprise, operating in over 20 countries worldwide with nationals in most senior management positions. On nearly all relevant measures—sources of assets, revenues, profits, employee population distribution—the business, in many ways, was already "global." The specific challenge was to break down geographic fiefdoms and build a more horizontal infrastructure that would drive growth. The strategy called for "rewiring" the organization so that it would operate in a more integrated fashion across regional borders. The "wires" themselves included such initiatives as:

- inculcating strategic thinking;
- new information systems;
- coordinated human resources management systems; and
- common quality standards to serve global customers in the food, chemicals and computer industries.

The then CEO and his top executives worked hard to craft a vision and values that were to be the framework for change. The vision centered around being "the customer's company first." Among the values that were intended to drive employees toward this goal were the following: integrity, quality, technology, networking communications and health and safety.

The vision and values were published in a tightly crafted booklet, which was widely circulated to nearly all 29,000 employees. The CEO earnestly led briefing meetings with his senior staff and line managers. Much effort was put into the communication process, as well as into the process of translating vision and values into their performance and operating implications for how the company would now go to market. One major change revolved around reorganizing into four strategic sectors: chemicals, food, telecommunications and metals. Each would be global in scope. Accordingly, each sector head was challenged to implement the vision and values at all levels of business activity. Momentum grew quickly on the strength of determined leadership. The CEO was convinced, based on feedback from his managers, that the message was getting through; people were aware of the vision and receptive to the values. Change, it seemed, was under way.

Nearly a year later, this dedicated senior executive had completed several tours of local operations from Taiwan and Singapore to the U.S. and South America. What he discovered was that the only ones who really understood, let alone practiced, the new mantra were his most senior people; maybe the top 1,000 managers. The rest of the organization, including a number of directors, through middle management ranks on down to plant supervisors and the general employee population, were clearly not on board.

### The Road to Change

If the road to hell is paved with good intentions, then so is the road to change. With hindsight, a number of missteps occurred. Management failed to engage employees from the outset in defining the meaning of the vision and values in terms that were personally relevant to them and their jobs. Instead, they relied largely on cascading, or trickle-down, communication.

---

***"While Japanese corporate officials recognize the need for a common vision and attitudinal overhauls, they grimace when asked how they will incorporate these abstract efforts into concrete management planning."***

---

And with each layer of communication, the message, methods and prospects for change deteriorated. Moreover, the very content of the vision and values was an obstacle rather than a catalyst of change. In the case of the vision, the company fell short of articulating, or at least implying, customer benefit—a crucial need if vision is going to be actionable for employees. With the values, management unwittingly confused "things we value" (e.g., corporate assets such as technology and networking communications) with "values to live by" (e.g., attitudes and behaviors such as quality and integrity). In short, too many business abstractions, not enough meat. Not the stuff delivery truck drivers and customer service reps could do something about on a day-to-day basis.

What the company missed entirely is the fact that change is as much a human process as a business process, that the logic of each is vastly different and that, left unresolved, these two processes will invariably collide, causing the change initiative to implode.

### Easier Said Than Done

Change has become a fashion statement in business. At some point in the next few years, the fervor that surrounds the term "change" is likely to subside. The perceived need for change will mature, as it is now, into a recognition that all companies must embrace constant evolution as a principle to live by. As John Kotter and James Heskett concluded in their book, *Corporate Culture and Performance*, cultures associated with strong financial performance seem to facilitate change. What won't go away will be the challenge of how to make this evolution, or propensity to change, a natural product of the organization, rather than a set of hurdles employees must forever confront in the frenetic currents of a techno-global business world. We are still in the early stages of this transition.

Today's focus on change, however, amounts to a powerful shot across the bow that is universal in its reach. It is a focus that makes U.S. and Japanese companies, for instance, the business equivalent of identical twins. There are many ways managers in both nations describe this challenge: how to translate values into behavior; how to implement strategy; how, in essence, to turn the battleship.

### Seeking an Identity

Not long ago, the Japan Economic Journal published an article about manufacturers seeking new identities. The vision, or corporate philosophy, of electronics giant NEC was a focal point of the article; to quote: "NEC strives through 'C&C' (computers and communications) to help advance societies worldwide toward deeper mutual understanding and the fulfillment of human potential." "We will renew our foundations," declared Yoshihiro Suzuki, vice president of NEC. "It will," he said, "produce common values." The article goes on to say that "while Japanese corporate officials recognize the need for a common vision and attitudinal overhauls, they grimace when asked how they will incorporate these abstract efforts into concrete management planning." Unfortunately for many, the "how" of change is a mystery, a process that defies the laws of science, the rules of economics, even the power of pay incentives.

## The De-Railing Effect of Strategy

Translating strategy into actions that yield constructive, fundamental change is widely acknowledged as "the big challenge." One thing most managers agree on in this respect is that change must be strategy-led; no "change for change's sake." On the surface this makes perfect sense. But when it comes to change, strategy contains its own flaw.

For all the influence business strategy has on the work lives of human beings, it is a decidedly non-human process. Strategy deals with concepts, not people—concepts like economics, channels, competition, capital, technology and markets, which are the formative elements of any business enterprise. It is a highly rational process deliberately devoid of emotional content. Yet, the employees—the people—whose job it is to implement strategy are inherently emotional creatures. Predictably, this disconnect results in a massive gap between goals set and goals achieved, constituting a root cause of failure in the pursuit of corporate transformation.

As long as strategy remains in the "realm of the rational" in terms of how it is translated, it cannot be effectively implemented where the goal is to get people to behave differently To bring change to life, strategy must be humanized.

## One Identity, Indivisible

In an effort to deal with change, we talk about culture, leadership, re-engineering and empowerment. What we rarely do, however, is to recognize first that a company is, in many ways, a single, integrated human system—in effect, a "human being" in its own right—comprising the same physical, mental and emotional capacities that distinguish one individual from all others. And it doesn't matter how many different business units, product lines or subcultures exist, as long as the people are part of the same enterprise, contributing in the end to a bottom line whose economic value is measured by a single share price.

To look at companies this way—each with its own identity—is a prerequisite to humanizing strategy and bringing about constructive and lasting change. This is because identity is a uniquely human concept which, as a result, provides a comprehensive human model of how companies work, much like economics provides the capital model of how companies work. And just as with the balance sheet and income statement, every facet of the human system—physical, mental, emotional—that gives rise to that identity must be engaged if change is to be brought to life in meaningful ways.

In short, identity answers the question, who are we and how do we create value as a result of who we are, not simply how must we change, or what must we do differently. Maytag Corporation, for instance, is an appliance manufacturing concern whose business strategy revolves around investment in multiple product categories (e.g., laundry, refrigeration, cooking, floor care, dishwashing) with both high-end and lower-end brands (e.g., Maytag, Jenn-Air, Hoover, Magic Chef, Admiral, Hardwick). In terms of its identity, however—who the company is—Maytag is a home management enterprise that creates proprietary value for consumers by improving the quality of home life. When it comes to facilitating change, this distinction is crucial. While both business strategy and identity deal with growth, it is identity, because of its human roots, that employees can more easily relate to on a personal level and thus do something about in the course of their day-to-day activities.

***As long as strategy remains in the "realm of the rational" in terms of how it can be translated, it cannot be effectively implemented where the goal is to get people to behave differently.***

## Addressing the Transformation Paradox

Humanizing business strategy means translating bold aims and aggressive economic goals into the work and language of the little guy (claims adjusters, sales representatives, truck drivers, assembly workers), as well as the big guy (CEOs, operating vice presidents, staff executives). It is to place strategy squarely in the realm of the heart as well as the mind.

There are essentially three stages in this process:

*Paint a picture*

First, you've got to paint a picture—a "vision" or "mission," if you will—worth fighting for. Charles Goodyear's vision for the company he founded was "to make better tires cheaper and sell them harder than everyone else"; Wellcome's mission has been "to discover, develop and market distinctive, human medicines that benefit mankind"; Nike wants to be "the world's best sports and fitness company." In each case, a picture forms of the future that is bold, tough to achieve and forever shifting—in effect, a vision worth fighting for. Well-articulated, corporate vision is a pied piper's flute that sets the melody line, if not the fullness, of the entire symphony.

*Identify Values*
Second, managers must identify the values that best support that vision. This isn't so easy. It may begin by "importing" values from outsiders; not only from key competitors, but from companies in totally different industries.

*Implement*
Third, you must translate those values into concrete actions that gear the entire organization—the human system—to accomplish the vision, or mission, at hand.

Taking these steps may sound obvious, but they belie a critical paradox that governs success or failure in change and thus must be addressed. It is the paradox that comes from dealing with "hard" strategy and "soft" values simultaneously. Call it the transformation paradox. To bring about change, you've got to make the hard stuff— the business strategy—soft, and the soft stuff—the values—hard. To do so means engaging employees to help define the scope of change and not just react to executives' orders to change. The challenge that follows is to keep vision, values and their implementation in perfect alignment from the word go. No disconnects as implementation heats up. This is where many companies lose control of the change process; they simply aren't able to make the leap from vision and values to, say, how often the soda bottles get washed before they're filled a second time. Or to how well a claims adjuster "markets" the carrier to the policyholder rather than simply closing their file. Or to the titles—or lack of titles—held by everyone from senior operating executives to floor supervisors.

Each of the steps involved in humanizing strategy—shaping a vision worth fighting for, identifying the right values, and aligning vision, values and behavior through implementation—is crucial in resolving the transformation paradox, and each has its own special characteristics that need to be addressed.

## A Vision Worth Fighting For

How do you construct a vision worth fighting for? First, whatever the vision is—or "direction" or "mission" or "purpose" or "position"—it must be made distinctive, not generic. Make it aspirational, give it emotional content. Make it human. What this means is, stay away from numbers and "business-speak." Avoid talking about "shareholder value," providing your customers with "enhanced competitive advantage," or being the "premier" financial services provider. Employees don't care since it is usually impossible for the vast majority of them to have a direct impact on the goal. Rather, focus on building something; something that is bigger than anything the current crop of managers and employees can fully achieve on their own. Make the vision generational; give it a future and keep it simple. By doing so, the vision itself promotes change as a feature of the culture.

One of the most memorable missions in the second half of this century was NASA's aim of "putting a man on the moon and bringing him back alive." This is a great and stirring picture. The problem was, it was too finite. Once achieved, NASA lost its way and hasn't recovered since. Beyond long time horizons, visions or missions that succeed in humanizing strategy unify people, allowing no one to escape their grasp. And that includes customers, suppliers, dealers and joint venture partners, not just employees. A number of examples exist. Apple's original mission—to "humanize the computer"—meets this criterion well. Maytag Corporation's mission to "improve the quality of home life" also succeeds, as does USF&G Insurance's mission "to assure the continuity of people's businesses, lives and livelihoods."

## Interbrew: Blend and Grow

In 1990, a merger of two leading Belgian beer producers, Artois and Piedboeuf, led to the formation of $3 billion company, Interbrew. Management had put together a business strategy aimed at geographic expansion throughout Eastern Europe and into North America—Interbrew acquired Labatt of Canada in 1995—and aggressive expansion of the company's mineral waters and soft drink lines. The challenge was to help transform the organization from a production-oriented beer maker into an international, consumer-driven beverage company—a strategy that meant profound change for how the corporation went to market. To begin to breathe life into this strategy, the CEO appointed a multidivisional, cross-functional task force to explore the strategy in ways that began to clarify its concrete implications for marketing, sales, human resources, finance, and administration and operations. The result of their effort was a detailed assessment of precisely what it should mean to be an international, consumer-driven beverage company. It wasn't an inventory of facts, or a recitation of existing strengths. It was an articulation of the company's potential as a value-creating enterprise committed to the beverage business.

The ideas the task force arrived at were the result of "deconstructing" the strategy to get at what it meant in simple, actionable terms. Overall, the strategy was redefined, i.e., humanized—in a number of ways. First, in terms of a mission employees could relate to easily: namely, "to celebrate a thirst for life." This deceptively simple idea helped transcend a bitter rivalry between the two merged companies and spelled out what Interbrew saw as its value-creating role in the lives of consumers. Deconstructing strategy yielded, as well, a range of concrete implications, including the following: first, to be international was a way of thinking that encompassed five dimensions:

- geography;
- new relationships (e.g., joint ventures);
- meeting local needs in other countries;
- people, in terms of hiring practices and multi-country problem-solving techniques; and
- image—the corporation, separate from the brands, was now going to take on a role and presence it had never had before.

Second, to be consumer-driven meant anticipating and fulfilling consumers' desires, which was to say that everyone at the company "works for" the consumer. Everyone. The key aspects of being consumer-driven were:

- functional harmony, whereby departments had to work together to meet common performance goals;
- smart risk—taking thoughtful, calculated chances instead of clinging to convention; and
- consumer watching, where everyone—from the CEO to lobby receptionists—were compelled to listen to, i.e., "observe and document," consumer behavior in their daily lives.

Third, beverages. Beverages implied a distinctive competence—the essence of what Interbrew was really "good at." This included the company's product range, from lager beers and specialty beers to waters and soft drinks. It also encompassed the organization's roots, which dated back to 1366; it meant managing what became known as the art and science of occasions—all the moments in the consumer's life when meals are eaten, holidays and anniversaries are celebrated, parties are held or people just get together. Inherent in these occasions were the seeds of greater consumption, and thus growth. Beverages also meant expansion through acquisition, into areas that would build upon the organization's beverage know-how. Finally, beverages meant good citizenship because of the health and environmental responsibilities attached to the business.

Even the notion of being a "company" was important for this newly merged organization, and was not something to be taken for granted. This meant being one group with different tasks, individual experts brought together as a multinational team, which, together, would compose the different parts of the corporate whole.

With this effort, strategy began to take on more precise meaning with implications that influenced organization design, marketing and sales, operations, hiring, training, management development and communications. Most important, this first step set the stage to get employees involved fast, and in ways that tangibly affected the company's performance.

*Following in part 2 of this article, published in the October 1996 issue, Laurence Ackerman discusses the final steps to be taken in humanizing strategy, namely creating the values infrastructure, and then introducing mechanisms to implement the desired changes.*

# Humanize Strategy for Change

## *Resolving the Transformation Paradox*

**Change is as much a human process as a business process, yet the "logic" of each is vastly different. In part 2 of this article, Laurence Ackerman discusses the final steps to be taken in humanizing strategy, namely, creating the values infrastructure and then introducing mechanisms to implement the desired changes.**

### Building the Values Infrastructure

The next stage in humanizing strategy is to build the values infrastructure. In many ways it is the equivalent of a nation's physical infrastructure—transportation systems, communications systems, etc.—without which there is no way to navigate a vast and complex landscape. The values infrastructure provides the navigation system for traveling the business landscape, within the organization and outside. Developing the infrastructure begins with identifying the right values for bringing change to life. What values do, specifically, is provide a common "language"—in word and deed—for aligning a company's leadership with its people. It is essential, first, to identify whether there's a large gap or a small gap between the values you have and those you aspire to. Almost by definition, the values of a changing company are either inappropriate or insufficient. So what must happen is managers need to survey the landscape and decide which companies represent role models, in whole or in part, and then take a close look at what their cultures are.

These may in fact be competitors, or they may be companies from totally different industries whose business success, industry leadership, or orientation—marketing driven versus research-driven—is appropriate for where you're heading. In the case of Interbrew, role models included leading beverage concerns as well as generally outstanding marketing organizations; specifically, Procter & Gamble, Apple Computer, Coca-Cola and Anheuser-Busch. Searching for role models doesn't mean that you shouldn't assess your organization's own cultural strengths and weaknesses, only that you shouldn't stop there.

The next and most difficult task in building the infrastructure is to translate these values into action. This is the point where many companies lose control of the change process. The typical emphasis is on how to communicate values. But this doesn't go far enough. To translate "soft" values into 'hard" behavior—the second half of the transformation paradox—you must develop the structure and content of each value the company subscribes to.

There are three variables that provide the actual structure of a given value: First are the unique dimensions implied by that value. Let's take quality. For Interbrew, quality came down to three dimensions that captured how the business works: 1) total brand quality, 2) the point-of-sale environment, and 3) company presentation.

The second variable is the philosophies or beliefs that explain how the company approaches each dimension of quality in terms of attitudes. Under point of sale, for example, it is the belief that "the brands and the company come together at the point of sale." Or, under company presentation, the belief that "making quality visible is a corporate priority."

Third are the actions or behaviors that bring values to life in terms of the ways people should perform were that value truly up and running. Let's stay with the philosophy that "the brands and the company come together at the point of sale." The types of behaviors that animate this philosophy include, for example, establishing minimum quality control standards for cafe owners carrying Interbrew's products. This means having the correct beer temperature, clean glasses, a clean pub environment (especially bathrooms), a good location and the "right" clientele. It means instituting a policing program through the sales organization to monitor point-of-sale quality. It means having a strict policy to clean up or shut down below-par cafes. As unglamorous as this may sound, these seemingly mundane actions were the building blocks of successful change. When all are put together, what emerges is a comprehensive, clear-as-day picture of the structure and content of corporate values (*Figure 1*). Put plainly, the "soft stuff" made hard.

One of the most important benefits of developing the values infrastructure is a function of where the proposed actions come from. They come, in large measure, from the employees themselves. Typically some of the most fertile and provocative ideas for change lie deep within the organization. This fact is captured in a quote from General Electric's chairman, Jack Welch: "We know where most of the creativity, the innovation, the stuff that drives productivity lies. It's in the minds of those closest to the work. It's been there in front of our noses all along while we've been running around, chasing robots and reading books on how to become Japanese—or at least manage like them."

In this regard, developing the values infrastructure is the essence of employee involvement because it is geared not only to employee participation in determining how to do existing jobs better, but in determining, in fact, which jobs are vital and what behaviors must occur if the company is going to succeed in effecting a new vision on the strength of new values. To engage the organization directly in this process is to get employees to help solve their own problems and create their own future. Values development and their implementation makes leadership by example the operating standard for all concerned.

Through this process, a surprising thing usually happens. Influence at the top increases significantly. This is because company leaders now can say, "These ideas came from you; you told me to do this." Top executives gain immeasurable credibility with the rank-and-file, for they have not only listened, but have established a dialogue of substance that breeds genuine respect.

A final point on developing the values infrastructure: One of the popular criticisms leveled at values, and even vision, is that so many companies seem to subscribe to the same ideas—like quality and teamwork, or being number one in their business. And if there's no apparent separation among competitors, then how do you distinguish yourself? Besides, it all sounds like motherhood. The fact is that, throughout the process of translating "soft" values into "hard" behaviors—the second part of the transformation paradox—the uniqueness of every company surfaces unmistakably and often boldly. Developing the structure and content of corporate values is where even the most clichéd values become differentiated. Put two competitors

A Craftsmanlike Dedication to *Quality*

| | | | |
|---|---|---|---|
| *Overall Philosophies* | • An obsessive attention to detail<br>• Quality is a personal responsibility<br>• Quality changes with the times<br>• Quality is international, not just Belgian<br>• Consistency is a measure of quality | | |
| *Dimensions* | Brands | Company Presentation | Point of Sale Environment |
| *Philosophies* | • A belief in "Total Brand Quality"—every element, every detail relating to the product (ingredients, packaging, materials, communications, design) must be of superior quality to ensure quality perception of the whole brand | • Making quality visible is a corporate priority | • The Brands and the Company come together at the point of sale |
| *Actions* | • Establish a Brand Quality Assurance Program<br>• Set and enforce absolute product specifications acceptable to the consumer<br>• Special quality control for exports is a #1 priority<br>• Ensure consistency of packaging presentation (color, production runs, labels, messages)<br>• Raise quality criteria every year<br>• Institute unannounced quality audits | • Establish quality standards for all corporate "media." Every form of communication must reinforce the quality orientation of Interbrew<br>• Ensure all facilities are clean and well maintained<br>Clean lobby at Leuven everyday<br>All depots/warehouses/plants must have strict maintenance programs<br>Damaged sites must be fixed quickly<br>No dust on products<br>Constant hosing down to reuce beer smell at breweries<br>• Brewery tours must be "showcases" for Interbrew<br>• Refurbish delivery trucks/institute a regular qulaity inspection schedule<br>Setting minimum quality standards<br>Bi-weekly cleaning<br>Replace worn canopies quickly<br>Limit truck usage/constant rotation of new vehicles to reduce wear and tear<br>• Redesign entry foyer and customer lounge<br>Exhibit Interbrew products proudly<br>Warm up lobby seating<br>Remove glass between receptionist and visitors<br>Eliminate plastic plants<br>• Conduct regular, surprise inspections to ensure standards are being met | • Establish minimum quality control standards for cafe owners carrying Interbrew products<br>Correct beer temperature<br>Clean glasses<br>Clean environment (especially bathrooms)<br>Knowledgeable/personable consumer-oriented staff<br>Good location/good clientele<br>Merchandising and promotion are current and well maintained<br>• Insist that in-store displays, product facings, and promotion is of superior quality to competition<br>Demonstrate originality<br>Must be clean and orderly<br>Ensure prominent visibility<br>No out of date products on shelves<br>• Institute a "policing" program through sales organization to monitor point of sale quality. Strict policy to "Clean up or shut down" below-par pubs. |

*Figure 1*

Change Mechanism Performance Evaluation

Performance evaluation is designed to set detailed performance criteria and, in doing so, to address all aspects of employees' jobs — the "hard," specific, day-to-day responsibilities, as well as the "soft," general cultural responsibilities which may come with being a member of the Interbrew team.

Values Putting the *Consumer First*

Philosophies and Supporting Actions

*Make it easy on the consumer:*
- Establish a centralized Consumer Response Center to 1) answer complaints immediately and, 2) route consumer feedback to the appropriate group(s).

*Anticipate, don't react:*
- Never run out of stock at point of sale.

*Marketing is the bridge to the consumer:*
- Make a science of understanding occasions and purchase dynamics.
- Make market research into the "consumer's voice" for the whole corporation.

*An obsessive attention to detail:*
- Set and enforce absolute product specifications acceptable to the consumer.

*Consistency is a measure of quality:*
- Special quality control for experts is a #1 priority.
- Ensure consistency of packaging presentation (color, production runs, labels, messages).

*Quality is a personal responsibility:*
- Institute unannounced quality audits:
  - Impact on budget allocations
  - Executive compensation
- Establish minimum quality control standards for cafe owners carrying Interbrew products.
  - Correct beer temperature
  - Clean glasses
  - Clean environment (especially bathrooms)
  - Knowledgeable/personable consumer-oriented staff
  - Good location/good clientele
  - Merchandising and promotion are current and well maintained
- Institute a "policing" program through sales organization to monitor point-of-sale quality. Strict policy to "Clean up or shut down" below-par pubs.

*Making quality visible is a corporate priority:*
- Ensure all facilities are clean and well maintained
  - Clean lobby at Leuven everyday
  - All depots/warehouses/plants must have strict maintenance programs
  - Damaged sites must be fixed quickly
  - No dust on products
  - Constant hosing down to reduce beer smell at breweries
- Brewery tours must be "showcases" for Interbrew.
- Refurbish delivery trucks/institute regular quality inspection schedule.
  - Setting minimum quality standards
  - Bi-weekly cleaning
  - Replace worn canopies quickly
  - Limit truck usage/constant rotation of new vehicles to reduce wear and tear
- Conduct regular, surprise inspections ensure (visual) standards are being met.
- Establish qualtiy standards for all corporate "media". Every form of communication must reinforce the quality orientation of Interbrew.
- Redesign entry foyer and customer lounge.
  - Exhibit Interbrew products proudly
  - Warm up lobby seating
  - Remove glass between receptionist and visitors
  - Eliminate plastic plants

*Total Brand Quality:*
- Promote the Brand Quality Assurance Program

*Quality changes with the times:*
- Raise quality criteria every year

*The customer is #1:*
- Every customer has a single "checkpoint" contact at Interbrew (for any needs)/ "Total Relationship Management".
- Visit customers on a regular basis.
- Let no more than one week pass without customer communication.
- Every senior executive has a direct account relationship.
- Establish a personal relationship with the customer.
- Make regular Point-of-Sale site visits mandatory for international managers.
- Respond to information requests immediately.

*Everyone has a role:*
- Re-write job descriptions.
  - Focus on values, customer satisfaction
- Have employees write/add to their own job descriptions at the start of each appraisal period.
- Ask employees to write their own appraisals just before review time.
- Provide clearly-defined job descriptions, priorities, and objectives for every employee.

*Your word is your bond:*
- Be on time

*Raise your sights, set the example*
- Error free documents; check 3 times Spell names correctly.

*Appearance counts:*
- Establish basic dress standards.
- Keep uniforms clean.

*Take decisions, stay the course:*
- Set and follow priorities (quarterly, monthly, and weekly).

*Think profitably:*
- Walk away from a bad (Horeca) deci-

*Figure 2*

side-by-side, each with the exact same values, and this process will reveal not only distinctive characteristics about each company, but the way each one thinks about its business and thus what its likely potential is to meet the needs of the marketplace.

### Change Mechanisms: The Implementation Power Alley

Turning values into actions takes more than coming up with the right infrastructure, however. No matter how compelling the output may be, it all needs to be hard-wired into the fabric of daily business life. Doing so constitutes stage three in humanizing strategy. This starts with reorganizing the values database around six principal "change mechanisms," which govern how the company actually functions, attitudinally and behaviorally These change mechanisms, or basic management systems, include training and development, communications management, performance evaluation, compensation, employee recognition and recruitment. Together, these vital processes cast a net wide enough to prevent anyone from slipping through. For those who employ and shape these activities—line managers, HR leaders, communications executives, compensation specialists—this process yields a detailed blueprint for how to shape that activity to meet the demands of a new vision and new values (*Figure 2*).

The philosophies, or attitudes, that must be "trained" into the workforce have been made explicit, as have the types of behavior that exemplify them in practice. And in every case, they can be traced back to certain values and, ultimately, to the vision they support. This is what perfect alignment is all about: making these connections clear, right down to how often the soda bottles get washed. The goal is to employ these change mechanisms in order to begin to recalibrate the human system of the enterprise at one time to achieve desired results—to move toward a new vision, to live by new values, to grow profitably.

Three things are particularly important when organizing the values database into change mechanisms: First is to identify and empower individuals and small group task forces ("expert teams") to make change happen starting now; second is the need to set priorities within each change mechanism in terms of financial investments and time commitments; third is to achieve immediate results where

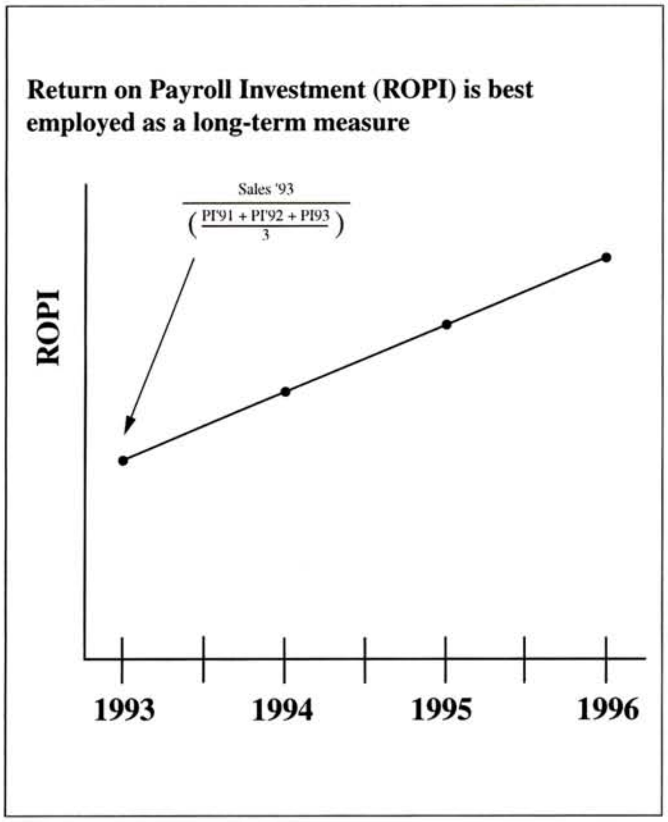


*Figure 3*

possible, based on the actions that bring each value to life.

These expert teams are the nerve centers for change. They are typically small—three, four, maybe five people. Their job is to modify existing, or conceive new, policies, systems and procedures in all areas—from training and management development, recruitment and recognition programs to work processes across the company. Having the blessing of the CEO, the freedom to innovate, and, as necessary, the support of outside professionals such as compensation and training specialists, are the ingredients for success.

The output from these team initiatives varies widely: for example, in training, a core curriculum for all employees on vision and values and how they affect corporate performance and individual performance expectations; ultimately the recasting of all orientation, training and management development activities to reflect new corporate priorities. It also includes looking at performance evaluation and compensation together, new or expanded performance evaluation criteria, job by job, and all job descriptions (if they're used) and the performance evaluation system, rethought, re-designed and made interactive by identifying and including key customers in the performance appraisal process (e.g., 360° assessments).

For employee recognition, activities emerge that truly reflect new priorities. Particularly effective is to design programs that are juried and judged by employees' peers—their co-workers—rather than simply by their bosses. Once again, leadership by example proves to be a powerful and positive force in bringing about change. In communications, audience-specific strategies stemming directly from corporate vision can be created that address three factors in concrete terms: 1) the business objective in communicating with that audience (e.g., for the sales force, grow retail sales by 50 percent in three years; for production and distribution employees, optimize output through improved fabrication and logistical services); 2) the distinctive, value-adding role the company plays; and 3) the themes and messages that expand upon and "explain" that role.

We've looked at shaping change mechanisms—a systemic means of facilitating transformation internally. But the loop isn't closed. What must also happen is to tie the whole process to customer satisfaction. Directly. Consciously. Aggressively. This, too, is the task of an implementation team: to translate vision and values into measurable aspects of customer satisfaction. Interbrew accomplished this by developing dozens of attributes that linked its new way of thinking with customer needs. It assessed quality from several standpoints—sales contact, marketing communications, product, delivery services, order and billing procedures, brand franchise and marketing support.

## Where the Results Are

Stepping back from the fray, there's a question that hasn't been addressed head-on; the question is: So what? Why bother? What does it all mean? Certainly it means change. And hopefully it means profitable growth. But what are the yardsticks of success that justify the commitment and energy it takes to do all this? Two equally valid answers exist: First, if you have to ask, don't do it. Change requires a certain leap of faith; a basic belief that it simply must be done.

The second answer is more concrete. First of all, desired results vary by company. If there are recurring themes, however, they'd be: higher return on assets, growth in market share and higher productivity. But that doesn't really tell the whole story either. In Interbrew's case, results were sought in a number of areas that directly affected business performance. Since we've been speaking about customer satisfaction, let's start there. As a measure of higher customer satisfaction, Interbrew achieved better than a five percent jump in annual revenue and unit sales over prior years. The company also realized more advantageous contract terms with trade customers, given a streamlined billing system that consolidated into one or two invoices what were previously separate, numerous invoices for lagers, specialty beers and mineral waters.

Next: Quality. The notion of quality, or "total quality," has become tarnished with overuse, but remains axiomatically important nonetheless. Despite universally accepted standards such as ISO 9000, every company has its own way of measuring quality, as do its customers. The beverage company focused not only on installing a statistical product quality index, but on the overall "quality" of its field sales force as ambassadors of the company and not just as product salespeople. Rigorous standards were set that led to new recruiting, training and performance criteria.

Globalization, or "internationality," is another area Interbrew pursued in its quest for expansion. For this concern, internationality meant geographic expansion—it acquired Labatt of Canada in 1995—as well as a formal cross-border approach to problem-solving among managers in Western and, increasingly, Eastern Europe. The possibilities for determining degree of change are, of course, broad. Image and reputation are key measurement areas as well. Awareness, familiarity and knowledge about the company can and should be tracked; as should the perceptions that customers, distributors, investors, suppliers, joint venture partners, and other constituencies have of the corporation.

Productivity, in particular, offers some of the most fertile territory for evaluating the success of change initiatives. As a yardstick of change, it is useful to look at productivity as the overall result of employee behavior in terms of new ideas brought to market, enhanced efficiencies and expanded customer relationships, as well as the traditional output of goods and services. Simply stated, employees are the engine for growth. The output, or "productivity" of this engine, can be measured in relation to sales, but should also be considered in the context of market share, earnings and even stock market value. How? One useful approach is to look at total employee payroll (the W-2 portion) as an investment rather than a cost, and then, the ratio of payroll investment to sales, market share, earnings and, ultimately, to stock market value. The return on payroll investment (ROPI) is best viewed as a long-term measure (*Figure 3*).

**The Value Creation Imperative**

Successful change initiatives optimize the value-creating relationship among three critical constituencies: *Employees* who "create value" (through R&D, manufacturing, marketing, sales, service, etc.); *customers* who "purchase value" (and thus provide revenues and profits); and *investors* who "finance value" (by supplying capital back to the company).

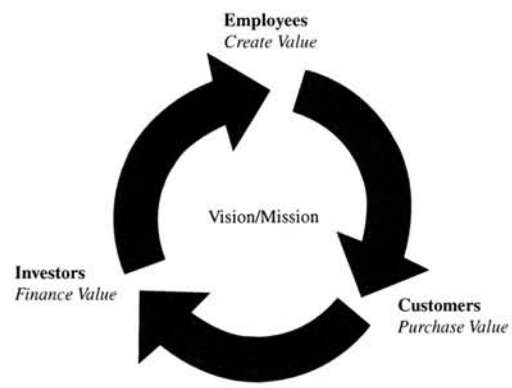


*Figure 4*

Specifically, the goal is not to manipulate salary levels to reach a target, but to measure the aggregate productivity of employee behavior.

## Conclusion: The Value Creation Imperative

Humanizing strategy is a prerequisite to change that, above all, is about resolving the transformation paradox: making the hard stuff—strategic and performance objectives—"soft," and the soft stuff—values—"hard" and implementable.

The net result of success in this effort is to enable employees to do what they were hired to do in the first place—create value. At the center of any change initiative—Maytag's, Interbrew's, USF&G's—is the need to turbo-boost the organization's ability to do just that, not in isolation, but as part of the value creation cycle that governs success or failure for all businesses (*Figure 4*). The dynamics of the cycle are simple: Employees conceive, create and deliver value (products and services) to customers; customers purchase (or don't purchase) that value, which produces revenues and profits; investors in turn finance value (or don't finance value) by putting inexpensive capital back into the organization depending on whether or not they like the profits they see (and anticipate). And so the cycle goes, forever. In fact, the economic interdependence and resultant equality among these constituencies is a business fact of life, which any change initiative must address head-on.

In the final analysis, the "how" of change isn't a mystery. When it comes to employees, the process contains its own human logic and can be managed with the same rigor and discipline used in dealing with strategic decision-making and capital structure. If you approach the organization as a single human system whose distinct mental, physical and emotional capacities prescribe a common identity, then the anatomy of that system reads like an open book. The buttons are there to be pushed. The path to humanizing strategy becomes clear. ■

**Laurence D. Ackerman**
is group director at Siegel & Gale, where he manages branding and identity engagments. Mr. Ackerman's consulting experience is international and multi-industry in scope. He has directed assignments for such diverse companies as Arthur Andersen, Baxter Healthcare, The BOC Group, Boise Cascade, Dow, Interbrew, Maytag, National Australia Bank, Norsk Hydro, Upjohn, and Westinghouse.