The Future of Operational Excellence

Making the 'human system' the focal point of transformation efforts unleashes extraordinary, tangible results.

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IN BRIEF

As Peter Drucker so eloquently said, "Culture eats strategy for breakfast." Simply put, **organizations only transform when their people do**. We suggest a radical new approach to operational transformation: **Make the human system – the organizational culture – the focus of improvement efforts.** Culture work that brings together fundamental personal transformation and system transformation lays a robust foundation for operational excellence by dissolving resistance, building passion and fostering commitment (not just compliance). This approach yields results far in excess of traditional efforts and produces sustainable gains that continue to grow over time.

ABSTRACT

NEARLY A DECADE AFTER culture, employee engagement, and "behavior re-engineering" became hot topics in Operational Excellence (OpEx) circles, programs still struggle with average success – or even failure.[1] We believe this is because many improvement efforts often give short shrift to (or entirely overlook) the impact and potential of the human system – a dimension that can make the difference between breakthrough success and mediocre performance relative to operational excellence goals.

Our experience suggests that focusing on the human system (the organizational culture) not only leads to a business impact five to eight times greater than initial operational improvement estimates, but ensures that these efforts are self-sustaining with minimal investment in building a large continuous-improvement office. Given these findings, we suggest a radical new approach to transformation: Make the human system the focus of the transformation. Have it be the catalyst and conduit through which technical solutions are created and put in place. Indeed, putting the human system at the center of improvement efforts is the future of operational and process excellence. This does not imply ignoring the technical solution, but co-creating an approach that seamlessly integrates the human and technical aspects of the transformation.

In this paper, you will learn:

- **WHY** transformation efforts should focus on the human system: Understand the **existing gaps** and **hidden opportunities** in OpEx culture work.

- **WHAT** transformation through a culture lens looks like: In the **BASF Wyandotte Case Study**, learn about a chemical company's human-system-focused transformation program that generated **results eight times greater than the experts' estimation**.

- **HOW** to make it happen: Become familiar with **a new approach** for transforming operations using a human system and culture lens.

[1] PEX Network, *4th Biennial PEX Network Report: State of the Industry*, p. 3.

INTRODUCTION

THE OPERATIONAL EXCELLENCE COMMUNITY recognizes the link between culture and the sustainability of change initiatives. As early as 2008, the community learned that of the 70% of change programs that failed,[2] 70% of the causes could be directly attributed to unsupportive management and employee resistance.[3] This meant that **almost 50% of change programs failed because of the human dimension!**

Little has changed in the intervening years. In 2015, OpEx program success was rated only 6.1 out of 10, and human elements accounted for three of the top five program focus areas.[4] In our experience, understanding remains particularly unclear around:

- What exactly is a culture of operational excellence?

- What tangible impact does it have?

- How do you go about creating such a culture?

What we are familiar with is the following pattern: After extensive data collection and analysis, an organization implements an operational or process improvement program deemed critical to future competitive advantage. Experts estimate the program can save X million dollars and X number of labor hours. The CEO or Business Unit Head makes the program a top priority and oversees the launch of multiple initiatives to support the change, and the organization invests significant time and resources in the effort. Initial successes and quick wins build expectations for ongoing improvements. Later on, however, savings fail to reach projected levels. Employees report that systems and processes are back to the way they always were. The organization struggles with challenges similar to those it faced before the change program began. Skepticism grows and resistance to further efforts deepens.

In this pattern, the work on culture is just a small aspect of the improvement program; it focuses on "re-engineering" behaviors to enable the technical solution, accompanied by systems and processes to create compliance. Or, worse, it is tacked on as part of a "change management" initiative at the end of the effort, as an afterthought to get buy-in from the workforce. This approach leaves managers and operational

excellence professionals struggling with three key challenges:

- **Generating sufficient momentum** and enthusiasm to begin necessary improvement projects

- **Overcoming the inevitable resistance** to change

- **Sustaining change** after the initial work is done

These challenges arise because such improvement efforts often give short shrift to (or entirely overlook) the impact and potential of the **human system**. In this paper, we will lay out the case for **WHY** culture should be the focus of transformation efforts, **WHAT** transformation looks like through a culture lens with a client case study that shows demonstrable breakthrough business results over a four-year period, and **HOW** to make it happen.

WHAT'S IN THE HUMAN SYSTEM?

The full organizational culture. It's "the way we work around here, the way we lead and manage the business." More than the organizational structure, reporting lines and decision rights (the "hard" stuff), it's the inter-personal and intra-personal dynamics of groups and individuals within the organization (the "soft" stuff). It encompasses not only visible behaviors, but also the invisible and complex world of the mindsets, thoughts, beliefs, feelings and assumptions that drive behaviors. These aspects of the human system are profoundly difficult to alter, but when properly transformed, they can lead to multipliers in performance previously unimagined.

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[2] John Kotter, *Leading Change.*

[3] McKinsey and Company, *McKinsey Quarterly Transformation Executive Survey* 2008. Retrieved from http://www.slideshare.net/aipmm/70-26633757, slide 11.

[4] See also PEX Network, *4th Biennial PEX Network Report*, p. 3 and 16. The top five operational excellence challenges organizations expected to face in 2015-2016 included securing and maintaining executive buy-in, overcoming resistance, and sustaining change (the other two challenges were linking process improvement with top level business strategy and overcoming too much short-term focus).

WHY: EXISTING GAPS AND HIDDEN OPPORTUNITIES

WHY IS IT SO IMPORTANT TO FOCUS on the human system? Because the biggest sources of waste in an organization are mostly not in the processes, but in the entropy created by people. Entropy occurs inside people's minds (e.g., resistance to new ideas, frustration with the organization and leadership, a sense that people are being asked to do more with less), in poorly managed relationships and communications, and in the untapped potential inherent in all people – in short, entropy occurs in the organizational culture. **Addressing the entropy within the human system clears space to tackle operational inefficiencies in ways that could not be previously imagined**.

Recognizing this link, companies have been attempting to incorporate culture into improvement efforts for several years. For at least the last decade, the Lean Management movement has been linking culture with operational excellence transformations.[5] Lean has 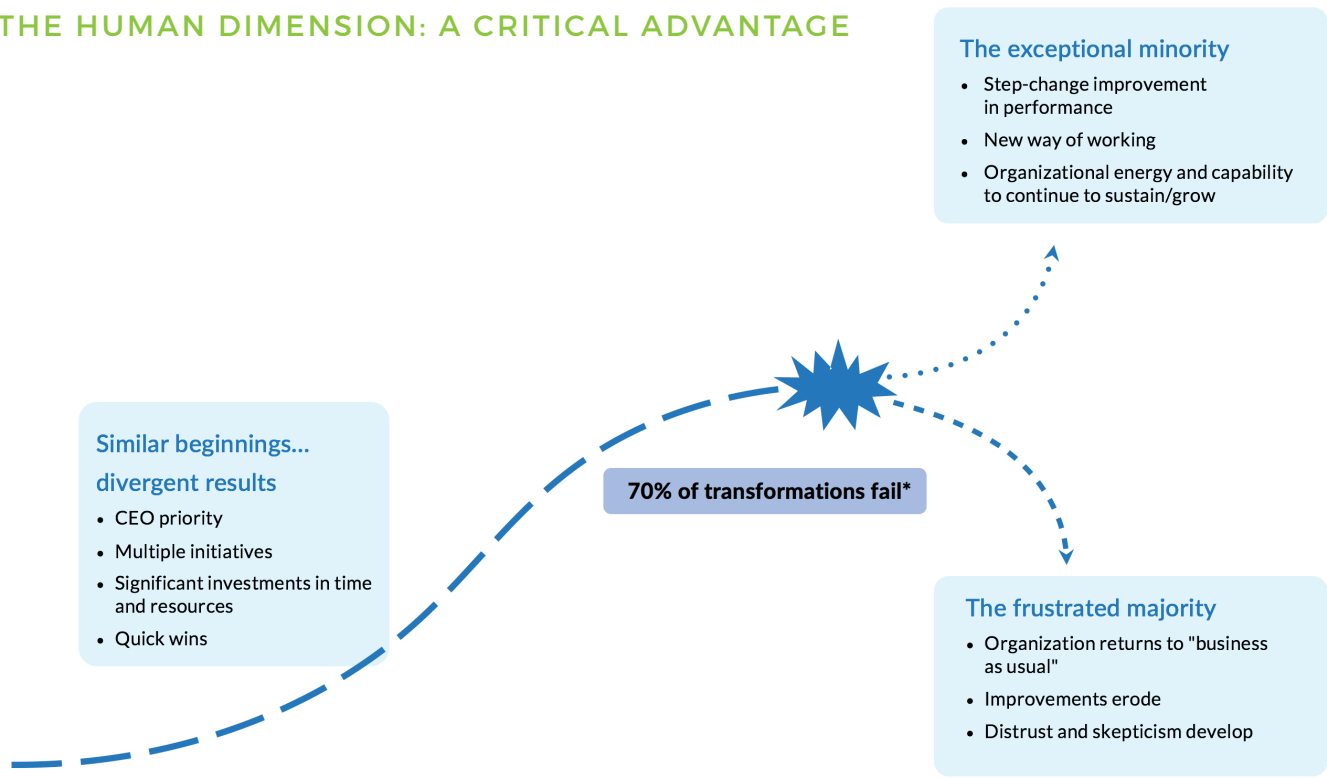made some progress in learning how to build participatory organizational cultures, developing methods to encourage employee engagement in improvement projects and gathering improvement ideas from the shop floor. In a 2010 global survey of corporate leaders, 83% of respondents said they focused wholly or in part on changing their organizations' long-term health by building capabilities, changing mindsets or culture, or developing a capacity for continuous improvement.[6] And, in a more recent survey, organizations identified Leadership and Culture Strategy as the top process improvement priority for 2015-2016, followed closely by Change Management Strategy.[7]

[5] McKinsey and Company, "Lean Management Enterprise Compendium." Retrieved from http://www.mckinsey.com/client_service/operations/latest_thinking/lean_management.

[6] McKinsey and Company, "What Successful Transformations Share." Retrieved from http://www.mckinsey.com/insights/organization/what_successful_transformations_share_mckinsey_global_survey_results.

[7] In the 2015 PEX Network survey of process improvement professionals, the largest percentage (47.1%) of respondents selected Leadership and Culture Strategy as a program focus for process improvement work in 2015-2016, 42.4% identified Process Redesign, and 37.9% highlighted Change Management Strategy. Respondents could select more than one program focus. PEX Network, *4th Biennial PEX Network Report: State of the Industry*, p. 9.

THE HUMAN DIMENSION: A CRITICAL ADVANTAGE

The exceptional minority
- Step-change improvement in performance
- New way of working
- Organizational energy and capability to continue to sustain/grow

Similar beginnings…
divergent results
- CEO priority
- Multiple initiatives
- Significant investments in time and resources
- Quick wins

70% of transformations fail*

The frustrated majority
- Organization returns to "business as usual"
- Improvements erode
- Distrust and skepticism develop

*John Kotter, *Leading Change*

Despite the growth in awareness and attendant transformation efforts, there is little agreement about what works.[8] Our conversations with many business leaders suggest three continuing sources of particular frustration:

1. Improvement efforts often experience **limited quick wins followed by plateauing results that fall short of expectations, and in some cases lead to resistance**, because current OpEx best practices look at culture as merely one aspect (oftentimes the last and least) of process excellence transformations. Most organizations start the operational improvement effort with an extensive diagnostic of the process that includes time and motion studies, process maps, etc. that then either lead into a set of process improvement recommendations from the experts or Kaizen-type events that are meant to generate improvement ideas from the floor. From a process perspective, both of these approaches make a lot of sense; from a human perspective however, they lead to superficial participation that sub-optimizes the very intent of operational excellence – the tapping into of the vast wisdom of employees. It often leads to resistance that stymies future improvement efforts and creates a fissure in trust between management and frontline employees.

2. **Cultures of continuous improvement often are not built or sustained.** People talk about building a culture of continuous improvement but end up focusing on process re-engineering, organizational redesign, decision rights, training, and revising formal systems. While important, these "hard" elements need to be preceded by the softer elements of role modeling, storytelling and inspiring people to shift the way they think. The "hard" elements focus on compliance rather than commitment, creating not a culture but a new org chart, new reporting requirements and new Standard Operating Procedures. Thus organizations **fail to build employee commitment to the new way, which leads to underachievement of results and failure to sustain performance beyond a few years.**

3. Even when they're built, **many "cultures of continuous improvement" only scratch the surface** of the deeply-entrenched mindsets that need to change, leading to a less successful transformation than could otherwise be achieved. In other words, the transformation plateaus. Cultures are tough to fix – perhaps the toughest challenge that can befall an organization. As Lou Gerstner, the now retired CEO of IBM, said, *"Fixing culture is the most critical – and the most difficult – part of a transformation."* Getting thousands of employees to change their most basic assumptions about their company is not easy.

These sources of frustration mean there is ample opportunity for improvement in the culture and operational excellence space. Our work builds on the progress already made by Lean practitioners and other process experts – we suggest an approach that fully incorporates the entirety of the human system into transformations and **makes the human system the *focus* of transformation efforts**. This means addressing process through the culture lens, not simply making culture one aspect of process improvement.

Why does a focus on culture offer such great opportunity? Because the beliefs and attitudes that make up culture filter into everything else – openness to new ideas, decisions on basic strategy, management style, trust between management and employees, staffing, performance expectations, product development, etc. Transforming process through a culture lens allows an organization to move through barriers, shift mindsets and engender new behaviors. It unlocks the untapped potential of every individual in the organization, manifesting extraordinary, sustainable results.

Before setting off on a culture transformation, leaders must be able to clearly convey the WHY. If there is no clear link between the business need and the culture transformation need prior to beginning culture work, it will not take root. There may still be benefits to engaging in the overall culture effort, but a factor of magnitude will be lost if leadership does not really know why they are doing it.

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[8] For example, less than 10% of respondents to the same PEX Network survey could agree on any one answer to the question, "What are the 3 main pillars your company has to drive successful change?" Answers ranged from Leadership (7.87%) to Process Improvement, Employee Engagement, and eight other variables. PEX Network, *4th Biennial PEX Network Report: State of the Industry*, p. 21.

WHAT: RESULTS – TANGIBLE, EXTRAORDINARY, SUSTAINED

IT'S ALL WELL AND GOOD to talk about unlocking the untapped human potential in an organization. But what impact does it have and what does "focusing on the human system" and "transforming through a culture lens" look like in practice?

Transformation through a culture lens does the underlying "soft" work first, which then allows "hard" adaptations in structures and processes to flow with ease as individuals show up at work differently and take ownership of the changes they can make. People are empowered to respond to themselves, others and their environments differently. They develop self-awareness, identify limiting beliefs, and become willing to step out of a victim mindset (which resists change) to a mastery mindset (which looks for solutions). In larger groups, employees align values and cultivate interpersonal abilities that facilitate effective communication.

In this approach, building the needed organizational culture – the culture that will sustain peak business performance – is the focus of the transformation effort. Having established a robust cultural foundation, employees are better set up to successfully engage in difficult conversations about exactly what processes need to change, how, when, with whom and so on. Kaizen-type events held after the work has been done to build a peak performance culture consistently generate five to seven times the performance improvement ideas than events done without the culture pre-work. Again and again, we have found that the opportunity and **value capture recommendations made by the "experts" are far exceeded by the organization once the culture transformation has been put into place.** This happens because employees feel comfortable speaking up, making suggestions and taking risks. They know from experience that they will be supported by leadership and coworkers, and understand they won't be punished for "bad ideas" or failed projects.

Consider the example of BASF Wyandotte, a large chemical manufacturing facility in Michigan. In 2011, an operational site assessment identified 43 opportunities to generate $6.6 million in savings over three years. Rather than tackle these projects immediately as pure process improvements implemented through a consultant or from the top down, the site embraced the human system approach and first focused on transforming the culture. By cascading a series of culture transformation efforts throughout the site, 528 improvement opportunities were identified. The majority of the improvement ideas were not part of the original assessment, but were identified by the employees themselves. The site realized $50 million in savings by 2014 while significantly increasing employee engagement.[9]

> ### TRANSFORMATION, NOT CHANGE
> Operational excellence efforts sometimes use "transformation" to mean "change," but they are different concepts. True transformation requires elements that shift our perspective. In fact, it shifts the way we see the world in ways that there is no returning to old behaviors.

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[9] BASF Wyandotte internal communication.

BASF Wyandotte

ABOUT BASF WYANDOTTE

BASF Corporation, the world's leading chemical company, is the second-largest producer and marketer of chemical and related products in North America.[10] Acquired in 1969, the Wyandotte site in southeastern Michigan was BASF's first operation in the United States. With more than 1,000 employees, BASF Wyandotte is the company's largest site in North America and hosts multiple business groups, functions, manufacturing plants and R&D facilities.

SITUATION

IN 2011, FIVE OF BASF WYANDOTTE'S seven plants were in the red, yet the site had been around for decades and employees didn't see why they needed to do anything differently. There was widespread complacency and resistance to improvement efforts. Moreover, silos across the site prevented knowledge-sharing. Executives talked about the site as "Sleeping Beauty, who needed to be woken up." The economic downturn, compounded by domestic and foreign competition, posed threats to the site's financial viability. Within this context, a corporate-driven Operations Excellence (OpEx) site assessment identified 43 projects to improve operational performance and generate $6.6 million in savings over three years.

APPROACH

Wyandotte decided to go all-in with a people-and culture-focused approach in which the OpEx effort followed the culture program. Together with Co-Creation Partners, they co-designed a "Mindsets & Behaviors" (M&B) program and embarked on a sustained campaign to transform individuals, foster understanding and conviction around the transformation, role model desired behaviors, reinforce changes with formal mechanisms, develop technical and cultural skills, and communicate the new way. The program began with transformation workshops for leaders and employees that were bolstered by communications, events and recognition initiatives to root the new culture.

Approach: Senior Leaders

Critical business leaders at the Senior Vice President, Vice President, Director and Plant Manager levels all engaged in leading the transformation. They role modeled, used M&B language, reinforced new attitudes and behaviors with recognition, and rewarded M&B Change Agents and Change Catalysts for taking the time to get involved.

Moreover, a dedicated executive with expertise in Organizational Development guided the effort. She oversaw and coordinated the various initiatives, coached the leaders and focus teams, and supported the change architecture. Such sustained, focused guidance throughout the transformation helped overcome resistance and ensure sustainability.

DEDICATED GUIDE

"There has to be somebody who really owns this thing, who really drives it and can be the creative brains who makes sure the right things happen. So when M&B started at Wyandotte, I went to BASF's Organizational Development group and asked for Anne [OD Executive] to be assigned to the site, to get people engaged and drive the transformation. That was a key success factor."

— SITE GM

[10] This case study is based on extensive BASF Wyandotte internal documentation, including an annual M&B survey levied across the entire site, as well as interviews with seven current BASF Wyandotte employees in August 2015.

Approach: M&B Activities, Outputs and Ownership

Transformation	Building Sustainability	Maintenance

ACTIVITIES

- Hold cascading transformation workshops (two to three days each) to engage senior leaders and build a cadre of informal leaders (Change Agents and Change Catalysts) across the organization

  SESSION 1:
  Leading Self
  (personal transformation)

  SESSION 2:
  Leading Others
  (interpersonal/team skills)

  SESSION 3:
  Leading Organizational Transformation

- Conduct fieldwork for leaders between sessions to practice mindsets and skills

ACTIVITIES

- Hold many two-day Change Catalyst classes to expand and solidify the Change Community (~four classes/year)

- Build cadre of internal facilitators

- Create communications capability

- Set up M&B Focus Teams: Transformer Team, Marketing & Communications, Events, and Recognize-Wyandotte

- Conduct OpEx Poster Sessions to build Roadmap Database of improvement opportunities

- Celebrate and recognize successes

ACTIVITIES

- M&B Focus Teams continue work, regularly reassessing and reallocating resources

- Conduct annual joint assessment of change program by Focus Team leaders and senior site leadership

- Run in-house transformation workshops
  - New Employee Orientation
  - Refresher courses

- Send regular communications from senior leaders (including site GM's stories and videos)

- Employees propose and lead OpEx projects

OUTPUTS

- High-performing, role-modeling leadership team

- Compelling change story and aligned action plan

- Resistance begins dissolving through personal transformations of employees

- Change Agents and Change Catalysts who are active transformation leaders, building ownership of transformation beyond senior leaders

OUTPUTS

- Detailed change architecture for Wyandotte

- Few expert facilitators skilled in leading team and individual transformation

- Focus Teams drive content and outreach independent of outside consultants

- First set of employee-driven OpEx projects identified and implemented

- Virtuous cycle of celebrations ◄─► successes

OUTPUTS

- Independent groups of committed employees (from five to 25 per Focus Group) sustain the transformation through a series of site-wide activities

- In-house facilitators onboard and refresh M&B skills and approach

- Total of +400 Change Catalysts and +100 Change Agents trained since 2011

- M&B is the lens through which all BASF initiatives are implemented at the site

OWNERSHIP

- Co-Creation Partners facilitates transformation workshops and coaches senior leaders. BASF Wyandotte absorbs and learns

OWNERSHIP

- BASF Wyandotte facilitators deliver ongoing workshops; Focus Teams conduct outreach. Co-Creation Partners trains-the-trainers and consults

OWNERSHIP

- BASF Wyandotte entirely runs the show. Co-Creation Partners visits annually in an advisory capacity and helps deliver the Change Catalyst to Change Agent conversion program

Approach: Co-Creating Transformation

A critical success factor for sustainability was BASF Wyandotte's commitment to co-creating the culture transformation with us. After delivering the initial transformation workshops, we took an increasingly advisory role in driving change. BASF's dedicated Organizational Development executive oversaw the whole effort, while the Focus Teams and individual employees took ownership of specific initiatives and projects. Currently, four Focus Teams continue culture transformation efforts, while the OpEx pillar and a safety initiative provide content focus. This ownership is what makes BASF Wyandotte stand out as an organization that has done transformation well.

Approach: Focus Teams

The M&B Focus Teams help sustain Wyandotte's culture transformation. They boost energy around M&B, provide continual education and information, and spread the change. Participation rotates based on interest; most new members sign up after a transformation course. Each Focus Team has a transition plan for its leaders to ensure continuity and sustained energy. Each year, Focus Team leaders and the site's senior executives participate in a joint review of the M&B program's architecture, vision and goals – a gathering of about 60 people. An annual survey of all site employees serves as a "report card" to inform discussion during the joint review.

> ## TRANSFORMATION LEADERSHIP
>
> "We were fortunate to have some superstar leaders who wanted to do this, who understood the value that culture change would have on teams and their business performance. They were not only great at role modeling, but also at living the whole influence model by storytelling, explaining, fostering understanding, implementing strong rewards systems, and frankly, promoting a lot of the energized members of the change community."
>
> — ORGANIZATIONAL DEVELOPMENT EXECUTIVE

RECOGNIZE-WYANDOTTE

- Facilitate the recognition and rewarding of employees/teams who go above and beyond the scope of their daily work
- Encourage a positive interdependent mindset across the site
- Champion the "Recognizing YOU!" program at Wyandotte site
- Develop new ways to tell the success stories in Wyandotte
- Create a metric to measure site recognition and identify successes and challenges

TRANSFORMER

- Lead the charge on education on M&B terms and tools
- Design approaches to reach new groups
- Manage training toolbar
- Consult Wyandotte organizations to help them effectively utilize M&B tools to resolve real-life business challenges
- Develop and design opportunities to assist in culture change

EVENTS

- Create a positive , safe, engaged culture through informative, interesting and fun events. Bring excitement and enthusiasm to the Wyandotte site and bring people together in a team environment
- Lead, plan and take ownership of M&B Wyandotte initiated events. Assist, support and participate in events initiated by other groups' events on site. Example Event: Old Time Radio Show (October 7, 2015), featuring stories told by colleagues

MARKETING AND COMMUNICATIONS

- Establish/build M&B as a brand at the Wyandotte site, with regular communication using a variety of vehicles
- Support M&B community (Focus Teams, Catalysts, Agents) with communication tools
- Provide tools to ensure we are communicating a consistent message
- Hold back-to-basics sessions on the purpose of M&B (Valuing People)
- Make it easy and fun!

M&B Activities vs. Savings

The M&B culture shift, "We CARE About People: Positive Head and Heart in the Game," gave lift-off to the OpEx database and hundreds of improvement projects across the site by generating incredible employee engagement and a supportive environment for operational excellence.

SAVINGS ($ MILLION)

	2011	2012	2013	2014	2015 PROJECTED
Savings ($ million)	6.6*	12	25	13	15

Summer: External OpEx assessment	2/2012: First M&B transformation class held	Numerous M&B classes held throughout the year	2014: M&B classes are part of New Employee Orientation, with welcome videos from Site General Manager	9/2015: 101 people on wait list for M&B classes
11/2011: First OpEx open house				End 2015: +400 employees formally trained in M&B
12/2011: Site Leadership M&B training	2/2012: First OpEx Roadmap database of employee-driven improvement ideas developed (Excel)			
Late 2011: Site provides 75 additional OpEx improvement ideas	6/2012: OpEx Access Roadmap Database built			

Sustainability Events throughout →

OpEx Roadmap Database grows to 528 ideas; by 2015, 364 projects closed, with 164 open and underway

Many two-day M&B training classes held (~four/year and 30 employees/class)

Two-day course alums take additional training to become Change Agents

Estimated $6.6 million in 3 years

RESULTS | SUMMARY

Savings: The site realized $50 million in savings by 2014 (compared to $6.6 million projected).

OpEx Improvements Database: Employees expanded on the initial 43 recommendations and built a database to track improvement projects. In four years, the database has grown to document 528 improvements. Currently 364 projects are closed and 164 are open and underway.

Profitability: In 2011, five of seven plants were in the red. Now all seven are in the black with near-specialty margins. The site has been able to invest in every facility, with tens of millions invested in each site for a total of more than $100 million over four years.

Growth: 270 new jobs have been added over four years (>25% increase). Wyandotte has expanded its site footprint and fully utilizes available space.

Culture: The culture shifted FROM silos, complacency and resistance to change (a why-it-can't-be-done mentality) TO a continuous improvement mindset (a can-do attitude), high employee ownership of initiatives, comfort reaching out to colleagues to generate and implement ideas, and strong cross-business unit collaboration.

Employee engagement: In 2015, 80% of Wyandotte employees felt recognized for their contributions (compared to 70% in 2014). Moreover, 75% of employees are familiar with the site vision and more than 90% trust their leaders are heading in the right direction.

RESULTS | CULTURE SHIFT

FROM	TO
Silos: Nobody talked to people outside their immediate networks. People didn't know who their counterparts were in other plants on the site.	**People CARE:** People want to help one another and feel comfortable reaching out to coworkers because they trust those coworkers will want to help.
Same Old, Same Old: People didn't try new things. "If you had an idea, maybe you thought your boss wouldn't support you, or maybe you didn't know who to ask about how to implement this, or you'd be punished for failure, or you didn't trust that you'd ever get any money, so you just didn't do it." — *Wyandotte employee*	**People TALK:** Wyandotte has a very collaborative environment where people consistently reach out for help. "Instead of worrying about your little bubble, it's turned into something for the greater good." — *Wyandotte employee*
"Straight Eight": People did the bare minimum required. "You were here to work straight eight and then get out." The attitude was, "Just tell me what you want me to do, and I'm gonna do it and go home." — *Wyandotte employee; OpEx Site Lead*	**People TRY NEW THINGS:** People feel their work is part of them. Leaders and managers are more willing to support not only ideas, but failures. The attitude is, "Try something! If that doesn't work, we'll try something else…We're here to make things better." — *Wyandotte employee*
Blame: "People focused on who else's fault it was, why it's not my fault, it was the engineer's fault, or the manager's fault, etc." — *OpEx Site Lead*	**People TAKE OWNERSHIP:** The ownership factor "is way up;" employees suggest improvements and lead projects. — *OpEx Site Lead*

Successful transformations first achieve change in a critical mass of individuals, who become champions for change. These individuals aren't just formal leaders or people in authority – far from it! We also need informal influencers, aka Change Agents, who are critical nodes in the gossip chain and whose individual transformation has a huge multiplier effect on the organization.

HOW: A NEW APPROACH

THIS NEW APPROACH to operational excellence has broad applications because it is not 'industry' specific, but 'human' specific. Our experience with over 50 organizations spanning manufacturing and service sectors, for-profit, government and non-profit organizations has shown the power of this approach. The reason for it is simple – at the core of all organizations are human beings.

Transforming culture requires work on the individual, interpersonal and organizational levels.

Individual

Individual transformation means building self-awareness, embracing learning and overcoming resistance to step out of an established comfort zone. It means adopting a possibility/growth mindset and a belief by each person that, "I can make a difference."

In the human system approach, people step out of a victim mindset (in which I constantly point to external factors for why things are a problem and how I am incapable of making a difference) to a place of mastery (where I see myself as capable of choice and able to make a profound difference for myself, the team and the entire organization). In later stages, transformed individuals role model desired mindsets and behaviors, radiate positive energy and sponsor change initiatives.

Getting individuals excited and winning their commitment to transformation (rather than requiring compliance with it) is crucial to success because they are the ones who can get momentum going and begin tackling obstacles. In fact, six of the seven "Essential Elements of Success" described on pages 15-19 are oriented toward fostering people's commitment!

Interpersonal

Interpersonal transformation means changing how one-on-one and small group interactions happen on a daily basis. New ways of interacting align with the new culture.

In the culture-focused approach, key people (leaders and influencers) who have already experienced individual transformation spread the new way by role modeling and applying culture concepts in everyday interactions. Individuals proactively give feedback, facilitate difficult conversations, and coach to build healthy relationships, foster accountability and develop others. Teams use these concepts to execute faster and deliver results.

> Another critical element at this level is flow of dialogue across silos. This involves developing the ability to create generative solutions where historically difficult conversations were either avoided or caused waste as they were poorly managed.

At the interpersonal level, **trust** plays a tremendous role in whether things happen – or not. Building trust within teams and across silos becomes critically important in spreading transformation. Four elements combine to create trust. They are **reliability, acceptance** of others for who they are, **openness** about feelings, expectations, priorities and beliefs, and **congruence** between thoughts, feelings, words and actions. These elements encompass everything we do and say – not our feelings or intentions, but our actions. People trust us because of what we do. That's all they know. They can't know our feelings, sincerity or good intentions – they can only see what we do (i.e., our behavior). In addition to trust, teams with high-performing cultures build genuine commitment and accountability that deliver incredible results.
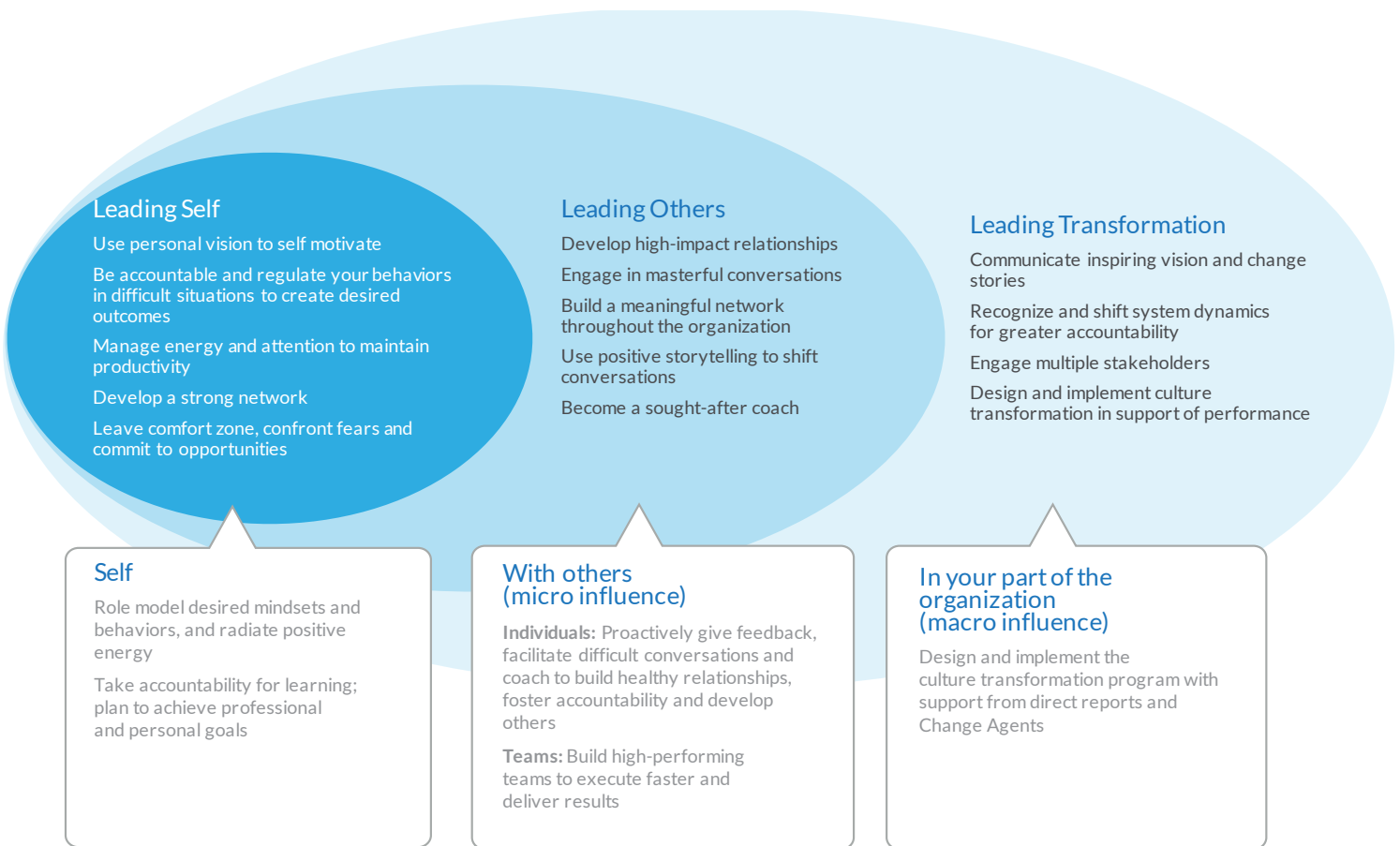
Organizational

Finally, organizational transformation happens when the new culture – the new way of being – spreads through the organization and becomes "the way we are."

In the culture-focused approach, this transformation happens through the persistent efforts of champions, leaders, Change Agents and influencers. Leaders communicate an inspiring vision and convey change stories, while Change Agents work with leaders to deliver the program. The leader-Change Agent collaboration builds a system of role-modeling and skills development that allows the new culture of operational excellence to be embraced and embodied.

WHAT WORK CAN I DO AT EACH LEVEL?

Leading Self

Use personal vision to self motivate

Be accountable and regulate your behaviors in difficult situations to create desired outcomes

Manage energy and attention to maintain productivity

Develop a strong network

Leave comfort zone, confront fears and commit to opportunities

Leading Others

Develop high-impact relationships

Engage in masterful conversations

Build a meaningful network throughout the organization

Use positive storytelling to shift conversations

Become a sought-after coach

Leading Transformation

Communicate inspiring vision and change stories

Recognize and shift system dynamics for greater accountability

Engage multiple stakeholders

Design and implement culture transformation in support of performance

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Self

Role model desired mindsets and behaviors, and radiate positive energy

Take accountability for learning; plan to achieve professional and personal goals

**With others
(micro influence)**

Individuals: Proactively give feedback, facilitate difficult conversations and coach to build healthy relationships, foster accountability and develop others

Teams: Build high-performing teams to execute faster and deliver results

**In your part of the organization
(macro influence)**

Design and implement the culture transformation program with support from direct reports and Change Agents

"It took me a while to realize … I can't expect someone to change just because I tell them to change, or I want them to change, or I don't like the way they are. But they see me and how I act and how I conduct business, and they want to do the same." — OpEx Site Lead

ESSENTIAL ELEMENTS OF SUCCESS

IN THE INTRODUCTION TO THIS PAPER, we highlighted three challenges transformation leaders face: building momentum, overcoming resistance and sustaining change. Seven elements must be present for transformation to successfully address these challenges.

> The seven elements described here tackle both environmental and personal factors, because transformation requires a reinforcing loop between environmental shifts and personal shifts.

To build momentum, you need:

1. **Personal transformation and authentic, vulnerable communication of experience by those transformed.** To spark shifts in an entire organization, a critical mass of people must first experience transformation and live that transformation at work. In other words, those who personally transform must show up in a new, authentic and genuine way and give others permission to do likewise. Organizations transform when their people do, and it starts with those who go first (usually senior leaders).

   When enough of the energy – which is held by individuals – in an organization transforms, the organizational culture begins to shift. In the human system approach, personal transformation workshops create the environment and conditions for people to reflect, become aware, and reach a point of choice. People choose to shift their root perspectives and show up differently; they're not forced to change. The tipping point in organizations happens when personal transformations begin manifesting fundamental shifts in the larger culture. This typically occurs when individuals who hold around 30% of the organization's energy have shifted their thinking to the new way. Note that some individuals – particularly leaders and Change Agents – hold more energy than others, so 30% of the energy doesn't necessarily correlate to 30% of the people. Particular attention needs to be given to the selection of Change Agents, who are highly-connected informal influencers. Often these people are the "troublemakers" rather than the high performers. Because they are key nodes within the "gossip" chain in the organization, they are critical to the success or failure of a culture transformation program.

"You know, when we started this journey, for a while there we didn't see ANYTHING. You...want to assign a number, a savings, a benefit, a value to going through stuff like this, [but] early on, it's not about savings, or about projects closed, or safety incidents. It's about getting participation and building a foundation...It was probably close to a year before you could list a handful of things that came out of this change." — *Wyandotte employee*

2. **Perseverance** in pushing for change, even when it seems nothing is happening. Because personal transformation requires people to move through four stages of growth with regard to the particular mindsets and behaviors at hand, shifts take time to become visible in individuals and even longer to manifest in the broader organization. At BASF Wyandotte, for example, it took between nine and 12 months before those in the program started seeing visible results around the site. Be constant and consistent; don't lose momentum just because immediate returns aren't being seen.

3. **Compelling stories** that foster intellectual understanding and deep emotional commitment. The story can change over time as the organization develops towards its goals, but it should consistently paint an aspirational picture of what the organization hopes to build. It can outline the immediate next steps or convey a long-term, compelling vision. Carefully craft a story with thought to the real message employees need to hear, given where the organization is and where it needs to be.

For example, BASF Wyandotte leaders began by telling a story of the site as Sleeping Beauty, long asleep and in need of awakening/rejuvenation. After initial results were achieved, leaders shifted the story to a physical fitness analogy: We're awake, and now we need to get ourselves strong and in shape. Once the transformation had solidified, leaders began telling a story of determination and sustainability, highlighting the need to persevere in the transformation effort and move forward a little more each year.

> **A TIP ON STORIES**
> Different people are motivated by different things. Stories should speak to employees of all kinds, at all levels, however motivated. People concerned with business performance may want to know how the changes will help their team's or the company's performance. Many employees want to see how the transformation will help them advance their careers or make more money. Others might be more interested in how the change will make their jobs easier or more interesting, and still others will want to know how the transformation will help society. A story that doesn't address a range of motivations is easily ignored, discounted or simply not absorbed. No attention means no transformation.

To overcome resistance, you need:

4. Formal and informal leaders who **role model** and actively support the new way (see "What Can Leaders Do Differently?" on page 17). Leaders cast long shadows in an organization. Whether the leadership is based on a position of authority or on social weight, people observe leaders' behavior and model themselves after what they see. If leaders adopt desired mindsets and role model desired behaviors, others will follow and the transformation has a much higher chance of success. It should not be, "*We need you guys to be more collaborative; we need you guys to participate in this.*" It should be, "*We all need to do this, together.*"

5. Thoughtful investment in **skills and capabilities** that provide opportunities to support the new way. People don't change if they don't know how. To sustain a transformation, organizations must provide whatever training, development, action learning or information is needed for people to adopt new ways of being. This means people will need active development in personal transformation, interpersonal skills and communication; they will also need help with the technical or content shifts they are being asked to make (e.g., using new technologies or systems, understanding Lean/DMAIC processes, following new procedures, increasing safety awareness, etc.). This is the point where it is really useful to bring in the technical experts, either external consultants who have vast technical knowledge and deep experience across multiple clients and industries or the organization's own experts who have experience across multiple business units and contexts. The important thing to keep in mind is that the experts should come in as facilitators of a co-creative process with the end user. As the old metaphor would have it: teaching them how to fish rather than giving them the fish.

WHAT CAN LEADERS DO DIFFERENTLY?

Leaders have outsized influence on organizational culture. People carefully watch – and mimic – their actions and attitudes. So, visible changes in leaders' behavior can help transform culture. At BASF Wyandotte, leaders made specific behavior changes that spread and sustained the new culture. Some examples:

FROM	TO	EXAMPLE/QUOTE
Spend little to no time, effort or money on recognition and rewards	**Actively commit personal time and budget to recognizing employees**	"If there was one thing that I thought had the biggest impact, it would be…recognition. **It's amazing how far a shirt can go. Or buying lunch for a shift.** I have [millions of dollars] I have to manage every year. When you think about how big that is compared to spending a couple thousand dollars on recognizing people, it's such a small amount, it doesn't show up. And it's been one of the most positive things, because people want recognition, so they're going above and beyond, they're being collaborative, they're helping the person next to them, they're looking out for safety. It's because they know that it's valued. They know that we [managers] care about it. When you're not recognized, you think your manager doesn't care. So why would you do [extra]?"— *Plant Manager* "Greg [Pflum, Site GM] is **fully supportive not only with lip service, but with my budget**. I don't buy everyone a gold plated Cadillac, or a gold plated Tesla, don't get me wrong. But my people know that if it's a worthwhile cause and it makes the plant safer or better, I'm going to spend the money. I won't put up with red tape or naysayers. That's how we roll. Having top management's full support has been a blessing in this process. Greg gives me the freedom, the creativity and the budget to make it better, and we do it." — *Senior Executive*
Prioritize employees "doing their jobs"	**Help employees get involved in culture efforts**	"Leaders can show support by encouraging people to attend functions, and helping them find the time to do it. For example, we were able to send an operator from one of the plants to one of the other sites to talk about M&B. That meant their **leader had to pull someone off the floor, replace them with overtime, and pay for travel**, all to let them interact with other manufacturing sites. [Giving time] is really important in showing leaders are genuine." — *Product Manager*

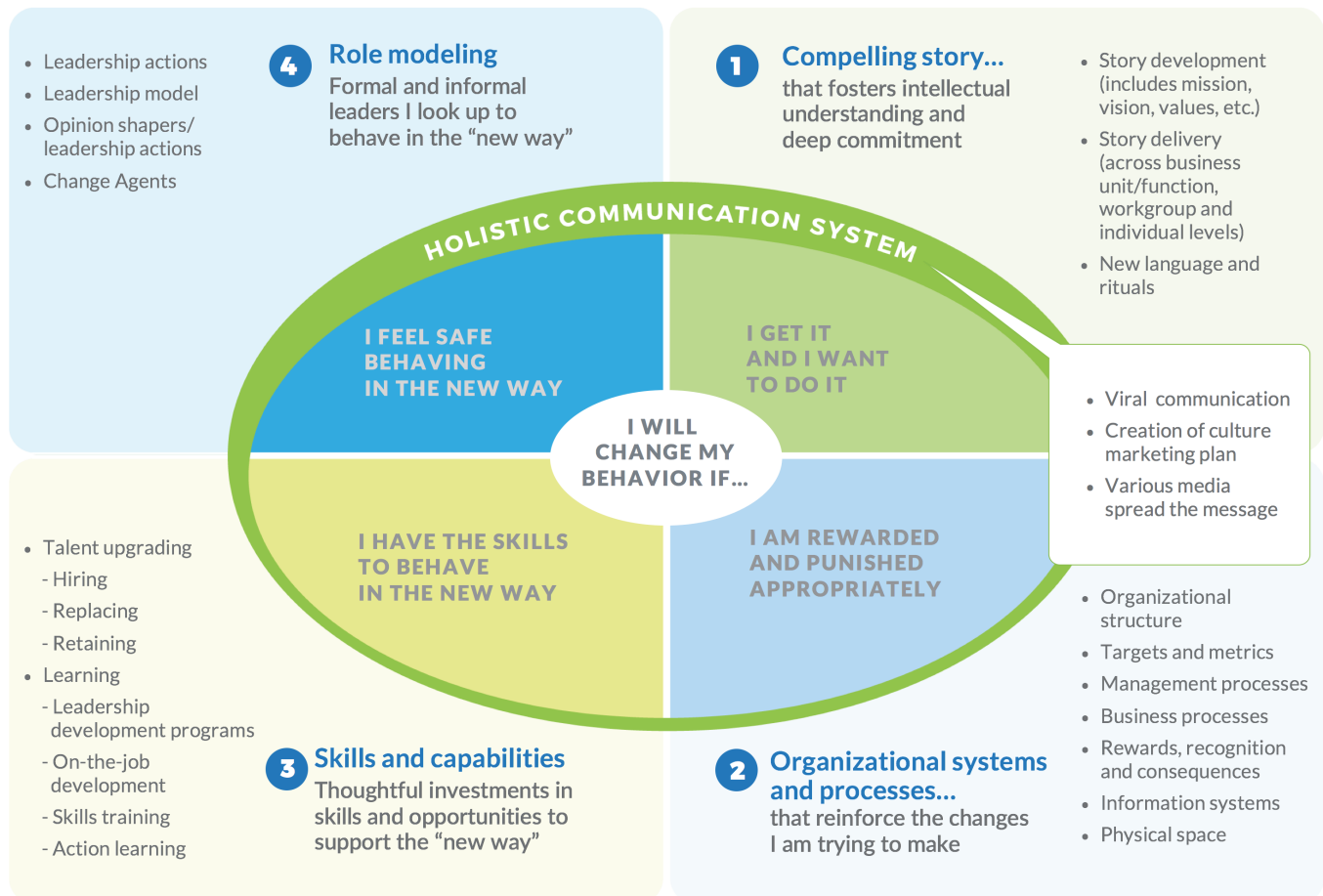| FROM	TO	EXAMPLE/QUOTE
Try to have all the answers	**Demonstrate openness to ideas**	"So if there are great ideas, management is fully supportive. And you know, **even if it's not the greatest idea, they support it anyway because they know the next idea might be the million-dollar idea**. It's important to take seriously everybody's input. Because all ideas aren't the greatest of ideas, but if you pooh-pooh somebody's idea, you're not going to get the next one." — *Senior Executive*
Talk the talk	**Walk the talk; show vulnerability**	"By **keeping myself in a good place and people seeing me in a good place**, a positive place, with a great attitude, that infected other people. They wanted to also be in a good place. For me, that's how the true culture has spread. Person A sees me in a good mindset and joins me. Then Persons B and C see Person A in the great mindset, and join them. It's spread with an infection through our site, with people just maintaining that uplifting, positive personality." — *Senior Executive* "Greg [Pflum, Site GM] was pretty relentless on selling the message that, 'This isn't about money or how much more work you do.' He made it about the culture and about trust and leadership, and he included leaders in the same conversation as employees… He constantly made it a team effort. He talked about gaps that he had, and things he was working on. He was in the trenches with us, and I saw most of the leaders [do the same]." — *Plant Manager*
Micromanage	**Demonstrate trust**	"Here's one thing I've learned to do: **When we have a customer visit or management meeting, I NEVER go into the plant first to make sure it looks good.** DO YOU KNOW HOW HARD THAT IS? But If I go through with a clipboard, it's really scary for people and it shows a lack of trust. Recently, we had an important customer visit. We were busy and short-staffed, and employees were really worried about an upcoming change to an HR system, but people went out of their way to literally make the plant shine. They cleaned everything and made the plant look great. I was thrilled when I walked into the plant with the customer that morning. Shame on [management] for not understanding [workers' perspectives]. You can overreact in a way that really ruins relationships." — *Senior Executive*
Direct	**Help**	"My director would say, **'I'm with you guys, how can we do better? How can I support?'**" — *Plant Manager*

To sustain change, you need:

6. Organizational **systems and processes** that reinforce the changes. Although organizations focus too often on the "hard" systems and processes that enforce compliance with new behaviors, they ARE necessary elements of a successful transformation – they just can't be the ONLY elements. When combined with the other key elements listed, they help produce remarkable outcomes. An important aspect of systems and processes that is often overlooked is **celebration** of successes, early and often, to build momentum.

7. A holistic, multifaceted **communication system** for driving change. George Bernard Shaw said, "The single biggest problem in communication is the illusion that it has taken place." This is definitely the case with conventional change program communication, where emails, town halls and intranet are typically used to communicate the change message. Successful change communication, in our experience, has two key aspects:

• **Two-way dialogue:** Effective change communication allows for two-way dialogue within the organization so that every person's voice shapes the culture. When communication is only top down, it feels like a download and employees do not feel ownership of the change. Change communication should build a cascading dialogue about the transformation so that individuals feel their voices are heard.

• **Viral communication:** The most effective form of change communication is organic and contagious in nature. It uses employee excitement to create 'buzz' and momentum, peer-to-peer persuasion and word-of-mouth publicity for the transformation.

ENVIRONMENTAL TRANSFORMATION SYSTEM: Adapted from McKinsey and Company[11]

- Leadership actions
- Leadership model
- Opinion shapers/ leadership actions
- Change Agents

4 Role modeling
Formal and informal leaders I look up to behave in the "new way"

1 Compelling story...
that fosters intellectual understanding and deep commitment

- Story development (includes mission, vision, values, etc.)
- Story delivery (across business unit/function, workgroup and individual levels)
- New language and rituals

HOLISTIC COMMUNICATION SYSTEM

I FEEL SAFE BEHAVING IN THE NEW WAY

I GET IT AND I WANT TO DO IT

I WILL CHANGE MY BEHAVIOR IF...

- Viral communication
- Creation of culture marketing plan
- Various media spread the message

I HAVE THE SKILLS TO BEHAVE IN THE NEW WAY

I AM REWARDED AND PUNISHED APPROPRIATELY

- Talent upgrading
  - Hiring
  - Replacing
  - Retaining
- Learning
  - Leadership development programs
  - On-the-job development
  - Skills training
  - Action learning

3 Skills and capabilities
Thoughtful investments in skills and opportunities to support the "new way"

2 Organizational systems and processes...
that reinforce the changes I am trying to make

- Organizational structure
- Targets and metrics
- Management processes
- Business processes
- Rewards, recognition and consequences
- Information systems
- Physical space

[11] McKinsey and Company, "How do I create a distinctive performance culture?" Retrieved from http://www.mckinsey.com/~/media/mckinsey%20offices/canada/latest%20thinking/pdfs/how_do_i_create_a_distinctive_performance_culture.ashx.

CONCLUSION

The future of operational excellence lies in recognizing the power of the human system and investing in it as the program's starting point. An organization is nothing without its people, and it is the people who run the processes. When the people are energized and hold a mastery mindset, they break through conventional operational excellence paradigms to deliver astounding results. BASF Wyandotte is a clear example of the power of this approach; with business results eight times greater than what the experts estimated, a culture of deep collaboration and ownership, and employee engagement, the site is the envy of other organizations – and all this with just one person formally running the operational excellence effort for the entire site.

The only question remaining is: **Are you ready to embrace the future of operational excellence today?**

WHO WE ARE

Founded in 2010, Co-Creation Partners is one of the few organizations able to facilitate holistic transformation of the human system within an organization by addressing the individual, team and systemic aspects of transformation. We have a proven track record in enabling profound, sustainable organizational culture transformations that deliver extraordinary business results for our clients. We have a deep sense of ownership and pride in our clients' organization's transformations. Our benchmark of success is when we make ourselves redundant.

CONTACT US

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