

Making Change Happen, Starting Monday

A Panel Discussion for



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Introduction

We've been involved in change from a lot of angles.

Multi-national networks, entrepreneurial partnerships, guiding the early years of Oprah, and taking our own international business through the entire business cycle. In the process we've seen what works and what doesn't.

This paper combines some of our experiences with those of four business leaders who recently joined us to discuss how they make change happen in their company.

From **Graham Barkus** of Cathay Pacific comes the challenge of bringing about change in a 25,000 person airline and the need to take into account the human factor.

From **Lori Senecal** of kbs+, the insights of how a change agent has quickly and successfully shaken up an established business, by doing things that matter.

From **Toni Hess** of Rosetta, the ability of a creative leader to add art to her company's' pragmatic foundations by helping to purpose the passion of her staff.

And from **Johnny Vulkan** of Anomaly, the willingness to throw away the model and start again by answering the real questions.

To these we've added some additional insights based on our own work as consultants, coaches, organizational architects and entrepreneurs.

Change is hard.

Change is risky.

Change is inevitable.

Making it happen on your terms is the key to success for any business.



Say No: Charles Day

It would be impossible or, at least, absurd to compile any collection of thoughts on how to make change happen without referencing the greatest change agent of the modern world.

To say that he understood us better than we do ourselves is only the slightest hyperbole. A foundation of change that Graham Barkus discusses in **Acknowledge The Human Factor** on page 2.

Steve Jobs imagined not only possibilities but the ways to make them come true. And without the capacity to make the complex look simple, and to do so by the millions, he would have been a man on a stage in a black turtleneck talking to an empty room.

It is no accident that Apple has been recognized as having the best supply chain in the world for the last several years. “Amateurs talk about strategy. Professionals talk about logistics.” And in hiring Tim Cook to build the world’s best supply chain, Steve Jobs proved he was not only a visionary. But a professional. In this, he was committed to **Do Things That Matter**, Lori Senecal’s platform for change on page 3.

In 1997, on Steve Jobs’ return to the company he had founded, he met with a group of developers and began to explain how he was going to re-design Apple.

For too long, he explained, Apple had been less than the sum of its parts. And rather than trying to make Apple be more, he was first going to have it be less.

He was going to force Apple to focus. To decide where it was going. In essence, he was committed to **Answer the Real Questions**, the subject of Johnny Vulkan’s exhortation on page 5.

And to focus, Apple was going to have to say ‘no’. A lot. To everything that didn’t bring it closer to its destination.

This was part of his creed. To simplify. To focus. And to relentlessly say no. Because only then can you concentrate on the things that are really important.

Whether you call it your Purpose or your Mission or your “Why”, no business succeeds without knowing what it intends to be. A focus that allows you to **Purpose the Passion** of everyone that works for you. A subject close to Toni Hess’s heart, as you’ll see on page 4.

Change, in my opinion, is a journey that begins not with a yes. But with a great many ‘nos’.

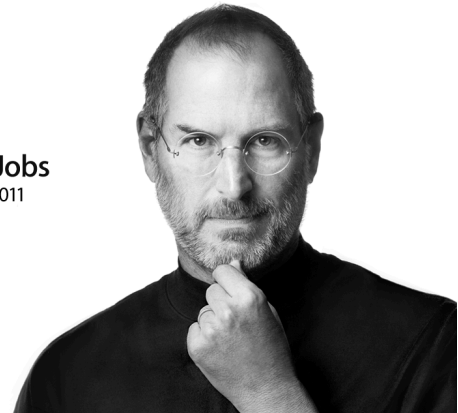
And ends when you have changed the world.

One Action For Monday Morning:

Write down the clearest definition of the business you want to be five years from now. Then on Tuesday start saying no to everything that doesn’t draw you closer to becoming that company.

And if you transparently share your vision with your employees they will soon add their own thinking to solve the right problems, and quickly reduce the number of times you have to say ‘no.’

Steve Jobs
1955-2011



Acknowledge The Human Factor: Graham Barkus

No organization is ever misaligned – it is always perfectly aligned to get the results it currently gets.

In my experience, what people know, believe and feel about the organization and its goals, shapes what they do, how they do it, and the relationships they have with others in the organization.

If we want to create change we have to be clear about what different results we want to get, which we must translate first into three critical definitions: Change what people do; Change in how they do it; Change the nature and quality of relationships.

Most people miss out the last one. It is usually the most critical, and includes changing the nature of our relationships as leaders.

Once we have defined the specifics of change, we must confront the status quo.

“Shifting the Burden”

Changing in the present incurs a known cost, while the benefit is in the future and unknown. There is strong human desire to put off things perceived as unpleasant until we really, really have to do them.

Rain Forests vs Ferraris

We resist change by taking comfort in our linear, reductionist model of organizations, seeing them as logical and predictable. But organizations are not Ferraris they are rain forests – complex systems of interrelationships rather than fixed sets of components working in a predefined and predictable way. Change requires creating conditions and environments, only some of which can be systematized.

The Human Factors

- We are emotional as well as rational
- Our behavior is shaped by forces even we ourselves don't always understand
- Our performance is discretionary
- We are social beings, shaped by the behavior of those around us
- We play multiple roles at any given time which may be in tension with each other

Each of these is modified by excessive stress – and our response is to cling to the security of what we know rather than take leaps into the unknown

Make the CASE for Change

Clarify – where we are going and why (but involve key people in shaping how to get there)

Amplify – look for even the smallest examples of what is already working well and give it voice

Simplify – creating a ‘to stop’ list may be as or more important than a ‘to do’ list

Exemplify – what you do communicates far more than what you say

One Action For Monday Morning:

Write two letters to your staff from the future, one explaining the change you made and what happened as a result, the other explaining why you didn't change and what happened as a result. Notice where your energy is – and decide what needs to happen to make change happen.



Do Things That Matter: Lori Senecal

Driving change requires a strong cultural belief supported by tangible action/proof points that makes it real. At KBS+ our cultural belief has "action" built in. It's based on 4 simple words – "Do Things That Matter."

This manifests itself in many practical kinds of action including:

Engage Your People To Help Define Change

When I first arrived at KBS+, I held an "open call for ideas" that gave everyone a chance to pitch ideas for making meaningful change within the agency. This got everyone involved in the process and gave people ownership of the change in culture we wanted to create.

One of the ideas was the KBS Client Stock Index in which we bought one share of each of our client's stock for everyone in the agency and publicly tracked its performance to measure our efforts against the results on our clients' business. The index rose twenty percent after the first year and when we cashed out the fund and distributed the profits, everyone got a significant check.

Say Yes to Your Entrepreneurs

There are entrepreneurs hidden in every organization. We went out of our way to find ours and then we built a model that allowed us to incubate them as separate entities.

From that initiative we've already built four new business units: VMM, Spies & Assassins, kbsp Ventures and Bombzai, all of which were incubated in-house.

Change the Focus from Perfection to Rapid Prototyping and Iterative Optimization

We realized the traditional agency culture of waiting until something was perfect before releasing it to the marketplace - usually in the form of a TV commercial or a print ad - was at odds with a world moving at the speed of social media. So we changed the focus to one in which rapid prototyping of ideas and platforms is followed by iterative optimization as we gain insight from consumers engaged with the technology. This made us much more agile and open to new possibilities.

We built the world's first iPad wall for our client PUMA and put it into beta in their Paris store. Now we're incorporating market learning from that experience and building in advanced functionality as it rolls into Beijing and other hero markets.

Encourage R&D

It's important for the agency as a whole to keep learning and testing new technologies and formats. It keeps us smarter for our clients and ahead of the curve on industry innovations.

We created The Test Kitchen at kbs+ as a telescope to the future. It serves as a dynamic space within the agency featuring the latest technologies and product innovations to encourage research and development as well as to inspire creativity

We invite tech giants such as Google and startups such as Spotify to visit our office & share with us their new technologies & innovations. R&D is an ongoing conversation; we enable our employees to be informed participants & to never stop learning.

One Action For Monday Morning:

A bias toward action and change comes from the top and must permeate culture. Challenge the articulation of your cultural belief. Does it have "action" built in?



Purpose Passion: Toni Hess

Don't Ask, Don't Tell

Many companies have no tangible way of telling their people where they stand in relation to each other. The criteria for recognition is a big mystery or at worst becomes a popularity contest. It often ends by people resorting to getting raises by soliciting other offers or stealing artwork as a substitute for the bonus they didn't get they thought they deserved. A true story, by the way.

I know this frustration from personal experience. In twenty years at large, traditional agencies, I had been reviewed about 5 times.

The lack of transparency or consistency is incredibly counter-productive, and quickly breeds hostility and anger, not to mention taking away a huge amount of energy from the day-to-day.

The "Messiah" Strategy

Unable to tap into the full potential of their own people, companies start looking for a silver bullet, usually in the form of a 'Messiah.' When that person arrives, start your watches. No matter how talented and committed they are, they're usually gone in 14 months, taking with them the blame for everything.

The Answer - Performance Management

Performance Management sounds like an HR initiative, and in creative companies that's usually instant death. But we based our model by studying the practices of high performance tech companies who usually have a much better record of talent retention than many creative companies. What we found is that the best ones have a very robust system of performance management.

Our method has 4 cornerstones which reflect the Visions and Values of the company. Two are internal and two external. People then layer their personal goals and contributions within those cornerstones, and are assigned counselors one level above them. The rigor of the process keeps people feeling their careers are being pro-actively managed and nurtured.

The key is that the system is completely transparent and completely consistent. At the end of the year everyone is evaluated and rated against their own peer group at their own level. They are compensated fairly and equivalently, added to which is a bonus pool which is allocated from the bottom up. If the junior level people don't get a bonus, neither do the senior people.

The Results - Empowered Individuals

Individuals throughout the company are encouraged and in fact measured on their willingness be that rock star, to be that make person who makes change.

The system creates beautiful examples of people doing things. It requires management to let go. My personal mantra is, "Find a mess and clean it up". If we don't like where we work it's our fault.

It comes down to one simple premise. If you let creative people fix problems, they will fix them.

One Action For Monday Morning:

Stop looking for a Messiah. Stop hiring "Rock stars". Develop a transparent performance management process that gives the power to change and innovate to the individual. The Rock stars are right under your nose.



Answer The Real Questions: Johnny Vulkan

Don't Sell Ads - Sell Answers

When I first got into advertising I realized almost immediately that the problem with the business model of the traditional agency where I worked was that if we didn't say the answer to the client's problem was advertising we wouldn't get paid.

The problem might be a pricing question or a distribution question. But the structure of our business was to sell ads, with basically no focus on marketing.

When we got together to start our own business we decided we had to start by answering the real questions.

It's a very simple thing to do. We talk a lot - including the client - and we collaborate to study the problem from every angle. Sometimes the answer is an ad. But we don't start there. And if the answer involves something we don't do, we make sure we find the best people for that part of the answer.

Finding The Right People

Over time we've become pretty clear about the kind of people we're looking for and who do well here. Our basic recruitment criteria is looking for curious people. We probably over-index on curiosity. We tend to like, and attract, nomadic characters. Self starters.

Having that kind of understanding makes it easier to grow because our ability to expand is limited by our ability to find the right people.

Our business is very human and evolutionary. In the end it comes down to people in a room liking each other and trusting each other.

Invest - But In a Real Way

A lot of creative companies have been told they need to behave like tech companies, and invest in themselves. Google is an example that's thrown around a lot. But very few companies are throwing off that kind of cash so you have to have a strategy.

We allocate our own money into entrepreneurial opportunities. But we do so with very real goals. It has to be a real initiative. Not a soft project. This way, we don't just get lots of little projects draining energy and attention. We're always fighting for the balance between investment and entrepreneurial intent. It's a balance you have to get right, particularly when you're running a small business.

One Action For Monday Morning:

Fire Yourself.

We are the best listeners, observers and architects when we start at the beginning.

Unencumbered with politics, the day to day and the urgent suppressing the important we can be ruthlessly clear. How should things be organized, is the talent mix right and doing the right thing? When we're 'in it' it's all too blurred. Of course, you don't have to do it literally. But clear your desk, leave the building, take a deep breath and start again as if it were your first day on the job.

A simple but useful mental trick and worth doing once a year...if you're cheeky you can re-hire yourself with a pay rise.



Build Collaboration

Any kind of meaningful change requires getting people to work together towards a common purpose.

Many businesses take a pragmatic view of this, and adopt a carrot and stick approach. But while finance and fear can produce short-term change in the behavior of most people, both practices are unsustainable and ultimately create

foundations that work against the company's own interests - namely the levels of profitability and passion produced by that business.



The Deflationary Value of Money

In Dan Pink's excellent book, *Drive*, the author describes research that shows that many original thinkers are not only un-motivated by incentive based rewards, they actually perform worse. In part this is because when a task becomes 'work', talented people tend to feel more constrained.

Companies that focus their employees on the intrinsic benefits of solving the problem tend to have greater financial success than companies that tie the benefits of solving problems to money. By framing the challenge in more compelling ways, people are naturally drawn to work together and the emphasis shifts to an expansive, exploratory mode in which what is learned along the way is often as valuable than the final solution itself.

Engineer Engagement

Every new employee believes they have joined a company that offers them problems worthy of their time and attention. This brings a natural willingness and enthusiasm for collaboration.

However, Gallup Organization research has shown that most people become less engaged with an organization over time, the natural consequence of which is greater disassociation and isolation.

There are two steps to maintaining engagement and the natural collaboration that comes with it.

- Maintain a clear and public description of where the company is headed, and the purpose it serves
- Give people clear and consistent feedback about where they stand in their own journey

Transparency

Collaboration requires trust and trust is founded on management's willingness to invest in transparency. This is a characteristic that worries many managers and we've found it's often more effective to think of transparency as a commitment to open honesty.

We have had success applying this as: telling what you can, and explaining what you can't.

You can draw the line between them wherever you are comfortable - with the caveat being that comfort is usually a poor measurement of what is in your best interest.

If you want collaboration, and today very few businesses can thrive without it, managing transparently will produce rapid and real returns on the investment of your own efforts to change.

One Action For Monday Morning:

Write down a definition of transparency you can live with and alongside it write down your current practices. If you check the list in 3 months and you're still operating by today's standards, it's likely your business will still be struggling with getting people to work together consistently.

Adopt Lean Change

Most businesses look at change as a chasm, requiring either a single bold leap or complete stasis.

This places too much focus on the result and not enough on the process.

'Be Willing To Fail' Is Flawed

The advice we hear most often bandied about is that every company must be prepared to fail if its going to successfully change.

At the best of times, planning for failure is an anathema to most business leaders, whose day-to-day focus floats somewhere between winning and surviving. We've had a lot of success changing the perspective and encouraging businesses to 'try.' Try talks about process, and is instinctive to most business owners, whose own early successes are usually based in large part in trial and error. Re-igniting their willingness to 'try' lubricates the process of change overnight.



Small and Often

With the fuel of trial in place, the key is to begin a series of small initiatives that can be carried out by local groups of 2-3 people who are passionate about the possibilities. We encourage complete transparency of every initiative throughout the organization for three reasons:

- It highlights the fact that change is happening, a valuable confidence boost for any business
- It draws attention to the effort and attracts the interest of others who may have something to contribute, thereby promoting collaboration
- It holds the group accountable for their effort and ensures credit goes where it is due as success is created

The Three Heads of Change

This process of Lean Change has built into it the fundamental requirements of organizational change, which is that it must be supported simultaneously at three levels:

- The Individual: the single greatest source of change within an organization
- The Group: where the energy of the individual is nurtured and leveraged with the passion and talent of others
- The Organization: whose resources and imprimatur add both fuel and scale to any change initiative. The organization brings one other crucial element to change - the ability to say 'yes', the absence of which is as emphatic as any 'no'.

One Action For Monday Morning:

Define the criteria for a Change Initiative. What would it get you to say yes to someone's idea. Then publish them for everyone to see.