

The Case of the Passive-Aggressive Culture: Transform the Organizational DNA

By David Dye, David Kletter & Walter McFarland

David Dye (dye_david@bah.com) is a principal with Booz Allen Hamilton in Washington, D.C. He leads the organizational and human capital solutions team, helping both public and private sector organizations.

David Kletter (kletter_david@bah.com) is a vice president with Booz Allen Hamilton in New York. He has driven major organizational change with both Fortune 500 and large government clients.

Walter McFarland (mcfarland_walter@bah.com) is a vice president with Booz Allen in Washington, D.C. He leads human capital consulting for government clients, with expertise in strategic human resource management and organizational transformation.

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Paul Richter takes a deep breath as he contemplates the wrenching changes ahead. In the ten years he has been HR Director of Dahl Drums, Inc., he has been part of the transition team for three separate and sizeable acquisitions. He has managed the adjustment of both incoming and outgoing employees and integrated compensation, benefits, and performance measurements systems. He has set up new offices across the country, even internationally, but he's never had to do something like this. Up until now, the changes he has overseen were incremental - if not predictable - and implemented over a reasonable timeframe. The core business had remained fairly stable and the impact on the overall workforce had been modest.

But everything is different now. Al Gordon, Dahl Drums' new CEO, has just left his office, having thrown down the gauntlet. Richter's challenge: to identify the pockets of poor performance in the company and turn them around in three months or start crafting a voluntary severance and retirement package for those who can't measure up.

Paul is looking at a lot of long nights in his near future. You see, Dahl Drums - a composite company based on clients Booz Allen has advised -- is what we call a "Passive-Aggressive" organization, and Passive-Aggressive organizations, as the name would suggest, are uniquely resistant to change.

So congenial as to seem conflict free, the Passive-Aggressive organization is the workplace where everyone agrees to change. But no one ever actually does. Building consensus to take action is easy at these companies; actually taking action, however, is next to impossible. Entrenched, underground resistance from field operations routinely defeats corporate initiatives, as line employees assume "this too shall pass," and middle managers make a career out of biding their time until the next promotion.

Decision shopping, accountability avoidance, stifled information flows, and consensus-driven inertia: these are the signs of the Passive-Aggressive organization. Ironically, this profile fits many Fortune 500 companies. Having secured a large and defensible market position, they are now fiddling while Rome slowly burns.

Not surprisingly, Dahl Drums has seen its business slowly and inexorably decline for years. At first, imperceptible then collectively denied, the crisis is now clear. Dahl Drums just lost its cornerstone customer, Magic Music Stores. That's when the Board of Directors finally took action and recruited Al Gordon to turn the business around. Gordon immediately declared a new three-pronged growth strategy focused around: 1) cross-selling existing products to existing customers, 2) selling existing products to new markets, and 3) creating a line of "new-to-world" musical instruments.

Pushing growth in these areas has obvious implications for how the organization manages its human resources. In fact, as Gordon has just made clear, his strategy is all but meaningless if Dahl Drums' people do not rally and align their actions behind it. Richter is handed the challenge of making that happen; it is a heady, but daunting, responsibility.

HR Today

Never has HR been more relevant to the quest for success at organizations around the world. Winning in an increasingly complex and service-driven global economy is all about execution, and execution is all about people. The countless decisions and actions taken by people at every level in your organization are the sum and substance of your business. If they make the right decisions and actions at the right time with the right information, your business will flourish. If not, it will flounder. It is both that simple and that complicated.

As an executive charged with people management, you are in an increasingly powerful and exposed role. From the CEO on down, senior leaders are focusing greater attention on how the human capital of an organization contributes to the enterprise's success or failure. When the organization is aligned behind the strategy, it executes and achieves results. By the same token, anyone who has worked in an organization of any size, whether in the public or private sector, has seen firsthand the individual counterproductive behaviors that can take root and impede a company's strategy and ultimate success.

The Power of the Individual

The first step to breaking out of these typical and debilitating patterns of behavior is to recognize how and why the inherent traits of an organization influence, determine, and even predict the actions of each individual within it. Organizations are not monolithic entities; they are collections of individuals who can usually be expected to act in their own rational self-interest. These individuals each make decisions and tradeoffs every day that are bounded by their access to information and their anticipation of the incentives or consequences that will result from their actions. The challenge in motivating superior performance then is to design an organization that aligns individual actions with the actions of others and the interests of the firm as a whole. every day. at every level. Yet few organizations have discovered the right formula.

Organizational DNA

The right formula, in our experience, is a function of four individual building blocks (that HR officers are uniquely well-positioned to wield) - decision rights, information, motivators and structure - and how they are aligned, or not, within a particular organization. Because there are four fundamental components, and because they effectively identify an organization's unique culture, we refer to the combination and integration of these four building blocks as "Organizational DNA".

Organizational DNA determines and predicts an organization's ability to execute, and, in our experience working with clients, we've identified seven predominant types, three of which basically work - Just-in-Time, Military Precision and Resilient. These companies execute well and produce results. The other four - Fits-and-Starts, Over managed, Outgrown and Passive-Aggressive - do not. They cannot effectively implement their strategies and therefore tend to perform poorly.

In fact, the Passive-Aggressive organization is the most challenging to fix as the dysfunctions it endures are so widespread and insidious. All of the DNA building blocks in this organization are effectively out of synch. Authority and accountability (i.e., decision rights) are typically unclear or haphazard, prompting rampant second guessing, and information is inaccessible to those who need it. Structure is often misaligned with the strategy, and motivators are too weak to stop the spread of frustration and, ultimately, cynicism.

Converting a Passive-Aggressive Culture So, let's return to our composite Passive-Aggressive company, Dahl Drums. What can HR Director Paul Richter reasonably do to identify and overcome the organizational impediments to executing Al Gordon's growth strategy? Step one is to diagnose the problem by establishing a baseline understanding of current employee sentiment and outstanding issues.

As we have foretold, Dahl Drum's principal problem is its Passive-Aggressive culture, which suggests that the company will have to tackle all four building blocks at once - decision rights, information flows, motivators, and structure. Tackling the transformation of a Passive-

Aggressive organization building block-by-building block is a futile exercise with negligible impact. To make changes stick, these companies need to declare a "new day" and break completely with the past.

From an HR perspective, that means the company will need to examine carefully its current management team to see which individuals are up to the task. More importantly, the company will need to reconsider how it finds, develops, and retains its human capital moving forward. To execute Gordon's growth strategy, employees will need to be relocated to open up new offices in emerging markets. The demand to find new talent will be significant to fill the gaps identified or opened up by departing managers.

An HR-Orchestrated Transformation

As a first step, Richter immediately overhauls Dahl Drums' approach to recruiting, selecting and managing talent to transform its ineffective DNA and achieve the organization's growth agenda.

Recruiting & Selection

- ◆ **Decision Rights:** To identify the right employees for new and critical positions, Richter changes the selection process from what amounted to ad-hoc hiring by each of the units to a more formal, cross-functional recruiting program in which decisions are made by a committee that considers multiple selection data points and several structured interviews.
- ◆ **Information:** As regards the recruiting and retaining of talent, Richter tightens processes for sharing and acting on information regarding candidates and top performers. Uniform metrics are established for evaluating employees with a premium placed on critical strategic skills such as cross-selling, new product development, and emerging markets experience.
- ◆ **Motivators:** Once mediocre performers are weeded out of the management ranks, those remaining are encouraged to recruit skilled friends and associates through a referral program that compensates them with a \$1,000 bonus if their referral is hired and remains for 90 days.
- ◆ **Structure:** Mechanisms are put in place to facilitate the mobility of employees across previously "silo-ed" business units and the filling of critical strategic vacancies worldwide.

Performance Management

- ◆ **Decision Rights:** Performance management decision rights move from an uncoordinated system of promotion by individual division heads to career development committees composed of managers from across the enterprise to support an enterprise-wide and consistent perspective on talent.
- ◆ **Information:** Performance management metrics evolve from a relatively de-centralized system focused on highly specialized market segments to a more centralized, consistent, competency-based platform that allows for broader market perspective.
- ◆ **Motivators:** Richter redesigns the compensation system for the sales force, replacing straight commissions (which skew the sales force's focus to closing sales with existing customers) with a system that evaluates sales performance based on feedback from customers and other inputs. Product developers are subject to a separate appraisal system that rewards them based on idea generation. In general, reviews have more weight in year-end bonus and promotion decisions.

- ◆ Structure: Gordon and Richter delayer Dahl Drums to decrease the number of subordinates per supervisor and redesign the performance appraisal process to incorporate customer and peer feedback.

HR Officer as Performance Enabler

Clearly, these are just some of the levers available to HR professionals looking to optimize the performance of their organization. The key to success in changing organizational behavior is not just pulling individual levers, but developing an integrated, holistic approach to performance enhancement that aligns all four building blocks. So, for example, if you are trying to rally business unit managers around company-wide goals, it is not enough to tie part of their bonus to the achievement of corporate objectives. This motivator lever, in isolation, won't work in our experience. You must reinforce the behavior you are trying to encourage with consistent, mutually reinforcing actions such as promoting managers who contribute to enterprise performance (structure), assigning them more significant responsibilities (decision rights), and publicizing their achievements internally and externally (information).

Naturally, this point of view on organizational performance elevates the profile of the HR professional. Not only are you responsible for hiring, training, developing and evaluating employees, but you are a partner in charting the course of the enterprise and enabling its performance.

HR officers today are far more strategic in aligning resources within their own department to best serve the company's objectives in a complex, global competitive environment. They are leveraging the tools they have available (e.g., selection systems, performance appraisals, organizational metrics) to do more than monitor organizational performance; they are unleashing it. They are devising methods for overcoming the organization's instinctual resistance to change and helping weak execution cultures become more strongly connected to and aligned behind their strategy. It's a daunting, but heady, responsibility.

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Linkage
Burlington, MA
781.402.5555
info@linkageinc.com