

CHAPTER 1



THE PREVAILING FORM OF BUSINESS CULTURES

A company without competitive advantage is as good as extinct; and in today's global economy, the fundamental elements of competitive advantage have changed. While the uniqueness of a product's features (function, design, quality, and/or price) was once considered the primary criteria for an organization's competitive advantage, today's criteria are comprised of nontangible features that are more *people-based* rather than *product-* or *process-based*. This is not to say the products or processes are not important. We are simply referring to the notion that a people-centric focus has a profound and positive effect on the products and processes people manage.

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Currently, companies tend to be product-only or process-only focused (people tend to be left out of the equation altogether). The ability to leverage an organization's *Rudolph Factor* begins with this fundamental shift in thinking, which then provides management with a new approach to catalyzing the creativity in its own ranks as developed from the winning ideas and tools proven in the crucible of one of the world's largest companies—The Boeing Company.

In our work with businesses large and small, we have recognized that roughly 10 percent of any organization's people are *true* agents of innovation—people who can shine the light exactly where a company needs to go to achieve higher levels of innovation. This critical 10 percent of an organization is its Rudolph Factor—borrowing a metaphor from the famous reindeer of the popular children's Christmas story, *Rudolph, the Red-Nosed Reindeer*. As the story goes, Rudolph's bright, illuminated nose led Santa's sleigh through the fog to accomplish its mission of delivering toys all over the world by Christmas morning. Similarly, modern day Rudolphins in the business world tend to go unnoticed until their unique and unconventional thinking is needed. Companies like Boeing that have learned to identify, nurture, and leverage their Rudolph Factor are today's leaders of innovation and change, and hence, dominate their respective fields with this unique and *sustainable* competitive advantage. It is sustainable over time and through external circumstances because people-centric organizations are far more

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difficult (if not impossible) to replicate versus product-only or process-only focused organizations.

Another element of today's global competitive environment requires management to balance time and resources in addressing efficiency and innovation. Most business innovations are generally related to greater internal efficiencies and improvements within the various organizational functions. From a management perspective, efficiencies are typically perceived as internal issues, while innovations are considered external or growth initiatives. The most serious limiting factor that managers face in achieving performance excellence is the lack of employee engagement and creative contribution as it relates to problem solving, performance management, process improvement, as well as growth and expansion efforts. Furthermore, significant percentages of the workforce are ambivalent, if not discontent, with the vision and culture of their respective organizations. This can be seen by the prevalent lack of contribution and involvement by employees. More tangibly, it can be measured in absenteeism, lateness, safety issues, a decrease in productivity, an increase in waste or scrap, an increase in defects, rework, or poor service among many other process- and performance-based issues.

There are a myriad of problems with regard to eliciting creative and innovative thinking from employees and managers. In considering employee contributions, some managers may not recognize a winning idea when presented with it because it may not always be terribly

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clear what innovative thinking looks like. To compound the problem, the command-and-control style of management continue to be prevalent in many organizations. This prolific style of management has been around since the dawn of the industrial age and causes many employees to mentally *check out* because the message sent is that employees' ideas, thinking, and intellectual contributions are not valued nor appreciated. It is the "we pay you to work, not to think" syndrome. Even though there have been hundreds of articles and books written about how ineffective command-and-control management is in a business environment, it continues to be popular among many of today's organizations. For people and organizations interested in being world-class engines of innovation, management style (overt as well as covert) is an extremely important element to examine. Senior leadership and management must look at the means by which they elicit performance from their employees—is it facilitative and supportive or threatening and controlling? Generally speaking, the structure by which employees are rewarded or penalized sheds ample light on the style of management practiced.

To address issues related to innovation, many organizations direct a significant amount of time and resources to *fix* the symptoms of employee ambivalence, rather than focusing on the underlying motivators and the organizational structure driving the lack of engagement and creative contribution. Some companies have gone so far as to require their employees to take intensive psychological

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assessments to identify who might be true agents of change—those employees we refer to as *Rudolphins*.

Other times, managers create extravagant employee suggestion programs to wrangle inventive and innovative ideas—only to stifle the process when it comes to implementation. It does not take long for employees to stop contributing altogether when their ideas do not fit within the organization's collective paradigm. Managers desire innovative and inventive thinking and many times do not know how to manage the associated risk that comes with innovation. Instead, they try to control it when they should be fostering it. There is a big difference between managing and controlling risk, and many managers are uncomfortable with innovation because the perceived risk might put them in an unfavorable light if the innovation fails. This is not by intention—managers do not set out to sabotage innovative thinking. Managers tend to operate within the parameters of the structure and system that have been created for them. So, rather than going out on a limb, managers attempt to control and limit innovative contributions from workers, thus killing creativity and employee engagement altogether.

AN ALTERNATIVE IS AVAILABLE

By creating an environment where innovative and inventive thinking can flourish, today's progressive managers are producing new ways for employees to become more

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involved. Historically, Employee Involvement (EI) has been included as part of “Corporate Outreach Strategies.” When researching various EI programs, we found that many EI programs were primarily focused on charitable giving programs, employee volunteerism, and workplace giving. These types of EI programs are not what transformed The Boeing Company’s C-17 Program. While there is distinct value in charitable giving and volunteerism, the level of EI we are referring to is more accurately defined as *employee engagement*. The Boeing Company and a handful of other very large companies, like Royal Philips Electronics (Philips), Toyota, and the Ricoh Group are aware of and recognize the value in engaging people on a grand scale.

Leading the Employee Involvement (EI) initiative was one of the most challenging assignments of my career, and it turned out to be the most rewarding experience of organizational and personal transformation that I could ever imagine. What seemed like a *project* became a labor of love with results that exceeded my wildest expectations and continue to leave a legacy beyond today for all the leaders and employees who are part of the journey.

McDonnell Douglas Corporation veteran leader, Don Kozlowski, came to Long Beach in the early 1990s to lead the turnaround of the C-17 program. He partnered with our USAF customer and exceptional leader, General Ron Kadish, and both began collaborating

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with the United Auto Workers (UAW). McDonnell Douglas (now Boeing) was transforming the organization and focusing on partnership, quality, and process management. Kozlowski asked me to lead the initiative to engage the workforce through EI. Employee Involvement would be the vehicle and culture to drive decision making from the lowest levels to improve productivity, innovation, and employee and customer satisfaction. It would be a true partnership between all stakeholders.

My most amazing observation has been seeing people working together to improve the business when the appropriate environment is established. The Rudolphs naturally step forward, and I believe that everyone has a little bit of Rudolph in them. “The Magic is in the People” is a phrase that caught on when the teams began showcasing exceptional results. With this, the *spirit* permeates throughout the organization and creates a unique pride of ownership. My advice for leaders is to empower your people and get out of the way! You won’t be sorry.

I am very honored to have been part of the C-17 transformation. I credit its success to the workforce members, who are the real heroes, who made it happen and continue to reach new heights each year.

Ed Schaniel
Former Director of Employee Involvement (Retired),
The Boeing Company

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Aligning employee engagement with the corporate vision and strategies is a significant contributor to a progressive company's business success in any industry. For employee engagement to be a powerful, driving force for innovation, responsibility (and control) must be turned over to employees (along with a supportive structure and systems identified here). This concept of handing over responsibility to employees flies in the face of the prevalent command-and-control style of management. If reading this is making you a bit nervous, remember to recognize that handing over responsibility and control involves more than simply passing the baton to the workers. As you will learn, it requires a shift in awareness, thinking, and actions from senior leadership as well as a newly defined role for high- and mid-level managers. It also requires a close organizational examination—and generally, a modification—of the culture and reward structure. In some cases, as with Boeing's C-17 Program, it required an entire business cultural revolution.

The value of shifting responsibility and control to employees is far greater than maintaining the current way organizations have been doing things. Shifting responsibility to workers does *not imply freedom of action*, where anyone can do whatever they please. It refers to having a voice and an avenue to implement ideas, which naturally compels employees to *voluntarily* take on innovative and creative thinking above and beyond their current responsibilities. Progressive managers have altered their role to that of advocate for employee engagement and have

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absolutely relinquished the means of control they once used (or their perception/illusion of control) to allow more ideas to percolate from the ground up. In the case of Boeing, leadership created entirely new positions to support the area of employee engagement at a corporate-enterprise level as evidenced in the language of many current job descriptions, which include training in EI as one of the hiring criteria.

An article by Nancy Lockwood in the March 2007 issue of *HRMagazine* reports that engaged employees “do a better job, are prepared to go the extra mile, deliver outstanding performance, and see opportunities to lead others.”* Findings also include that employees with the highest level of commitment perform 20 percent better and are 87 percent less likely to leave their organizations, all of which points to a clear link between employee engagement and bottom-line business performance. The Boeing C-17 Program’s internal EI Practitioners provided us with several graphs and data indicating a positive, direct correlation between employee satisfaction indices and employee engagement initiatives.

A PSYCHOLOGY OF CHANGE MODEL — AVTAR

Before you can appreciate the type of transformative results experienced by Boeing’s C-17 Program, it will be

* Nancy Lockwood, “Leveraging Employee for Competitive Advantage,” *HRMagazine* 52, no. 3 (March 2007), 1–11.

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most helpful to understand the context and framework of how that program developed its Rudolph Factor. It is also important to note that while experimentation was responsible for much of what transpired, we have clearly identified the thinking behind the C-17 Program's tenets of success so that your organization can gain a sustainable competitive advantage through leveraging your own Rudolph Factor via *intentional design*, rather than through *trial and error*. The most significant characteristic of Boeing C-17 Program's successful transformation and incredible financial results is directly related to the level of employee engagement that was built using creative and innovative thinking and contributions led by their Rudolphs.

We define employee engagement as those workers who deeply care about the future of their organization, who voluntarily choose to invest extra effort, who respect (and live) their organization's values, and who see a line of sight between their personal future and the organization's mission and vision. Over the past three years, studies have indicated that engaged employees are more customer focused, effective team players, stay longer, have fewer safety issues, and have a profound effect on financial business performance. *The 2008 Employee Engagement Report* by BlessingWhite revealed "fewer than one in three employees are fully engaged in their jobs [in the United States], and 19 percent are actually disengaged."*

* BlessingWhite. *The 2008 Employee Engagement Report*. Princeton, NJ: BlessingWhite, Inc. www.blessingwhite.com/eee_report.asp.

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Recognize that a substantial amount of untapped potential for improvement exists right now within your own organization! Operating at one-third of total power is like running on less than three cylinders when you have a powerful V8 engine. While operating at 33 percent might get you slow, forward movement on flat ground, consider how the same engine performs when going uphill. Mediocre. Running an organization at 33 percent is not acceptable in today's highly competitive, global markets.

One of the elements that makes the Boeing C-17 story unique is not necessarily the initiatives and strategies they implemented. These are easy to find and available to any organization. Rather, it is the awareness and value placed on people that led to a highly engaged, team-based Rudolph Culture. We created a model to assist managers in their responsibility of facilitating the psychology of change with employees. As we all know, change is the only constant in organizational life. We refer to our psychology of change model as AVTAR, which is an acronym identifying the five stages required to enable participative change. Change, or transformation, will not occur unless each stage is realized in a linear form. For a manager to inspire employees to embrace change, they must provide and facilitate the following:

- 1. *Awareness:*** The manager is responsible for generating awareness of the proposed change.
- 2. *Value in awareness:*** The manager is also responsible for providing employees with supportive

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information that will inspire them to find value in the proposed change. What is unique about our model is that you cannot go on to the next step until *employees truly find value in the change*. In other words, there is a *shared responsibility* in this step, and if employees do not see the value for themselves, you will be imposing change (which is the antithesis of creating a Rudolph Culture).

- 3. *Thinking*:** While the manager still has some responsibility in supporting the thinking of employees in this stage, this is the stage where *employees begin to bear the burden of responsibility for the proposed change*. If you are the manager, and you do not begin to see a transfer of responsibility taking place with a noticeable shift in thinking by employees, you must go back to stage two. Often, managers must let go of their own agendas and put themselves in the shoes of their employees. This is done by asking employees thought-provoking questions, exploring their frame of reference, and working to enhance it with additional information and insight. This is not a time to put band-aids on problems, nor is it a time to give lip service to employees and trick them into buying into the proposed change. If managers do not buy into the value and thinking of the proposed change, then employees will not buy it either. As you can see, stage two is critical. You will begin to see everything change

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in stage three as employees start asking questions reflecting their new awareness. If managers do not know the answers to the questions raised, they will have to find them. Many answers will be discovered together. Employees must feel 100 percent confident that the proposed change is in their best interest and in the best interest of the organization or you will not get the level of engagement found within Boeing C-17 and other successful organizations.

4. **Actions:** In this stage, responsibility has mostly shifted to employees. The beauty of this process is that thinking drives actions, so the shift in thinking that takes place literally sets the stage for new actions and behaviors. Again, if you are not seeing actions and behaviors supporting the desired change, you must go back to stage two. It is simply a clear indication that employees do not see value in the proposed change and that the right mix of information has not yet been shared or presented.
5. **Results:** The results are everybody's responsibility. For the proposed change to be embraced and realized within an organization, the results will be a natural outcome of the shift in thinking and new actions and behaviors. If the manager is continuing to force results with reward and punishment, once again, step two was not clearly manifested in the AVTAR process.

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As you can see, the most significant stage, and the most difficult to complete, is stage two (finding value in your awareness). Boeing's C-17 Program, Toyota, Ricoh Group, and Royal Philips Electronics all share the same secret of continued success. Their awareness (A) of people being their competitive advantage and the value (V) placed in that awareness inspired and shifted the executive leadership and management's thinking (T). Every action (A) and decision made is based on this shift in thinking, driving highly impressive results (R). At Boeing's C-17 Program, these results continue over a decade later.

For the AVTAR tool to be effective, we have some fundamental principles driving our model. First and foremost, we do not believe that employees *naturally* resist change. If employees know why a proposed change is necessary and what it entails (and it brings improved conditions to their lives), they will support it 100 percent. They will become advocates of the change, and the results will speak for themselves. Furthermore, we believe change can and does occur on its own, but there is no guarantee the results will be tied to desired expectations. Managers need tools to effectively facilitate change, and while there are many tools that address change in the areas of action and results, there are very few that address it in the areas we are suggesting—at the hearts of senior leaders, managers, and your employees.

Awareness and value in awareness can be found at the deepest levels of personal and organizational change. Without value discovered through new awareness,

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nothing really changes—people may understand change at an intellectual level but not *feel* it enough to compel further thoughts or actions that could create sustainable business results. For example, we are all aware that smoking cigarettes is bad for our health; but it is only when people who smoke find value in their awareness that smoking is bad for their health that the idea of quitting (or not starting) is a possibility. After the value in your awareness is realized, you cannot help but think differently. It is like a light switch has been turned on or the proverbial “ah-ha” moment. Life is never the same after an epiphany.

As noted previously, much of the responsibility in the AVTAR process is with the manager, and from the value (V) to the thinking stage (T), a shared responsibility is formed. At this point, the responsibility for a proposed change—while still shared—shifts more to the employees than managers. When used effectively, the manager does not have to continue to prompt the employees on what to do because the employees now see it for themselves. This point of the process is generally recognizable when the employees begin asking for more information. Again, the results (R) are a *natural outcome* of appropriate and effective thinking and actions. The story that follows is a great example of what it looks like to go from raising awareness to finding value in new awareness.

It was one of those dreaded meetings. You look up at the chart and see *red*, and you know the news is
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not good. Red means failure. This meeting was about employee involvement (EI)—this wonderful, engaging concept that empowers employees to tap into their full potential. Yet the chart was screaming red. Employee involvement is an organizational goal, yet it truly appeared to be more of a burden to some teams. Filling out forms, hosting meetings, creating team-based business improvements, preparing for empowerments, agendas, meeting minutes, action items, and blah blah blah. . . .

People felt they were too busy getting *real* work done. They did not have time for EI. As a result, teams were performing red to the goal, and EI was in jeopardy of falling by the wayside. I sat in the meeting completely baffled. I thought to myself, “The people must not know the true power of EI.” A quote from Lily Tomlin immediately entered my thoughts, “*Somebody should do something about that.*” Then I realized I am somebody. So . . . I raised my hand and volunteered to create an improvement process. The teams were scattered in various locations, and we had two months to accomplish what usually takes a year to do. With a pen in one hand and a chocolate bar in the other, I began scribbling down my thoughts.

I sat down with my manager. He liked my ideas and strategy, and we created the EI road show. You know . . . the kind of road show like musicians do when they want everyone to hear their music. They write a

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bunch of songs, then hit the road and start singing. That's what we did (minus the singing). I created and assembled EI binders for each group including tabs for team charter, empowerment plans, and Team-Based Business Improvement (TBBIs). The binders took what seemed to be this overwhelming EI task and put it into perspective by sorting it into smaller tasks. The road show also included conducting a kickoff meeting with each group to get them started on their EI journey and to influence their thinking so they could clearly realize the benefits of EI.

Now let me tell ya. . . . I thought this was going to be so much fun, but what I initially encountered was comparable to performers getting tomatoes thrown at them from the audience. These people did not want to hear what I was saying. They did not share my views about empowerment. They literally battled me during the entire one and a half hour presentation. As I dodged the multiple comments flying in at me from all angles, another quote came to mind, "When life hands you lemons, make lemonade." The more they protested, the more I knew I had to stay. That was one of the most memorable one and a half hours I have ever invested in the lives of other people.

I witnessed firsthand the transformation of people's thinking—the true power of influence. As I explained how EI was their tool to having their voices heard, a few

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people began to lean forward and listen. I explained how EI provided the platform for them to get visibility for *their* ideas, *their* projects . . . a few more leaned forward and listened. In the final moments of the meeting, the tone shifted from “why we don’t want EI” to “so . . . how would we do this?” or “how would we do that?” I knew they were starting to get it. EI is the employee’s tool to help each other and help themselves. To this day, that same team holds the record for performing up to the EI goal. They outperform all my other teams. They actively apply EI to create solutions, achieve goals, and to influence others. They even volunteer to do extra EI exercises. Now that is EI at its best!

The EI road show delivered results. All teams closed the year not just meeting the EI Vision Support Plan (VSP) goal but exceeding the goal! We recognized the need for our teammates to realize the value and benefits of EI. The attempted *change* was in perceptions. EI is not a burden but the answer to overcoming burdens. When EI is in effect and being practiced, it actually creates a positive work environment, which in turn encourages employees to be more productive. Overall, we wanted to build confidence, boost morale, develop leadership skills, and enhance the bottom line by educating our teammates with EI principles.

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As previously mentioned, there are a handful of other companies deeply entrenched in employee engagement, and this can be seen in the language used in the company's vision, mission, and value statements. For example, one guiding principle at Toyota is to "Foster a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management." As it relates to employee engagement, this particular underlying philosophy is one of the secrets to the financial success of the company and is captured through each individual's creativity, contributions, and effective teamwork. As a result, Toyota encourages and fosters personal growth for its employees; and its employees are deeply committed to Toyota's successful future. It is a natural win-win for long-term business success and for employees. What could be better?

Another example is from the Ricoh Group. Their management philosophy is to "constantly create new value for the world at the interface of people and information." The underlying principles that set the foundation for management's actions and decision making are:

- Think like an entrepreneur—be a Rudolph (entrepreneurs create their own business around their ideas, while Rudolphs prefer to be employed by someone else).
- Put yourself in the other person's place.

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- Find personal value in your work—to be actively engaged.

Underlying philosophies and principles in the form of vision, mission, and value statements can be found on most company web sites. The proof, however, is in the pudding—through actions, business results, and employee satisfaction levels. To achieve organizational greatness with a Rudolph culture, business results cannot come at the cost of employee satisfaction.

Our last example is Royal Philips Electronics whose “Vision 2010” works to further position the company as a people-centric and market-driven organization with strategies and structures reflecting the needs of their customers, while also increasing value to the shareholders. Management at Philips fully recognizes the value of engagement and has generated an enterprise-wide engagement strategy to ensure its alignment with contributions from shareholders, customers, and employees. As with the other companies mentioned, these philosophies and guiding principles noted are not devoid of assessment. Each company has a well-established, comprehensive set of metrics and a continuous improvement system supporting their underlying, people-focused tenets.

Boeing’s C-17 Program leaders discovered that their impetus for change—and basic survival—would depend on getting their employees involved and contributing at

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a *soul* level. As you will read in the next chapter, before their transformation, the concepts around EI would have been nothing short of a miracle. The level of employee frustration, hostility, and cultural dysfunction could not have been any worse. Yet, through the fog, senior leadership's fundamental thinking was that EI would drive innovation and sustain the Program's cultural transformation. To this end, senior leaders and management resigned their former practice of stopping one initiative or effort and starting a new one and moved to an alternative way of thinking that built individual efforts into a collective journey.

Each of the companies previously noted recognize that to have employees who are fully engaged in their work and committed to the success of the organization, cultural transformation must be viewed as a journey—not as an event with a distinct beginning and end. With Boeing's C-17 Program, the driving philosophy continues to be that *everything begins and ends with the customer*. This thinking is essential to the continued success of the Program and is spreading across The Boeing Company and to many of its suppliers and customers. In everything from the development of the vision, values, and goals; to conducting internal assessments, managing leadership systems, creating EI teams that are supported with productivity improvement tools; and to integrating a systems-improvement process—the customer is *always* a part of the equation.

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Customers are your most important reason for what you do. Everything is based on your customer's requirements, customer commitments, and the customer's strategic imperatives. Relationships are as important as the technical aspects in business. We have found that by constantly working on the social behaviors, our output of product and/or service is greatly enhanced. As changes occur, one of the biggest challenges in a team-based culture is becoming flexible in our thinking, our actions, and habits and in how we approach our work. To help our teams in this area, we conducted training classes on topics such as holding effective meetings, communication basics, handling team conflict, customer/supplier relations, and we taught teams how to use the basic problem-solving tools. There were approximately 30 training themes we applied in this training effort. The training covered both the socio as well as technical aspects to our business.

We also helped teams identify their strengths using the SWOT analysis model (Strengths, Weaknesses, Opportunities, and Threats). This strategic tool can be used at all levels of the organization in designing the strategic plan. The last thing I will mention is also helping the teams identify their vision and mission statement and their team's charter as it relates to their work scope. When the entire team has a grasp of what's in it for me (WIIFM), and they respect and trust one another, business results start becoming a reality. The key is to

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continue to press forward and make adjustments along the way as required, and to make everything you do a win-win situation.

Charles A. Macias, Psy.D.

Employee Involvement Practitioner, The Boeing Company

Chapter 1 Review

- Tools and initiatives come and go, but *people* are what make the tools work.
- A command-and-control style of management kills creativity and innovation.
- Employee involvement and engagement must be aligned to the vision and business strategies.
- Responsibility and control must shift to the employees.
- AVTAR is an effective model to facilitate the psychology of personal and organizational change and is a critical tool to building a Rudolph Culture.

