

Managing cultural change – developing a champion’s mindset

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Dear Executive, imagine a perfect day!

STORY-TELLING – THE ELEVENTH HOUR – 3 min read

You get up in the morning, the weather is nice, and nature is waking-up slowly. You had a good night sleep; you are fit and ready to go for a jog through the woods behind your house. You come home after some good effort, 10.2 miles in one hour – not too bad. Your body and mind feel great and full of energy. You shower, get dressed, read the Wall Street Journal and have a nice breakfast with your family.

Your agenda for the day seems relaxed, you intend to make a stop at the office to get briefed by your leadership team but intend to spend the afternoon with your wealth manager and playing golf with some business partners and long-time friends. Your meetings go well, your leadership team has everything under control, sales are on target, another year of double-digit growth, the profitability is better than ever pushing 14% return on sales (ROS), and you are beating the competition through innovation and customer service excellence. A quick factory tour gives you more satisfaction, the buildings are new and modern, you have invested in the best equipment in both production and warehousing – quality, costs and productivity are marvelous - the system is perfectly organized, oiled and powers on all cylinders. The employees smile when you make eye-contact, and they greet you with warm comments, they are relaxed, knowledgeable, well trained and they appreciate the security, care and attention they get working for your company. They are proud and happy to work for such an excellent company; they feel valued and recognized.

Before you depart your company around 11am for a lunch meeting downtown, you instruct your executive assistant to give you an update on this afternoon’s network cybersecurity meeting, to review the status of the global implementation of a multi-million-dollar investment for your factories worldwide, designed to minimize any risks that could jeopardize achieved status and success.. As the project is in its final stage, you are confident that you will be able to start the next initiative you have been dreaming about, the acquisition of a brilliant competitor in Asia, which will open access to new markets, new technology and IP and to great synergies. The quality of the situation allows you to take on additional projects and risks. Future investments that will further strengthen the company. The company in Asia is expensive, but you know it is worth it and highly priced for good reasons.

Driving along the highway in your fancy car you remember the nightmare you lived through just 10 years ago, and how you reached a point of deep anxiety and stress back then. Just 10 years ago, you took over the family business and it felt that suddenly everything was going downhill and spinning out of control. Sales were down, key customers were complaining and leaving, quality problems in all factories, equipment down, profitability was just a memory, and losses were putting all your family had built at risk, depleting reserves. R&D needed serious investments, as did assets and infrastructure. Employees didn't trust the company anymore and the valuable ones left, the wrong one's stayed. Leadership was unmotivated, no single initiative succeeded, it felt like a desperate nightmare. Your nerves were on edge and your blood pressure was out-of-control, nights were short, and sleep was of no quality, a little more and divorce, burn-out or heart-attack and maybe losing the family business. Something had to change. But what?

Fortunately, in the eleventh hour a good friend reminded you of a similar case he had encountered a few years prior with a fortunate happy ending. A third-generation business owner had experienced a similar decline but managed a spectacular turnaround with the help of a business coach. The results were impressive and drastic beyond belief.

You called the guy and history repeated itself. The best decision you have ever made.

What happened?

CULTURE EATS STRATEGY FOR BREAKFAST – 2 min read

We have all heard those stories and we have all seen companies shutting down, agonizing, entering chapter 11 or selling prior to losing everything.

A couple of months ago, I was describing a case at an executive roundtable when a business owner shouted out “the case you are describing is exactly my company – we have a burning platform”. Of course, he's not alone. There are many companies in urgent need of change!

On the other hand, we see companies which seem to do everything right; they grow, flourish, invest, succeed and shine like bright and polished diamonds. What is the difference?

What triggers a need for change? Why is culture so fundamental? What differentiates the best companies from the others?

Mindset and culture are key differentiators! Look at sport teams (Yankee's, Cubs, Reds, ...), look at individual performers (Rodger Federer, Levis Hamilton, ...), look at companies (Apple, L'Oréal,

Porsche, ...). You might be aware that all have experienced some type of crisis and turn-around events in their life cycle as well, **but they made the decision to take destiny into their own hands.**

With all elements equal (rules of the game, equipment and infrastructure quality, market, resources, ...) – **mindset and culture will be the game changers** and make the difference. This is where companies start to struggle and go down a vicious cycle.

Success starts in the mind – performance is a result of attitude! Difficult at individual level, but brutally hard on organizational or company-wide level. Impossible? No - it's possible but it takes a system and method!

Reasons for the **need of cultural change** or change management can be multiple:

- a change in leadership
- a generation change for family owned businesses
- new ownership after an M&A transaction
- a technology disruption
- a restructuring or turn-around situation
- a lack of competitiveness
- a burning platform
- low sense of urgency

Symptoms are also repeating and known patterns:

- lack of performance
- slow growth or decline
- low or no profitability
- lack of resources to invest into the future
- low sense of urgency in the organization
- low pace of innovation
- low pace of new client acquisition
- old assets and infrastructure
- waste and inefficiencies
- demotivated workforce
- toxic culture
- silo's and lack of collaboration
- unsynchronized organization or resources
- stressed organization and leaders
- low morale

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How do you break the downward spiral? How can you get the company back on track, back into the race?

MANAGING CULTURAL CHANGE – 3 min read

First, realize and recognize that you are in that spiral! Develop an organization wide and collective awareness and create a sense of purpose and urgency – **the house is burning!**

It takes a strong leader to recognize a weakness and to initiate change! Real leadership isn't easy nor a walk in the park. It requires hard work and the application of proven concepts and methodologies. Like a surgeon performing a complex intervention, the leader needs to restore a winning culture and manage the re-programming of an organization's DNA. Re-setting the corporate identity – easier said than done but not impossible. Think about it, **what would be the alternative?** Change or die – in today's global and fast pace business world it's all about the survival of the fittest!

Key success factors for effective change management programs:

- **be aware** that 60 to 70% of the programs fail (Source: HBR)
- **learn** why they fail, and you will reduce your risk by half
- be **fully committed** as the top executive! No compromise
- embrace a **champions mindset**
- you can't delegate the initiative! This needs to be driven by the **Captain**
- get the commitment of the entire leadership team – **who's** on the bus and who is not?
- understand precisely the starting position through a professional **diagnosis**
- develop a professional communication strategy and **story line** - **why** are we doing this?
- embark **everyone** on the journey! All employees are part of a successful transformation. Companies who fail, forget to, or don't engage all employees
- they are **no short cuts and no silver bullet**, so stop searching for one – sorry for the bad news!
- develop a professional multi-year **roadmap** – **how** will we do that?
- work with **method and system** and track progress like a doctor would monitor his patient
- be aware that it will be a long and hard journey, bring patience and **resilience** (individual and organizational)
- do the work and **execute** relentlessly
- choose your **role models** and benchmarks, learn from their successes and failures
- **aspire** to become a champion, not just a little better
- when you encounter setbacks (and you will!) **do not give-up**
- do not try to do it alone, **get professional support** from executives with solid and verifiable track records

- do not try to hire the cheapest ones, nor the most famous ones – **choose professionals who are committed and will deeply care** about your success and stay with you through the implementation
- keep a learning attitude and an **innovation mindset**
- **care about your employees** more than anything else and they will give it back to you tenfold

Every journey starts with a first step - Realize what needs to happen – plan for it, then go for it.

Do not look back and – whatever happens – do not give up!

Adjust and navigate but go to the end of the road until you reach your goal!

As a pilot of our lives and companies we want to be in control at all time, if there is just a sense that we are losing control we need to react and steer immediately.

ABOUT YANNICK SCHILLY:

For the past 25 years, Yannick has successfully developed and executed complex global expansion strategies throughout Germany, China and the U.S. for a German based global Mittelstand company renowned for its advanced manufacturing operations. He possesses a profound and unique knowledge of global and international business, industrial best practices and excellence in advanced manufacturing, industrial engineering, logistics and multi-national supply chain management. In his most recent role as Chief Operating Officer, Yannick established and managed regional production and logistic centers in China and North America for a leading German based, international industrial technology company.

ABOUT ALTIX:

Altix is the middle-market international industrial champions' management consulting partner, providing business strategy, technology and innovation, and operational excellence support, in the world of advanced manufacturing and international supply chain. www.altixconsulting.com