



# Special Feature

## Creating Perfectly Designed Organizations

Solutions World talks with Paul Gustavson, Organization Planning & Design, Inc.



Paul Gustavson is a leading organizational design architect specializing in strategy making, the design of high-performance work systems, change management and knowledge management. He is the president, founder and owner of Organization Planning & Design, Inc., based in San Jose, California (www.organizationdesign.com). Among his firm's clients are American Express, Amoco, AT&T Capital Corp., BP, Cherokee Nation, Colgate Palmolive, Exxon Mobil, GE, Pennzoil, National Semiconductor, NASA, and the Veterans Administration. Solutions World sat down with Paul to learn about his experiences in managing change.

**One of your favorite expressions regarding organizational change is "capturing the hearts and minds" of the people. How can you capture the heart and minds of each person in a company?**

Winning hearts and minds come from a connection with the customer. The challenge is helping each individual understand how they are unique and how they contribute to the organization's uniqueness. You have to connect your people with the value of what they provide for your customer.

Starbucks assigns their mid-level managers and above to open a Starbucks outlet with a store manager at least once a month. That means getting up at 4 a.m. and going down to meet the manager and help open that store.

If you can connect people to the actual value they provide the customer, their perspective changes. Now, when you've got all these supervisors at Starbucks sitting in a meeting, they are connected to the customer and they think differently—they're more creative and eager to help the customer.

**What is the starting point for "capturing hearts and minds"?**

It's important to realize that people don't change unless they feel the need. It takes a leader with a compelling vision to help others feel that need.

To capture hearts and minds it's essential to communicate that compelling vision in a variety of ways because we all have individual learning preferences. Some of us want just the facts and others prefer a road map or recipe. These methods appeal to the

left side of the brain. Others are captivated by stories with great metaphors, music to stimulate their feelings and passions, or visual content to help them imagine.

The three strongest facilitators of long-term memory are: (1) emotional experiences, (2) music and (3) metaphors.

**What happens if you don't capture the hearts and minds of your people?**

You won't be able to capture the hearts and minds of your customers if you don't capture the hearts and minds of your employees first. Research indicates that 70 percent of strategies never get implemented. It's not because the strategies are necessarily bad, it's because the leadership failed to capture the hearts and minds of their employees first.

**What qualities do the best companies in the world all have in common?**

The very best companies are clear about what their uniqueness is. When you think about Apple, you think of innovation. For WalMart, you think of low prices. Apple's management is designed to foster innovation and their product line reflects that. WalMart manages their supply chain very efficiently, so their prices reflect that to the customer.

A famous strategist named Michael Porter said that competitive advantage comes about by doing similar activities differently or different activities. It's not by doing things the same way as everybody else.

**What is a good example of a company focusing on their uniqueness?**

Chevron provides a great example, as recently demonstrated by the sale of their credit card business. Credit cards are not the uniqueness of Chevron. They sold that business because it isn't their core competitive advantage.

**Are the principles of change management you espouse applicable to any company or organization?**

Yes, the principles of managing effective change are the same, whether it's a Silicon Valley company like National Semiconductor or AT&T, which used to be considered a stodgy old company in the 1980s, or American Express, arguably one of the premier service-oriented organizations in the world. These principles also apply to large groups, like the Cherokee Nation, one of the nation's largest Indian tribes, or government agencies, like NASA and the Veterans Administration.

The quote I am best known for is "Organizations are perfectly designed to get the results that they get." Think about it. It's true. If we want different results, then we have to change the design.

Change begins with leadership and vision. Two of my favorite maxims are "Without leadership, everything else is just interesting" and "Where there is no vision, the organization will perish." A compelling vision that connects the hearts and minds of the people is an unstoppable force.

## Tips From the Expert

Change management expert Paul Gustavson lists five intangibles he uses that will help a successful organization continue to strengthen their brand leadership:

- 1. Talent**  
Continually develop and replenish your talent base.
- 2. Shared mindset**  
It's all about shared values. Win the hearts and minds of your entire organization.
- 3. Speed**  
The speed at which you provide your customers with innovative products or services, whatever you're good at.
- 4. Innovation**  
Always come up with a better way.
- 5. Accountability**  
The best companies always deliver on their promises.

Source: "Leadership Brand" (2007) by David Ulrich and Norm Smallwood



# Special Feature

## The Power of Change

### Change management success stories

The underlying principles of successful change management are the same whether an organization is large or small, privately held or publicly traded, nonprofit or a governmental agency. Following is a selection of success stories drawn from the personal experience of change management expert Paul Gustavson.

#### National Semiconductor

**Challenge:** In 1991, National Semiconductor ended the fiscal year with the worst loss in its 30-year history. The company was US\$161 million in the red and had lost close to half-a-billion dollars in the previous five-year period. The stock was trading at under US\$4 per share, and with only 40 days' cash flow, the company was nearly bankrupt. The company culture was described as "cynical, defeatist, and accountability averse."

**Solution:** A new CEO freed the company from its antiquated organizational strategy, technology and business processes. Executives and management were engaged on a worldwide basis to accelerate ownership and execution. The core organizational processes (strategy, product development, demand creation and supply chain) were reengineered along with HR, Finance and IT. Goals, structures and systems were aligned throughout the organization. Ultimately, all 25,000 employees participated in the global change process.

**Results:** Within 10 quarters of the change process, revenues had grown by 30 percent, profits had improved by 17



percent, shareholder equity had doubled and the stock price had tripled. National was named the Turnaround Company of the Year. In 1994, National reported the highest earnings in its history, and the next year the company was nearly debt-free. By 1996, National had reestablished its position as the leader in the analog market sector, and its stock was trading at more than US\$28 per share.

#### NASA, Kennedy Space Center

**Challenge:** Following the 2003 loss of the *Columbia* space shuttle during its return to Earth, a report by the independent *Columbia* Accident Investigation Board identified NASA's "self-deception" and "overconfident" culture as one of the tragedy's contributing factors. The report triggered a massive effort to address and enhance the agency's values.

*Culture-change project teams were selected and launched, charged specifically with aligning each organization to NASA's values, and enhancing those values.*

**Solution:** A complete organizational assessment and analysis was conducted to ensure that the Kennedy Space Center's culture, organizational systems and processes were aligned with the highest levels of safety and performance. Strategic



initiatives were launched to fortify NASA values, leadership communication, performance management, work process improvement and behavioral-based training and observation.

**Results:** A baseline was established from the organizational culture assessment and analysis, and an overarching Culture Enhancement Initiative Scorecard was developed with timelines and deliverables. Culture-change project teams were selected and launched, charged specifically with aligning each organization to NASA's values, and enhancing those values. The culture change came about steadily, and the Kennedy Space Center was eventually given the go-ahead to fully resume their space exploration mission.



#### Colgate Palmolive (Hill's Pet Nutrition Plant)

**Challenge:** Colgate targeted Richmond, Indiana, as the site of their first high-performance, team-based facility with world-class safety and innovative work systems and processes. It represented the company's highest capital expenditure ever, with the plant intended to be the model for all 57 Colgate plants worldwide.

**Solution:** Since this was a new venture from the ground up, the design team conducted business process reengineering and social system analysis, as well as institutionalized knowledge-sharing for plant performance results, safety, housekeeping and cleanliness.

**Results:** This groundbreaking facility received the U.S. Senate Productivity Plant of the Year Award. The plant *This groundbreaking facility received the U.S. Senate Productivity Plant of the Year award. The plant was designed to be the model for all 57 Colgate plants worldwide.*

became recognized as a leader in knowledge management, and the best practices developed at Richmond were implemented in Colgate's new and existing facilities throughout the world.

#### Veterans Administration, Los Angeles

**Challenge:** In the early 1990s, the Veterans Administration (VA) office in Los Angeles ranked last out of 58 regional offices in the VA's customer satisfaction survey. Serious consideration was given to closing the office. Instead, there was

*There was renewed focus on transforming the office into a place where people were proud to work and veterans were treated with the respect they deserved.*

renewed focus on transforming the office into a place where people were proud to work and veterans were treated with the respect they deserved.

**Solution:** The office was reconfigured and upgraded, and first-line supervisors who didn't support a culture change were replaced. Within months, employees dressed and acted more professionally and productivity increased by 8 percent. The next phase turned the entire office into a veteran's museum with photos, dioramas and displays. The visuals instantly communicated to veterans that they were appreciated and that the VA was there to serve them.



**Results:** The L.A. office's customer satisfaction ratings, once the lowest in the nation, rose well above the national average. The number of veterans rehabilitated increased by more than 500 percent even though the staffing level dropped 37 percent. The office received the Reinventing Government Award and the Office of Personnel Management's PILLAR Award for aligning employee performance goals with the strategic plan and linking incentives to customer service results. The L.A. office continues to be a model operation and was featured in the July 2002 issue of *Government Executive* magazine.