



INTERNATIONAL SOCIETY FOR THE PSYCHOANALYTIC STUDY OF ORGANIZATIONS

**Changing Strategies, Changing Personal Values:
The impact of a corporate change initiative on
employees, their families and the community.
A work in progress...**

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Agenda

▲ Introduction

- Consultancy Background
- Nature of the Change
- Company Background
- Community Background

▲ Consultancy

- Approach
- Consultancy Status

▲ Critical Incidents and Data

▲ Thoughts and Hypotheses

▲ Discussion

Consultancy Background

- ▲ New CEO joined January 2004 and was a prior client of TRIAD.
- ▲ Consultancy began February 2004 and is currently mid-stream.
- ▲ Initial focus on executive team development to support the new CEO in his effort to revamp the company.

▲ *Initial discovery: company made a transition from a nonprofit to a for-profit 5 years ago, yet never transitioned.*

- ▲ By March 2004 consultancy changed to helping the company transform all major processes.

Nature of the Change: From → To

2004	→	2009
\$1.5 Billion Loan Asset		\$5 Billion Loan Asset
Regional Focus		National Reach
Dependent on Manual Processes; Little Change in 25 Years		All Core Processes Re-engineered
Static Structure		All New Organizational Structures
No Employee Turnover		Rigorous Performance-based (4 firings and several resignations in past 6 months)
IT Paralyzed; \$30 million Investment in IT Systems and Consultants in Past 5 Years		Technology-driven Business as Competitive Advantage

Company Background

- ▲ Upper Midwest, began as the state agency for (x)loans.
- ▲ In 1999, lobbied for a transition to for-profit status.
- ▲ Became a for-profit ESOP (employee owned) with a tax-abatement (pending an equity event).
- ▲ One of top three per-capita income employers in the region.
- ▲ Company has approximately 155 employees, \$1.9 billion in loan assets, and is currently profitable.
- ▲ Male = 30%; Female = 70%.

Management Team

- ▲ CEO joined in January 2004, former Board member and a former investment banker who helped create secondary market in (x)loans about 20 years ago (male/56).
- ▲ Managing Director of Sales and Marketing, Board member, prior VP-IT who returned to firm at the request of the CEO after prestigious career in other major corporations (female/49).
- ▲ CFO role is vacant after recent firing of 12-year company veteran (male/45).

Management Team *continued*

- ▲ CIO is home grown and has been with the firm for approximately 15 years (female/40).
- ▲ VP-Human Resources, hired in January 2005, has the former VP-HR (female) reporting to him (52).
- ▲ VP-Loan Servicing is home grown; at company for 18 years (male/45).

Community Background

- ▲ Population (2000) = 24,658; estimated population in July 2002 = 24,312 (-1.4%)
- ▲ Males 47.1%/Females 52.9%
- ▲ Land area: 13.0 square miles
- ▲ Median resident age: 36.5 years
- ▲ Median household income (2000): \$33,276
- ▲ Median house value (2000): \$72,800
- ▲ County Seat; 2 Major Hospitals; 1 State and 1 Private University.
- ▲ Unemployment approximately 2.1%

Employment

Industry	Employed	%
Services	5,661	26%
Trade	5,400	25%
Government	2,755	13%
Agriculture/Forestry/Fishing	2,755	13%
Manufacturing	2,427	11%
<i>Finance/Insurance/Real Estate</i>	910	4%
Mining/Construction	892	4%
Transportation & Utilities	637	3%
TOTAL	21,437	

Community Population

- ▲ For population 25 years and over:
 - High school or higher = 85.3%
 - Bachelor's degree or higher = 25.5%
 - Graduate or professional degree = 7.2%
 - Unemployed = 3.7%
 - Mean travel time to work = 10.6 minutes

- ▲ For population 15 years and over:
 - Never married = 30.1%
 - Now married = 51.9%
 - Separated = 0.4%
 - Widowed = 8.3%
 - Divorced = 9.3%

Community Population *continued*

- ▲ Race:
 - White Non-Hispanic = 94.1%
 - American Indian = 3.8%
 - Two or more races = 1.0%
 - Hispanic = 0.8%
- ▲ Foreign Born = 0.7%
- ▲ Ancestries:
 - German = 53.6%
 - Norwegian = 14.9%
 - Irish = 8.5%
 - English = 6.8%
 - Russian = 5.9%
 - Swedish = 3.6%

Community Crime in 2004

- ▲ 0 murders (1 disputed suicide)
- ▲ 10 rapes
- ▲ 0 robberies
- ▲ 19 assaults
- ▲ 114 burglaries
- ▲ 409 larceny counts
- ▲ 21 auto thefts
- ▲ City-data.com crime index = 137.2
 - U.S. average = 330.6 (Higher index = more crime)

Consultancy Approach

- ▲ Leadership Team Development and Support
 - Emotional intelligence, Action Design[©], Difficult Conversations[©], MBTI[©], conflict style, managerial style, extensive coaching, facilitated meetings and retreats, etc.
- ▲ Senior Management Development and Support
- ▲ Transition Support
 - “Transition Team”
 - Transition “lead”
- ▲ Organizational Analysis
 - Responsibility Charting utilizing metrics for role-relatedness.
 - Key initiatives analysis and prioritization.
- ▲ Re-engineering/Implementation
 - Rapid-start
 - Business process re-engineering

Consultancy Status

- ▲ Consulting team in the system for 15 months.
- ▲ Mid-way through the change process.
- ▲ Loan Servicing department well underway in implementing changes (about 60% complete).
- ▲ 3 departments initiating changes:
 - Sales and Marketing (30% complete)
 - Human Resources (50% complete)/Administration (20% complete)
 - Finance and Accounting (20% complete)
- ▲ The Information Technology department is strongly resisting change and has only recently begun job assessments through a separate process managed by the consulting firm DDI.

Themes: Role and Status

KEY DATA

- ▲ Employees hold a variety of important community roles, including: Head of Church, mayor of a small town, married to *the* doctor, heads of charities, and other community roles.
- ▲ Extensive military background in employee population.
- ▲ Gender-based family roles are common.
- ▲ Farmer's wives bring home a stable income and provide health benefits for the family.
- ▲ Wives perform caretaking duties in the home (the Company is flexible about providing time for these).

CRITICAL INCIDENTS

- ▲ A newly hired male HR manager developed a draft HR structure (while the HR VP role was vacant) in which the women reported to him, even though they were peers and all of the women had substantial history with the firm.
- ▲ CIO unable to effectively manage male direct reports.

Theme: Leadership

KEY DATA

- ▲ Former CEO/current Board member retains influence.
- ▲ Former CEO is “narcissistic” with high command, control and secrecy needs.
- ▲ “Outsider” CEO came in and instigated change.

CRITICAL INCIDENTS

- ▲ CFO recently fired – 12+ years with company, mentor to many, seen as protective and fatherly, CEO designate, didn’t manage finance (no controls or budget).
- ▲ Shift in senior leadership once the CFO was fired – more humor, taking up leadership role by more actively joining the CEO in the management of the company.
- ▲ Former VP of HR (female) demoted and now reports to new HR VP (male).

Theme: Processes

KEY DATA

- ▲ The “many lists” of initiatives and other “to-dos”.
- ▲ IT paralyzed after \$30+ million investment.
- ▲ During the analysis phase thousands of manual processes were identified across the company.
- ▲ Finance and Accounting had limited controls, incomplete budget process, archaic tracking methods and numerous other manual processes.

CRITICAL INCIDENTS

- ▲ Loan Servicing quickly took-up process changes with tremendous success.
- ▲ 147 process initiatives were identified as necessary to address in 2004 for achieving success; fewer than 10% have been addressed.

Theme: Employee Ownership

KEY DATA

- ▲ 1st generation off the farm.
- ▲ Some still own the family farm.
- ▲ Shift from nonprofit to for-profit ESOP.
- ▲ If the company is successful, employees will retire wealthy by most standards, as the CEO says, this is a classic “hockey stick” opportunity.

CRITICAL INCIDENTS

- ▲ Employees confused about meaning of employee ownership – Employee Ownership Committee thinks they have a management say.
- ▲ Some employees want an “equity event” now to get whatever payout they can from the Company rather than wait for a larger return in the future.

Theme: Old versus New

KEY DATA

- ▲ Division between old and new – long-time resident versus new to community.
- ▲ Difficult for new employees to join organization and community – long-time employee versus new hire.

CRITICAL INCIDENTS

- ▲ Anonymous letter accusing the organization of replacing long-time employees with “new blood” from outside with threats of “creating a hostile work environment” through legal action.
- ▲ Same sex sexual harassment; long-time employee toward new.
- ▲ Newly relocated CEO’s teenage daughter hospitalized by police; child endangerment charges threatened against father.
- ▲ Insider (female) left the community for a successful career, returned in a senior role (Managing Director and Board member) and has been treated as an outsider.
- ▲ CEO has felt ostracized by the community for firing CFO, a long-time employee and prominent community member.

Theme: Diversity

KEY DATA

- ▲ No ethnic diversity in the organization and community.

CRITICAL INCIDENTS

- ▲ Anti-diversity values are misaligned with the espoused customer service value to “treat all customers with dignity and respect”.
 - Employees are admittedly race-biased.
 - When on the phone with a “different” client, customer service representatives are thinking “get a job, be grateful for what this country brings you”.

Theme: Sexuality

KEY DATA

- ▲ Company is 70% female

CRITICAL INCIDENTS

- ▲ Two female workers traded pornography in Company email in support of a fantasy about the CEO (male) and Managing Director (female). Both workers were fired.
- ▲ Same sex (female) sexual harassment incident – 1 fired.
- ▲ Threatening letters from two females to another in Loan Servicing regarding replacing long-time employees with new hires. Ongoing investigation.

Thoughts and Hypotheses

- ▲ Fundamental shift in how roles are “given” and authorized, from one based predominantly on sentience to one dominated by task need and competence.
- ▲ Community fantasy that they can control their destiny since farms are no longer sustainable by individual families; corporate farms and other non-agrarian businesses dominate.
- ▲ Money changes everything: the upside potential of each employee becoming a millionaire is real, which dramatically increases employee anxiety.
- ▲ The impossibility of finding another job with equal pay and benefits forces people to stay in the system as a means of staying in the community.

Thoughts and Hypotheses *continued*

- ▲ There are real struggles of loyalties among employees: to whom am I loyal? Myself, my family, my friends, my community or my business? These struggles or dilemmas dramatically effect employees' abilities to perform.
- ▲ The Company is a system under assault from the external world (i.e. competition in the loan industry, interest rates squeeze, increasing size of their customer base, availability of alternative financing) and these unrecognized or not-discussed threats are enacted by employees.
- ▲ Sexual aggression and other enactments may be expressions of the difficulty of expanding a business beyond its local community/region – how do we survive? Does the fantasized sexual union of the CEO and an officer produce “Rosemary’s Baby” (have we sold our soul to the devil as a for-profit) or productive offspring that will enable us to achieve our business objectives, sustain our families and become wealthy?

Thoughts and Hypotheses *continued*

- ▲ Female authority is challenging the fundamental male-oriented farm family – woman are becoming the chief earners and caretakers providing benefits as well as potentially bringing in a large future retirements. Women may hold a conflicted view of role and their newly-found authority.
- ▲ The children of outsiders are experienced as foreign elements to be tamed or eliminated in order that they not affect the community; also may be an expression of families being threatened, wanting to prevent new power-holders (outside CEOs) from establishing a power-base.
- ▲ Consultancy team are outsiders, authorized by and seen as agents of the CEO – we contain and are objects of their projections; we are currently being asked to cut budget by 60% and lessen our ranks by 40%.

Thoughts and Hypotheses *continued*

- ▲ Consultants are seen as *caring* for the system by the CEO and VP-HR. We recently focused the consultancy on the “primary” organizational risks that we can attend to, creating ways for them to work more productively while addressing their dependency and the consultant’s desire to sell.
- ▲ Consultants’ focus on taking up the “process” consultation role and not the “expert” role helps the organization think about and chose how to change (the many lists) – paying attention to system dynamics and holding the choices allows the client to tolerate our differences, take us in and be worked with.
- ▲ Conflict between community and the organization – the community has been winning.

Discussion

- ▲ Your thoughts and reactions?
- ▲ Do you have additional hypotheses?
- ▲ What do you see as impacting the consultancy?
- ▲ What do you see as impacting the organization's ability to achieve its objectives?