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Business Leaders: Thought and Action

**Transforming a Corporate
Culture to Master Change**

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The pace of change today provides us all with both a great opportunity and an enduring challenge. In our businesses, we create careful strategies for organizational survival, but we often don't notice (or choose to ignore) how quickly the facts governing our strategies begin to change. Change is unforgiving. It's steady and relentless, and it sweeps past the unaware and the unaccepting, leaving them adrift in the shallows. Overnight new problems be-

come old problems, and new answers become anachronisms. Yesterday's game plan is insufficient today and will be unacceptable tomorrow. Stepping up to the pace of change is the only way to thrive.

In the early '90s, we at Armstrong started asking ourselves why the stock market didn't seem to value us as highly as we thought it should. We took off the rose-colored glasses and took a hard look at our company. We didn't like what we saw. Armstrong was behaving like a company with the middle-age dithers. We were complacent. We lingered over business decisions. We avoided the tough choices. But suddenly the world around us was changing, and we just weren't competitive. Facing facts, we knew we had

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to transform our company and our corporate culture if we wanted to see the 21st century. We needed to become fast-moving, flexible, open to knowledge, and tough-minded in deciding what adds value.

To manage change, we redefined our goals from simply pleasing our customers to creating an economic engine of growth to benefit all our stakeholders with an absolute financial measurement - generating a return greater than our cost of capital. We clarified our business strategies to tie our employees' activities to our overall plan: to continually build and expand our market share, continually reevaluate our current products and pump out a steady flow of new ones, continually cut away at our cost structure to become the best-cost competitor, and continually seek to improve our individual performance so that each of us is the best at what we do.

Uncomfortable Realities

It's tough acknowledging uncomfortable realities, but it's the first step to a comeback.

Safety is illusory in the business world today.

When your businesses are fundamentally strong but underperforming, it's easy - and very tempting - to blame outside forces, from consumer apathy to the weather to the Federal Reserve. But that's when the leadership imperative requires us to step forward, identify the problems, and set about solving them. And suddenly you're up there at the end of the high diving board looking down and instead of a nice calm pool below, it's that rushing river of change moving by without you. It's a lonely moment, particularly if the company and its culture are what you've grown up with and feel safe in. But safety is illusory in the business world today. You've got to take the plunge.

But how do you ask your business leaders to question their cherished beliefs about their businesses or themselves without making

them defensive? How do you reassure customers that your internal reevaluation won't mean a disruption of the products and services they count on from you? How do you tell long-time suppliers that they may - or may not - continue to depend on you? How do you communicate the demands of the global marketplace to a community living by the economic standards of the '70s? And most crucial of all, how do you convince hard-working employees, long used to lifetime jobs, that hard work by itself is not the standard - that their daily activities must add measurable value to the corporate whole? How do you tell them, without a total breakdown in morale, that after the measurement process is over they may be doing different jobs or in the worst case, no job at all?

Just as in the medical field today, pain management is very important. The key here is communication, early and often. When we at Armstrong began our self-evaluative process, which we simply called PATH, we also began a concurrent communication process via detailed employee bulletins as well as a regular PATH newsletter. We also realized we needed a clear, simple new way for our employees everywhere, in all of our (then) 82 plants in 12 countries, to see themselves and each other.

What we came up with was a new vision of the Armstrong employee, no longer someone tied solely to one plant or one business, but a person who is part of a global enterprise, one who shares with fellow employees a commitment to the concept of excellence in every aspect of business life. This new identity has helped to both unify and strengthen us.

The Leader's Role

Changing a corporate culture is as much an emotional exercise as an intellectual one. In the change process, we say goodbye to old ways and sometimes to old friends. One of the secrets of successful change is to know which elements of the past to retain - the things that nurtured your past triumphs - and which to jettison.

At Armstrong, we realized that our future depended on crystalizing our goals and strategies into clear guideposts for action. As incoming CEO, one of my roles was to communicate a sense of

urgency about the challenges we faced and demonstrate my commitment to meet those challenges immediately. The message had to be delivered candidly, in accessible language, in a way that would spur an emotional response and action. So I didn't ask our people to paint the bus we were riding on; I asked them to get off the bus and onto a high-speed train. That's when our decade of experience with the Total Quality Management process and the teamwork that's necessary for successful TQM paid off yet again.

Our people responded with willingness and enthusiasm. The kind of baggage people carry separates those who will be nimble enough to jump aboard and those who will be too burdened to keep up. It's the difference between a steamer trunk of old files and notebooks and a kit bag packed with core beliefs and values that have brought success in the past. Traveling light gives us the speed, the flexibility and the freedom to make decisions based on our underlying principles coupled with the strategies we devise to meet today's challenges.

*Can we afford to be corporate cocoons
in an era that demands we be eagles,
not butterflies?*

Hard Decisions

By early 1995, we were ready to go. With a team of company veterans, bolstered by a new chief financial officer brought in from outside, we began to move forward. We had hard decisions to make, but measured against a strategy that we knew was right for us, the decisions were unavoidable.

All the visions, goals and strategies don't mean a thing without the guts to see them through. For Armstrong, as for so many others today, that's meant closing plants and cutting costs, including jobs. It has meant selling our largest subsidiary, Thomasville Furniture, a first-class operation that we were proud to have as a member of our corporate family but which couldn't earn its cost of capital. We divested a textile joint venture in the Peoples Republic of China and put our entire textile products operation on the market. We closed a 55-year-old plant in Massachusetts and restructured our biggest, oldest business, our floor products operations. But there

were high points, too: two new joint ventures in China, a new plant in Poland as well as one much closer to home in North Carolina, millions invested in two of our flooring plants, including our flagship plant in Lancaster, Pennsylvania, a successful business combination for our ceramic tile business, record sales and a 61 percent increase in our stock price.

And through all this, we have been mindful of the stresses such rapid change places on employees. People quickly see inconsistencies, especially when their futures are at stake. We need to reinforce constantly, by our words and actions, our commitment to all our stakeholders, none more important than the people who take our goals and strategies and turn them into products, plants, and profits.

Some of our hard decisions have fundamentally challenged long-held cultural metaphors – the corporation as family, for example.

We all know that “Father Knows Best” is a pop culture relic of the ’50s. It may also be an outworn concept for companies. Can we afford to be corporate co-

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coons in an era that demands we be eagles, not butterflies? I’ve already mentioned the importance of teams, and “teamwork” has long been a byword in our workplace. And perhaps it’s the right concept after all – teams don’t win by accident over the long haul. They win because each member, with his or her different skill, comes to the game with a will to succeed and an awareness of the need for the complementary skills of teammates. Team players constantly hone their abilities, looking for advantage and a falter by the opposition. Sometimes they’re traded away to other teams. The MVPs are rewarded, and the bench warmers move on. But two things are vital to successful teams – a leader to rally around and a sense that while the game lasts the team is a whole, a unit, a “family,” if you will, of people who share a common goal, a unifying mission, and respect for each other and each other’s abilities.

Together they share the risks of failure, but they also share the rewards of success.

The True Measure

At the end of the day, we know all our efforts come to nothing without positive, measurable results. Reorganizing, restructuring, reengineering – whatever we call it, it’s make-work if it doesn’t increase value for all those who hold a stake in the company. Today the bottom line has to become a trajectory of strong and steady growth.

To do more than just accommodate change, to lead it, shape it, and maximize its benefits, we must raise the bar for ourselves as leaders. We can run with change, or hold back and let the current pass us by, or try to stay ahead of it. Managing change is tough enough, but mastering it is the key to marketplace longevity.

And for that we need to have dreams as well as goals, foresight as well as an understanding of the “now.” We must understand people and what motivates them.

We must have a clear, clean strategy that adapts to cycles. We need the courage to take risks and the strength of purpose to persevere. A changing world provides the opportunities. The rest is up to us. 

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