

# DESIGNING CULTURAL CHANGE

*How nine leaders reformed their institution's culture, by changing its identity*

by Tony Spaeth

Here's a simple proposition. The single easiest thing to do to change an institution's culture, the "tipping point," is to change its identity.

As an American, I feel a little silly saying this to Russians, because all of you have lived it. There could be no more powerful illustration than the change of "Soviet Union" to "Russia." Just imagine this name change decision not as reactive to a fait accompli, but proactive... the act of a leader seeking to change the people's attitudes and political culture.

That is the subject of this article. I show how nine American leaders (both in corporations and in a government unit) used an identity change to help change employee attitudes and behavior. I have to believe that in both public and private institutions, many Russian leaders seek cultural change too.

As every leader knows, it is *hard* to change an institution's culture, understood as the collective behaviors that result from its own peoples' sense of their historic identity, shared values, and defining achievements. The leader can know what behaviors must change, can articulate them, and manage to them... reorganize, promote and compensate to them... yet old attitudes and behaviors persist. The ship is large, and slow to turn. And she is dragging an anchor... which is that her people's *personal* identities, even those of the management team, are vested in the institutional identity they so deeply know (and which their family, friends and neighbors know as well). Those images and associations are set in the heart and mind, and are often assumed to be immutable.

It is very *easy*, however, to change the institution's identity. In the big picture it's a snap of the fingers. The logo, even the name, is that rare item the leader fully controls and can change at will, usually (despite the myths) in a short time and (all things considered) at absurdly little cost.

The good news? There is compelling evidence that when the *hard* culture change makes sense, an *easy* identity change (well planned, designed and communicated) will move that big ship instantly. Indeed, the institution's brand may well have been the critical bottleneck, whose removal was required in order to unfreeze outdated attitudes and behaviors.

Identity change has so clearly proven to be a powerful leadership tool that the American business schools are taking notice. In Academy of Management Review (January 2000), Gioia Schultz and Corley contend "that organizational identity, contrary to most treatments of it in the literature, is actually relatively dynamic, and that the apparent durability of identity is somewhat illusory." They conclude "the strategic concern of management is no longer the preservation of a fixed identity but to manage and balance a flexible identity in the light of shifting external images."

When faced with a cultural bottleneck, then, should a leader change the brand? "Do we really believe that intentionally destabilizing identity for the sake of instigating change is a viable recommendation for top managers?" ask the professors. "Yes, as long as that attempt is guided by a compelling future image that remains sensitive to the maintenance of continuity in [those] elements of identity that provide the necessary security to accomplish change."

Thank you, professors.

Let us assume, now, that you are a leader, with a vision for your institution. You now have the professors' permission to manipulate the brand. But what is the nature of your vision? And just how do you need to change your corporate culture?

- Must you, for example, change a culture that values security and reliability, into one that embraces innovation?
- Or must you perhaps replace a cost-driven commodity culture with a very different value-added service culture?
- Must you break away from a reputation you've been coasting on (a corporate parent, let's say, or some other institution) in order to determine your own destiny?
- Or must you achieve a turnaround? Must you change habits of failure into sustainable expectations of success?

For each of these challenges, you can learn from other leaders' successes. Here are nine examples of identity change, commanded by a leader in order to refocus, redirect or reinvigorate an institution's culture.



For several years, Pfizer's corporate communications staff nurtured the idea of an identity change, to update the company's visual appearance and professionalism. Its identity consultants, Anspach Grossman Portugal, had done the required management interviews, and proposed an identity plan which somewhat cleaned up the branding and nomenclature system. But in 1987 they were getting nowhere, having found as yet no leader to champion the change. No one wanted to explain and defend what was still seen as a largely technical or 'esthetic' improvement.

In one last effort, a "fish or cut bait" meeting with CEO Edmund T. Pratt, Jr. the consultants were at last able to link a new logo to Pratt's most cherished leadership goals for Pfizer. There would be benefits in clarification of a broader health-care positioning of the Pfizer brand, and in a lowering of the traditional wall between the U.S. and international divisions. But to Pratt, the larger opportunity would be to kick-start a more fundamental change of culture ... to make Pfizer's people believe they could be, and actually become, the industry's leaders in innovation. The *old* oval logo took them back to Brooklyn, in 1943 (when Pfizer invented mass production of penicillin). The *event* of a logo change, as much as the nature of the change, would face the employees (and managers) forward.

The new mark, then, was launched as "A Symbol of Innovation." As Ed Pratt explained, "Innovation defines us. It is the source of our success."



The design execution shows how little really needs to be changed to express (as the professors said) "a compelling future image that remains sensitive to the maintenance of continuity." This small design change, when linked to a

leadership commitment and forcefully communicated, effectively “tipped” Pfizer’s self-image.

In 1987 Pfizer ranked sixth among pharmaceuticals... it became first by 1995. Credit the logo? By no means. But credit a new culture of confidence and innovation, convincingly expressed by the logo change.



## **EASTMAN CHEMICAL COMPANY**

In 1992, Eastman Chemical embraced an ambitious “strategic intent,” to become “the world’s preferred chemical company.” Yet Eastman was still a division of Kodak, not actually a company. Employees and managers alike were proud to wear the Kodak logo, and the Kodak brand’s fifth-place ranking in global awareness was a great comfort to them. CEO Earnest Deavenport, however, felt that independence from Kodak was a reasonable objective... for perhaps the year 2002, ten years away.

A minor issue (the confusing names of some European subsidiaries) had triggered an identity review. But in his recommendations to Deavenport and his management team, the identity consultant’s analysis led to a strong, simple conclusion: “If you are truly serious about your ‘strategic intent’, you must create your own potentially free-standing corporate identity, and reduce your reliance on the Kodak brand mark.”

“A company identified visually by the Kodak logo,” he continued, “cannot become ‘the world’s preferred chemical company. As long as the ‘K’ remains and in proportion to its prominence, you will appear to be an afterthought, a stepchild, perhaps a captive supplier or an opportunistic seller of Kodak by-products, and not truly in charge of your own destiny.

“It may be difficult for Eastman people to fully appreciate this effect of the Kodak brand, simply because you yourselves already know the true stature of Eastman Chemical Company. For you, adding the Kodak mark merely embellishes this existing awareness. The problem is that when *others* see you, they too know who you are, and they are substantially wrong.

“It will be easier for you to establish true awareness and respect with a substantially new identity, than with an existing logo no matter how well known which means something else and whose future meaning is out of your control. The rationale for a new, potentially free-standing corporate identity boils down to expressing the new vision, vesting it, giving it a home. Unless you do that, your Strategic Intent is not credible.”

Management discussion then focused on the power of “Kodak” in Eastman’s various markets. But the goal “world’s preferred chemical company” addressed (and challenged) employees, not customers. Earnie Deavenport knew that employees come before customers... that ultimately, *employees create customers*. He expressed his leadership decision with an American expression that clearly reveals this internal focus:

“It’s time to get off the porch and hunt with the big dogs.”

**EASTMAN**

With its Erlenmeyer flasks in the A's, the resulting logo preempted the "Eastman" name for the chemical division, and completely replaced the Kodak "K." It took *only a year* (not ten years) for Eastman to become a freestanding company... and for good measure, to win a Malcolm Baldrige National Quality Award. Both achievements flowed from Earnie Deavenport's confident commitment that Eastman would determine its own destiny, and "hunt with the big dogs."

## DOW JONES & COMPANY

In 1996 "Dow Jones" was not thought of as a brand, and actually had no logo... the corporate name would appear in virtually any convenient serif font as above, usually capitalized, like the names on bronze plaques of Wall Street firms with whom it was thought to associate.

True, Dow Jones publishes The Wall Street Journal. But Dow Jones is not a "Wall Street" firm; it is a media company whose peer group includes Time Warner as well as the New York Times. And it was an increasingly technology-driven media company whose future would be more electronic (digital and broadcast) than its print past (and image) would suggest. Tension between these media, and the cultures and values associated with them, would provide the biggest challenge in creating a coherent corporate culture, and brand.

But in 1996, when CEO Peter Kann asked "should we have a logo?" he did not at first intend to re-think the company, or to clarify its culture. This opportunity came into focus gradually, through the identity consultant's management interview process. At first, Kann named just three executives to be interviewed about identity needs. As the consultant played back their issues and ideas, Kann wanted to hear from yet others. Ultimately twenty-eight interviews were transcribed (and Kann, a Pulitzer Prize-winning reporter, would read virtually every word).

The first work product was a Dow Jones "Corporate Brand Platform" with six planks – statements of Position ("World's preferred source of business knowledge"), Purpose, Mission, Composition, Culture and Personality. The Composition and Culture statements, taken together, expressed emphatically Kann's view that "Dow Jones" must behave as a seamless continuum across print and electronic media:

Composition:

"Although historically we are formed of strong, freestanding businesses, today convergence and coherence are more important to us than division. Our purpose is best served by an open flow of ideas, skills, people and information throughout Dow Jones."

Culture:

"Our most fundamental passion is for the integrity, accuracy and relevance of the information we provide. This Dow Jones value crosses all unit lines."

The Personality statement, however, was an equally important expression of culture, or desired employee behavior:

“We are not a bronze plaque. Our defining personality is dynamic, fast-moving, real-time. We are innovators.”



The design of the new Dow Jones logo was driven by this personality statement. Peter Kann himself, alone, came to the designer’s office not once but twice, to participate in choosing and refining scores of design ideas. He chose the “horizon line” solution, though it was not the most original of graphic ideas, because it helped to express the “World’s preferred” positioning and established an aggressive, progressive and confident personality.

The resulting “Worldmark,” *designed to impact internal audiences more than the public*, appeared quietly in the Wall Street Journal’s banner, top left corner of the front page, where Peter Kann himself placed it. There could be few clearer examples of a CEO’s use of the corporate brand, to shift and clarify corporate culture.

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Clearly, successful service businesses depend on a service-driven culture, whose employees work hard to please customers. When over time this is forgotten, it may help to change the brand and start fresh. Here are two examples, United States Postal Service and Aramark.



In one of his first acts as Postmaster General, Marvin Runyon initiated a redesign of the United States Postal Service brand. He knew his biggest challenge was to shake up an aging bureaucracy, and to convince postal workers that they could and must compete with Fedex, Airborne and others in both speed and courtesy. But this would require a significant culture shock, on a scale that *nothing short of a brand change* could achieve.

Runyon spent a year in strategic planning, pulling the unions with him to “restructure, refocus, and rethink the way we do business,” and become “more businesslike, responsive, and competitive in the communications industry.” The brand change, however, would make it real. As he put it in his October, 1993 letter to the employees, “We need to send a clear signal that we are dedicated to a new level of quality, customer focus and competitiveness. So one of the things we are doing is changing our corporate identity. Our new emblem is powerful and dynamic. It is a clean break with our bureaucratic past.”



Some Americans were dismayed when this bullet-like eagle’s head replaced the more elegant bird (designed by Raymond Loewy’s office in 1970) on the side of their neighborhood mailboxes. I know I was. The new mark was not an esthetic improvement. But when measured by management intent, the most effective marks are not always the most beautiful marks. This one has truly helped a government-owned institution to be more

competitive in a commercial marketplace.



The vending machine pioneer “Automatic Retailers of America” became ARA Services in 1969, and grew to international leadership in institutional food service and, more broadly defined, the “managed services” industry. In 1994, CEO Joseph Neubauer was having some difficulty in integrating acquisitions and in marketing outside the U.S., and realized that a weak corporate master brand could be part of the problem.

Most often, companies talk about the *marketing* impact of an identity change, rather than its impact on internal audiences. That’s what the public, including employees, expects to hear. But if you listen carefully, you’ll often hear the real message to employees that underlies, and indeed justifies, the public message. The whole point, in fact, can be to “go public” with a new brand promise *solely* to make it more real and compelling to employees.

The “Aramark” launch campaign was a clear example. It put these words into the mouth of the new star-person, the symbol of an Aramark employee: “I work for 10 million people every day. I work hard. I work for you. I’m ARAMARK. And I’m proud to be of service.” In his message to employees, Neubauer made this intention unmistakable: “Our new symbol catches the star quality of our employees and reminds us that personalized service is at the heart of our success.”



Indeed, the Aramark logo rather remarkably expresses a happy, energetic eagerness to serve. It both establishes and reinforces this defining cultural value.

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Another common need for cultural change is found in product businesses, with a strategic need to add services and thus to create a service culture where none existed. Again here are two examples, from the agricultural products and forestry industries. In 2002, both Cargill and Boise Cascade leaders used an identity change event as a platform to articulate new cultural priorities.



“Two and a half years ago, Cargill began a journey to become more invested in solving our customers’ problems, and less dependent on buying and selling commodities,” said CEO Warren Staley. “We are undertaking a fundamental change in our approach to doing business. We are more customer-focused, performance-oriented and innovative in all our business relationships.”

Is such a claim of ‘fundamental change’ believable if the institution’s identity remains frozen, as if sacred? Perhaps... but at a significantly greater cost in communications time and dollars. As Cargill’s EVP Dave Larsen noted, “A new logo provides a fresh start.” (For this reason a new logo, despite common myth, is often a cost-saver.)



This new logo's key message, therefore, is "fresh start." As a bonus, the logo's leaf device (essentially the top half of Cargill's old "oil drop" symbol) helps express the corporation's ambitious new vision... "The Global Leader in Nourishing People."



Boise's CEO George Harad, too, used an identity change to confirm and consolidate "the business transformation we have undergone over the past several years," both from wood and paper towards office and building solutions, and from product toward service. "We continue to be a reliable supplier of wood and paper, but we have also grown to be a company focused on designing innovative solutions."



Harad jettisoned both "Cascade" and the tree symbol, clearing the underbrush (so to speak) so he could redefine "Boise." But again, the nature of the change was probably less important than the *fact* of change, which requires both employees and outside audiences to rediscover the brand and to rethink their relation to it. Boise built a campaign around this logo change, to make sure this would happen.

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Another common leadership need is not so much to transform as *to consolidate* a corporate culture, replacing a mix of relatively autonomous subsidiary cultures (often acquired) with that of a clearer, more prominent and reinvigorated parent. The 2002/2003 rebrandings of Cardinal Health and Engelhard are classic examples.



CEO Bob Walter had founded Cardinal Distribution, a food wholesaler, in 1971; but it grew faster in drug and medical supplies distribution, and in 1994 he changed the name to Cardinal Health. Today the company has 50,000 employees in 22 countries and is "the largest provider of health care products and services in the world." To reach the next level, and benefit from synergies, Walter believed employees would need to break out of their separate silos, many of them independently branded, to learn to collaborate and to cross-sell.

In the last ten years alone Cardinal Health had made some forty acquisitions (including such identities as R.P. Scherer, Pyxis and Allegiance). Many employees were more likely to salute their unit's own flag, rather than the quaint cardinal's head. And the corporation itself simply wasn't getting credit for the scale and scope of expertise added by its acquisitions. The need to *rebalance* cultural focus, between units and the parent, became clear and compelling. Redesign was required.

It's nevertheless remarkable, and very special, to see a *founder* CEO spearheading a redesign like this... rather than guarding his own beloved bird-head.



The new brandmark brings a new sense of dynamic contemporary relevance, as well as a stronger, more coherent companywide focus. Most importantly, it provided a “flag” that all units were proud to adopt... “Today, our worldwide brand is launched, uniting all employees under a single name.” Clearly,

this was an act of leadership, using design to achieve cultural change.



In late 2000, President and COO Barry W. Perry assumed command of Engelhard... “a metal-banging, dirt-digging odd bird of a company” (per Financial Times, 1998) generating \$4 billion in metals and mining, catalysts, pigments and such, managed as a federation of stand-alone businesses. Perry replaced a CEO who had spent the year trying to sell the company; Perry, in contrast, had been working to promote cross-divisional synergies and the common focus he saw in the businesses’ shared technology. He saw Engelhard in reality as a *technology* company, with businesses uniquely centered on “surface and materials science.” Now, he would get his chance to realize this vision.

In his first 100 days, Perry articulated the vision through action, for example by selling non-core businesses and eliminating 20 high-level ‘gatekeeper’ positions. And he effectively communicated his vision to Wall Street, which responded with a billion dollar increase in Engelhard’s market valuation.

Investors got it. But Engelhard’s employees would not be so quick to break old habits, or to salute a corporate flag they had been trained to pretty much ignore. In their reluctance, corporate brand champions Mark Dresner (VP Corporate Communications) and Mike Williams (Sr. Mgr. Business Communications) saw a billion-dollar risk. “That’s how we got management’s full attention as we rolled out the new branding initiative,” Williams said. “We told them there was a billion-dollar risk facing Engelhard, because that’s the amount of market cap Barry created by sharing the new brand with Wall Street. But our employees weren’t yet living the new brand, and if it was just a vision for Wall Street, then that billion dollars was perilously at risk.” Recommended solution: change the flag!

A change in the logo – merely a color change – would signal and ‘anchor’ a much more basic campaign to change employee ideas and actions, and therefore customer experience. Mike Williams said “We used the logo change as our first example in this campaign, explaining that no other company in the world does everything we do, yet blue is used by about 85% of companies. Our personality is not blue; we want to be a RED company.”



And the culture changed, because Perry’s central vision now made more personal sense to

employees everywhere. It was real, it was working, and they now had reason to identify proudly with the corporate idea and with the brand that represents it. “For the three years prior to Barry Perry, our performance trailed all the indexes” said Mike Williams, “while we’ve led the indexes in the three years since he took over, which is what you’d expect from a weak brand and a strong brand.”

In 2000, Engelhard stock sold as low as \$14 a share. In 2006, BASF wants to buy the company... for \$39 a share. Again, “what you’d expect from a weak brand and a strong brand.”

## **Conclusion**

In Russia as in America, the corporate brand can no longer be seen as a sacred, untouchable icon. It is better understood as a dynamic leadership tool.

A leader can use an identity change to signal strategic change, and *when the fundamentals are in place*, this is an especially powerful tool for bringing employees (including the management team itself) more fully, more personally into alignment with the new strategy. Always assuming the new strategy makes sense and truly expresses a leadership vision, a well-executed and well communicated logo change can almost overnight assure the needed cultural change.

And in the larger scheme of things, this kind of logo change... including a comprehensive redesign of all corporate communications ... in proportion to its impact, is absurdly affordable. As the nine leaders above could testify, there are simply no other investments that reliably produce more impact per ruble.

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