

SwitchPoints: Culture Change on the Fast Track to Business Success

An Interview with:

Peter Edwards
Vice President, Human Resources
Canadian National Railway (CN)

Interviewed by:

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When it comes to leading organizational change, Peter Edwards and his team at the Canadian National Railway walk their talk. In their newly released publication SwitchPoints, Edwards and co-authors Les Dakens of CN, and Judy Johnson and Ned Morse of the Continuous Learning Group (CLG), describe how CN advanced from good to great in a few short years, becoming North America's top-performing railroad with both corporate customers and investors.

With a highly accessible and down-to-earth approach, the authors share their journey through applying behavioural science to the culture change at CN, and offer leadership principles and practices that are applicable to any organization seeking to enhance productivity, change attitudes, and ultimately, improve culture.

Hilary Sirman of Queen's IRC recently spoke with Peter Edwards about the critical switch points in engaging employees at CN. Below are selected excerpts of our conversation about the challenges and opportunities of implementing and sustaining cultural change.

Your book, SwitchPoints, begins with a dedication to Hunter Harrison, CEO of Canadian National Railway. Why was it important to you and your co-authors to start the book this way?

Hunter Harrison is a real railroader, by any stretch of the imagination. If you look at where he started in the railroading business, it was as a car man, which is the entry level job in any organization, and finishes as CEO. As Hunter progressed over the years, what he learned, and the innate skills that he brought to the organization have really helped revolutionize the business. Hunter brought in the practice of "precision schedule railroading", which, from a pure railroading standpoint, has been an amazing change.

Furthermore, what he has done for CN and how; first starting with Paul Tellier on organizational turnaround, and then carrying it on himself, has also been amazing. It is not just in his technical aspect of the railway, it's also Hunter's knowledge of people and leadership that have really helped define commitment within the company. His ability to support, lead and create initiatives has really helped drive the culture of CN in immeasurable ways.

How do you define "organizational culture"?

That's an interesting question. Culture is really the way people behave individually and collectively in a given set of circumstances. It's defined by a number of things: the expectations we set, what we measure, what we communicate, and what we consequence. It also determines the performance of an organization, and that is very important.

Everybody has something unique when they approach a culture or organization. They have a unique set of skills; they have a unique set of life experiences that only they carry that will shape the way they do something and the way they respond given all these different stimuli. Being able to draw those experiences around a common core really is what has allowed us to move our culture at CN forward. By being able to define it, we can ask people to buy into it.

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Protecting and preserving culture is a challenge every day.

How does an organizational culture become broken?

It doesn't happen in one day, and it doesn't happen with one person, but the first day it starts to happen is usually when somebody decides to overlook something or walk away from something that maybe they should have commented on or coached on. Perhaps they don't overtly recognize good work, don't deal directly with poor work, or maybe they're too tired or don't want any confrontation or aren't comfortable giving praise. For any of those reasons, culture can become broken in increments. If we don't do the right thing consistently, then it just starts – and it's like rust – just a little bit more can erode every single day.

If you're in an organization where a leader fails to lead on all those aspects you may start to wonder "well, maybe they don't care". The good workers are frustrated that "I can't get us motivated" where a bad worker says, "I can just sneak out" – and there's no consequence. Then your organization's culture becomes even worse. This leads to good workers realizing that "Look, they don't even deal with the bad people...and I have to work harder" – and the bad worker says, "They don't care about anything anyway." Then the culture rots. It is hard as an organization to come back from something like that – it's very difficult.

Protecting and preserving culture is a challenge every day. It's something that if you don't reinforce positively every day, the negatives will come back again.

It has been written by many management theorists that culture is the most difficult part of any organization to change. Do you believe this?

Absolutely. As a company, you can buy and sell buildings and machinery as capital, but culture is how you differentiate yourself. When you look at most organizations today, there are many that have no capital advantage over anybody else. At CN, for example, we buy the same locomotives as our competitors: we buy the same rail ties and we leverage the same control systems. We all have access to the same great tools, but the difference is in how you utilize those, and how ultimately you make a difference.

Starbucks Coffee and Haagen Daaz are companies that have made a difference, however, Haagen Daaz has managed to sustain a change; Starbuck's hasn't, to date. As a company, they have got some challenges. The irony is that once you get on top, it's staying there that is so difficult.

Stopping the behaviour of early quits on shifts was an important "spiking switch" in the process of your culture change at CN. Why do you think this was such a significant place to start?

This was so significant because it was pervasive across the company, and, I would hazard, much of the industry. Many other companies and locations have struggled with this before, and to no success: they didn't get support, and the negatives always won. Now, on this one occasion where we at CN said "no", from end to end, coast to coast, it stopped. Some employees were saying, 'Well, they won't stick with it' while others thought, 'We'll just push back.' I even had a person on my management staff say, "Don't get too close to this one, because it'll never stick." It's amazing sometimes the way people approach these things.

But, by putting that spike in the ground, spiking the switch, and saying we're not going back— sorry — really sent a message to everybody that it's not acceptable any more. These wild behaviours are no longer acceptable and once you get those under control, then you can start moving along in a continuum.

What was the impact of Hunter Harrison's "precision railroading" in changing the culture at CN?

Huge...and it had to be huge, because if you don't have precision railroading, and certain parts of the business aren't running well, overall the whole thing isn't running well in an integrated fashion. But, if you want to have a precision scheduled railroad, everything has to work together in a tightly knit, coordinated fashion. From Finance to Human Resources to Planning, to the day to day operations; it's all got to work together.

Paul Tellier came to CN and made some massive and sweeping changes to the organization and did a phenomenal job. As Paul admits in the book, he didn't know a lot about railroads, but he does know people. He also knows processes, and he said that Hunter Harrison is the man for change. CN is full of very, very intelligent and very strongly dominant individuals. Yet, they worked together like you wouldn't believe — and they produced results.

When Paul made a decision at a point in time that he wanted to pursue an opportunity at Bombardier, as an organization, we were all upset to see him go because he was a great guy; but he had done what a great leader does, which is to prepare a succession. When you look at CN leadership today, a lot of the people today are people that Paul and Hunter had put in place. That speaks of a powerful team.

Your "Trip Plan for Culture Change" outlines a measurable seven step change plan. What was your process in developing this strategy?

These plans often evolve organically. It would be nice to say that we just sat down and in five minutes we came up with it and said, "Well, let's go from there!" Life would be good if that were the case! Sometimes I think we saw the plan in retrospect. Sometimes things happened and we said "Hey, this is working...okay, this is a step." Then we would try different pieces at various different locations, and some things took, and some things didn't, as you see in some of the book's stories. From there we would say, "Okay, next time we go there, we know that this is a problem. We can't do this again" or, "This is really strong and supportive and it works." That openness to trial and error made a huge difference.

Those steps of our change plan built on each other organically as we went, and it worked because ultimately we knew where we wanted to go. In reality, we always kept saying: "There are many roads to Rome, but we know we're going to Rome."

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Mud is what gets in the way of the flow of communication and information in an organization. It prevents us from being effective.

You introduce a new term in this book: "Organizational Mud". Can you define "mud" and explain its impact on an organization?

I love the term. Mud is what gets in the way of the flow of communication and information in an organization. It prevents us from being effective. Mud is things like: Why doesn't the right information get to the right people? Why doesn't the leader know what's really happening in a location? Why do people use email when they should just talk to people? Why do we create structures that don't allow us to communicate effectively? You can see that mud really exists in so many ways in our organizations.

Your job as a leader – and I think everybody is a leader – is to wash away mud. We have another book called *Change, Leadership, Mud and Why*, a publication internal to CN, which contains a complete chapter on "mud" which fully explains the many different types.

The analogy really is good because you can visually see it - and understand it for a couple of reasons. One, it's very visual and people can understand it, and we all experience it in every organization. Your success as an organization, and the speed at which you could operate, depends on the amount of mud you have. If you have a lot of mud, you can't change quickly or adapt fast enough. I noticed some of the challenges in the academic environment when things get bogged down in committees. Committees are a good example of mud. You have got to strike the right balance maybe between mud and out of control.

Even great employees get buried in the mud. At CN, we introduced "Hunter Camps" to wash away the mud. Why? We want to get to the problems – the real problems – immediately, and change them. We won't have a committee, and we won't put on a list, we don't bring it up next month. We change it and we change it today.

Now and then we find a good employee and we find out, well, this person's so phenomenal, why haven't we heard about them before? So we need to get them out of the mud. It's a really important concept in the railway business because mud is what you're always trying to avoid from an operational standpoint. When mud gets in the tracks, it grinds away at the ties underneath, so you don't even see it until the point where it they've been worn away so much that the tie could break. That's what it's all about – keeping the mud flowing. Washing it out so the organization can work effectively.

In the book you reference a scale of leaders from Q1-Q4. What advice can you give to an emerging Q2 or Q3 leader to help them become an exceptional Q4?

Leadership takes some time and practice...and patience. With some people you have to shake them enough to make them change, viscerally get to them by saying, "You know, this really isn't working out – you really need to be much more effective in this area; that behavior won't get you there." You have really got to get down and get passionate with them. You've got to say "This could mean your job tomorrow!" Some people would say, "Well, that's so mean". Is it better to do that, or be really nice and fire them?

What we want to do at CN is get people to perform at the best of their abilities. We try to use different motivations and appeal to different personality types. For example, there were people in our organization where if I'd just said, "Well, we're a little disappointed in that", it would crush them, and they would be changed overnight – and make things happen differently. On the other hand, we have other people where if you specifically tell them not to do something, they do it anyway. How do you change that person? Obviously talking to them didn't reasonably work.

Another tactic is to give people an example. Why do we have this misconception that management is a natural act? Why do we think people will know how to lead? When were you taught that? Are you supposed to have learned that innately? Did you take a course in high school that said "Let's talk about appropriate leadership skills and how to motivate different people?" No, you didn't. We didn't.

Most people out in the working world are probably very technically good at what they were doing when somebody said, "Wow, you're so technically good, let's make you the Chief of this group or this department". What about my leadership skills? Taking a leadership course here and there for a couple of days can definitely help you learn, but if there's no environment to reinforce it, how do you know if you're bringing the right things to the party? That's why we wrote the books we did at CN.

Employees at CN are asked to be different. They're asked to step up to the party, to be accountable. Accountability is huge for us: do what you say you're going to do.

You make a statement in the book that to change culture ultimately means to change behaviour. Why are efforts to modify behaviour so critical to implementing organizational change?

If you don't change behaviours, that's allowing mud to creep in again. If you allow things to happen that shouldn't be happening, and you persistently do it, you send all sorts of wrong messages to the rest of the organization. Not only do you let that problem exist, but you in fact, multiply the number of problems for the organization.

Is changing organizational culture harder, or just the same, in a unionized environment?

A lot of people would probably say it is harder in a unionized environment – but I think that's a cop out. In some ways, unionized environments give you a structure which you understand and can deal with. If you had many thousands of employees – thinking of compensation systems as an example – the collective agreement states that you have a structure and wages and that employees get paid accordingly.

Imagine if you had 5000 people and no compensation system? How do you judge and evaluate each person? Most organizations couldn't handle that; especially if they're not mature organizations. So, if you have good unions, that makes it better. If you don't have great union relationships then maybe you need to work on your culture anyway. You won't always agree: sometimes a union might have a different political agenda. It might get in the way, but what you find is that they've got a common goal to see their members – which are our employees – succeed.

In managing organizational change, you analyze the little things in the messages you send to employees.

With change, you first realize it never ends. Ever. That's the challenge.

The concept of being "Dressed and Ready" at the start of shifts appears to have been another key cultural switch point at CN. Why did you feel this behavior was important?

In managing organizational change, you analyze the little things in the messages you send to employees. There are many organizations around North America today, and around the world, which have a lot of financing and are well-known in their field for great products. When you go into their manufacturing facilities and they're supposed to start at 8:00am, however, you may find some employees milling around with no sense of urgency or passion at 8:15am. The problem with this is that eventually these companies will get beaten – and beaten badly – by the ones with the sense of urgency, passion and focus.

You can see the same scenario in sports. Why is there a winning team? - because they have more urgency and they have more passion. The team who wins is not necessarily always the one with the most talent. Sometimes you see massively talented teams put together, and they've never performed to their capabilities. Why? Because they don't work as a team. They don't have a defined mission. They don't have urgency. They lack the passion.

Managing culture change requires a lot of courage and stamina. Did you personally ever have a crisis in confidence when going through a significant organizational change?

Of course you do. There are always times when you mess things up. There are times when people are angry and there are times when people question "why are you spending this money?" and you have to persevere. You have to say "no" sometimes, and you have to listen. Sometimes, when necessary and if appropriate, you modify the plan or approach. But you can't get off the core mission if the culture has to change. Remember, we're going to Rome. And Rome is a culture change.

Sustaining the change is also a significant task. What are the signs of culture slippage, and how did you go about mitigating this at CN?

With change, you first realize it never ends. Ever. That's the challenge. You realize that you're going to have to do it tomorrow, and the day after, and the day after. Now, you can get to a point where the variances will be less loony. At that point, you have to keep moving that bar up because that's what differentiates corporations.

For example, you may be accepting low productivity but justifying to yourself that well, at least everybody was here all day, and we're better than we used to be. If that's the case, you can be sure that there will be another organization that will come along and will just do it better. Then they'll be the best, and you won't be. If you can accept that, you're going to run your company in the ground.

Let's face it, you spend most of your adult life at work. The least you can do is be challenged and feel like what you're doing makes a difference. Employees want to know a couple of things: they want to do what matters, and they want to know that their work is important. It matters – it's important. It's very simple stuff. We like to complicate it a lot more than that.

Looking ahead for CN and at other companies who are implementing strategic change initiatives, how do you think the current economy and changing demographics in the work force will impact the next 3 – 5 years?

These can be significant emotional issues for a lot of employees. In some cases, the impact may be too early to tell. Some people might decide not to retire, and employees of the “millennial” generation, where the perception is that you can change jobs or careers quickly and easily, will probably change their attitudes.

I read some articles recently in which one Gen Y employee was quoted saying, “I’ve worked for four companies in the last five years, and I quit my last job thinking I’d get another right away...and now I can’t find one”. But she was operating in a different market economy than what we are facing now, and her attitude was, “well, I’m in this generation and we’re the ones who won’t work for companies for a long period of time”. Now she’s finding out that she’s kind of caught herself out and I’m sure there are others in this boat, as well.

Now, will we swing back to the scenario where people will retire after starting with one company, or even two companies, and working there their entire lives? Probably not. There will always be some movement, particularly within certain groups, but I think longevity and stability will become a bigger factor. Because there will be less opportunity for upward mobility in some organizations right now, companies are going to have to pay attention to employee motivation in different ways than they have previously.

One last question on some personal anecdotes...in your acknowledgments, you wrote that if you want to understand people dynamics, come from a big family. How did coming from a large family shape your career and how you personally manage change?

Coming from a big family teaches you about how different people can be, even if you are related! If your company is good, maybe it’s like a family to you. Families do certain things. You need to look after each other if it’s a good family, and Hunter Harrison uses this example at CN a number of times. You can pick each other up when you’re down, and you know you’re always there. And when you need a kick in the rear end, like you might kick your brother or sister in the rear end, you can say, “hey, you’re off track here, buddy”. Like in families, you’ll fight in an organization, but you know deep down inside that you love each other. I’ve learned that and it’s an important lesson for anyone working within an organization.

Coming from a big family teaches you about how different people can be, even if you are related!

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Dakens, Les; Edwards, Peter; Johnson, Judy; and Morse, Ned. *SwitchPoints: Culture Change on the Fast Track to Business Success*. New Jersey: John Wiley & Sons., 2008.



Peter Edwards

Vice-President, Human Resources
Canadian National Railway (CN)

Peter Edwards is not interested in the status quo at an organization. It is his personal credo to create a company that can increasingly differentiate itself in the marketplace in a sustainable manner. From a people perspective, this requires a high accountability/high performance workplace with aligned and engaged employees in an environment where change is a routine expectation and there is passion about the possibilities.

Peter completed his undergraduate and Master of Industrial Relations degrees at Queen's University. He began his career with Abitibi-Price and worked with the organization across Canada. In 1989, he was recruited by Labatt Breweries / Interbrew and held successively senior positions that encompassed the human resources and labour relations portfolio. In these roles, culminating in Director of Human Resources and Labour Relations, Peter created numerous innovations that were reflected in the record length and flexibility of the collective agreements that enjoyed 94.5 % ratification support.

Since joining CN in 1999, Peter has created a culture road map for the organization and is taking a leadership position in moving it to the empower/engaged corporation. In his role as Vice-President, Human Resources, culture change and the high performance organization are his mandate. From working on critically praised books on managing a changing railway (*How We Work and Why and Change, Leadership, Mud and Why*) to establishing individual employee performance scorecards for every one of the 18,500 unionized employees, Peter uses the gamut of OD, HR and LR to continuously re-invent the organization. Last year, Wiley's Publishing released across North America, *Switchpoints: Culture Change on the Fastrack*, a book co-authored by Peter. The book has already received favourable reviews from Fred Smith, founder and CEO of FedEx and David Ulrich, the acclaimed international business writer.

In addition to his corporate responsibilities, Peter also currently serves on the Boards of the School of Industrial Relations and the Centre for Industrial Relations at Queen's University. From 1994 to 1999, he also served on the Board of Directors of Brewers Retail Inc. (The Beer Store).

