

Charting
A Wiser
Course



How Aviation
Can Address the
Human Side of Change

KAYE M. SHACKFORD
WITH JOSEPH E. SHACKFORD

FOREWORD BY J.A. DONOGHUE
EDITORIAL DIRECTOR, AIR TRANSPORT WORLD

Testimonials

“*Charting A Wiser Course* is an important dialogue that needs to happen through all layers of the aviation industry.

As an experienced practitioner of the old traditional, and often-confrontational, methods and behaviors of negotiation, I could be used as an example to show that you can teach an old dog new tricks.

I’ve had the valuable opportunity to utilize the tools and experience the benefits of this common-sense approach to decision-making and agreement-shaping in labor/management negotiations when an interest-based concept was new to the industry. Unequivocally, with true commitment from both sides, more elegant solutions can be crafted when both sides cooperatively work to solve each other’s problems.

I’ve also learned valuable lessons from mistakes along the way of trying to pioneer sea changes in behaviors and attitudes in an industry entrenched in the old ways of doing business. But the good news is that those mistakes need not be repeated.

Imagine where aviation can take us if we all work to design a new set of wings for the Phoenix.

Charting A Wiser Course can help us do just that.

Denise Hedges
Former President
Association of Professional
Flight Attendants (1992-2000)

“In the new global economy, it is clear that we need new tools to conduct business. The concept of winners and losers in negotiations must be modified to achieve a win for all parties, or we ultimately suffer losses in common. The principles and examples cited by the authors show that this can be achieved utilizing alternate currencies and genuine concern for each other’s goals. It is clear that integrity and cooperation can help us reach the ultimate solution. We may not find all the answers in this book, but it will help us move in the right direction.”

Steve Tosi
President
Magellan USA

“Kaye gets it exactly right. Today’s business leader is confronted daily by opportunities disguised as threats. The leader typically chooses ‘perfectly rational but equally wrong’ actions, resulting in alienating customers, suppliers, employees, and, eventually, shareholders. Since 1994, when I first participated in the Negotiating Solutions workshop, Kaye has challenged us to consider that business leaders can and must change their assumptions and behaviors to uncover the abounding opportunities. She makes it clear that creating trust through integrity, and developing a profound understanding of needs, can expose opportunities and build durable, mutually profitable, relationships. By focusing their energies on changing not the masses but their own assumptions, leaders can enable new behaviors and results. It is an extremely rewarding, and surprisingly easy, journey, once you know the way. Kaye is an able and experienced guide.”

Jon H. Stevens
Vice President, Logistics Services
SKF

“Making the change from positional-bargaining to interest-based negotiation has had a dramatic impact on the way we deal with our customers, partners, suppliers, and, of course, co-workers. With the state of the industry as it stands today, there is no way our company would have been able to remain in a leadership position without such a behavioral change. The aviation industry as a whole would benefit from a similar paradigm shift.”

Larry Alexandre
Vice President, Sales & Marketing
Sermatech Manufacturing Group

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Foreword

The aviation industry has always been about connections, and today that description applies more than ever before. Starting with the simplest connections - supplier to operator, operator to passenger, passenger to destination - aviation has evolved into a complex of interlocking and overlapping connections of alliances, joint ventures and partnerships.

Underlying all of these new forms of relationships is the labor/management connection, a relationship in some ways little changed from the days of its birth.

Aviation was one of the first truly global industries. In fact, it was on the back of aviation's travel and transportation capabilities that the other great industries of the world rode into the global market, achieving the scope and scale that have brought new levels of prosperity and hope to nearly every corner of the planet. And yet aviation itself has been stopped from becoming truly globalized by a network of laws and prejudices that only now are beginning to crumble as serious business thinking takes over from romantic and often provincial ideals

born in the 1930s. Those falling barriers open the door to a new generation of business relationships.

Today's levels of interconnectivity find previously adversarial groups with common interests requiring a unified response while the adversarial relationship remains to some degree. Now airlines find themselves in alliance relationships with other airlines that had been fierce competitors, and, given the track record for shifting allegiances, may be direct competitors again. A manufacturer enters a joint venture with another manufacturer on one project while understanding that the partner of the moment is likely to become a competitor's partner on another project. Operators buy equipment with complex after-sale parts and maintenance agreements in which the performance of the vendor has a direct bearing on the profitability of both. And labor groups enter into talks with airlines with an eye not only on the labor groups and expansion plans of alliance partners, but those of their regional airline partners, as well.

In short, never before has there been a time in which the ability to construct a useful deal while maintaining healthy relationships between the parties in the deal has been more important. The days of slash and burn deals in which the loser is left a smoking hole in the meeting room floor is a thing of the past for those who know that there certainly will be more deals in the future, and that while the aviation industry may span the globe it is a very small community, indeed. Your adversary today may be your partner tomorrow.

A new way has to be found to enable the various business entities to come together, fashion a deal in which all parties achieve sufficient benefit to prosper and yet retain sufficient good will that future dealings will not

be poisoned by excess advantage taken in the current transaction. With the complexity of the deals escalating with the increasingly complex business environment, that necessity becomes all the more urgent.

That need to find a new way to strike a strong business deal while fostering a positive relationship is the central point of this book by Kaye and Joe Shackford.

The Shackfords have many years of experience in fashioning deals and relationships that last, and training people to achieve those results. This book is a story of how their approach evolved and how it can be made to work. While a full understanding of that approach requires a deeper immersion in the process than can be had by the simple reading of a book, the book is a good start down that road.

We at *Air Transport World* believe that the Shackfords present a most beneficial approach to the art of doing business in the aviation community, a community that we like to think stands out for the excellence of the people involved. There really is nothing about the Shackfords' ideas that restrict them to aviation, but we have to agree with Kaye and Joe that aviation is a darn good place to start.

J. A. Donoghue
Editorial Director
ATW Media Group
October 20, 2003

Introduction

It was not accidental that the September 11th terrorists targeted our core institutions of aviation, finance, and defense. The aviation industry has been in a sickening flat spin ever since. The global economy needs our industry to survive, stabilize, and rebuild. Our various businesses and people have their own passionately personal reasons to wish for the same outcome.

The task before us is gargantuan.

The good news - if you can call it that - is that much of the mess we're currently in is of our own making. If we created it, we can change it.

Throughout the industry businesses are reworking strategy, markets, products, and organizational structure. They have laid off appalling numbers of people. They are simultaneously implementing major change initiatives - lean applied to the manufacturing floor and business processes, Six Sigma, value-streaming, supply-chain management, and others. They are seeking to implement massive changes in how they work in the marketplace with suppliers, customers, and partners. And they're also

trying to change dramatically the working relationships between management and employee groups.

But there's one key element that no one is paying sufficient attention to. Without it, these other efforts won't succeed.

To chart a wiser course in aviation (and in our other infrastructure industries*), one that will let us achieve our objectives, we must address this element as well.

What's encouraging is that businesses can start to address this critical element now without massive expenditure of resources.

Implemented wisely, this element will immediately start to provide them with better results, and will make more attainable the rest of the work they need to do. It will also give their people some respite, improvement, and hope, even as they're working to identify and shift towards the large strategic changes more appropriate to today's environment.

It has to do not with the *content* side of change, but with the *process* side of change, with what Douglas McGregor called "the human side of enterprise."¹ It has to do with how we do what we do with one another.

So what is this key element? It is a mind-change about the nature of reality. I intend to make a case that the environments in which we must now be effective, and our own strategic objectives, have changed so much that *we literally can't achieve those objectives using our current behaviors.*

*Though the examples I use are from the industry I know best, our students from other industries suggest the logic is as compelling and important for their industries as it is for mine.

I then will describe why we must, and how we can, align our behaviors with our objectives so we can accomplish the monumental task of rebuilding our businesses and industry.

Aligning your behaviors with your objectives sounds like a simple thing to do. In actuality, accomplishing widespread and lasting behavior change across an organization or an industry is hard. Perhaps because it seems that this should be simple, until now management has given it short shrift. It certainly has not been included in business plans and measurements.

Those who have addressed it at all have sought to get people to change behaviors through managerial pronouncements, mission and value statements, intentions, and exhorting them to try harder.

Sometimes they invested in skills training.
Nothing really changed.

The challenge is even more daunting because the very folks who need to establish, lead, and manage this paradigm-shifting change are precisely those people *least* prepared by training, inclination, or prior experience to do the job. They are the operations managers and leaders of their businesses. They didn't earn advanced degrees in organizational behavior or human psychology. Their degrees are in aeronautical engineering or mechanical engineering or finance or marketing or business administration. Or they have Airframe & Powerplant licenses. Or they came up through the ranks.

Many of them have few skills at, and little interest in, what tends to be dismissed as the "touchy-feely" side of business. This touchy-feely stuff has just never seemed that important.

Yet if their businesses don't effect corporate-wide behavioral change at the paradigm-shift level, the Herculean change efforts they're now attempting will fail.

Union leaders traditionally focus on preserving jobs and improving the conditions of employment. Operations managers usually look to their human resources and employee relations people to take care of "that stuff." This might be all right when union leaders and managers are operating within an existing paradigm. But it's not all right when they need to change the paradigm. In the midst of the rest of the upheavals, this, too, has to be their responsibility.

I think I can transfer to you the concepts and tools so that you can take this on wisely. I invite you on a journey with me to understand why it's necessary, why it's harder than it looks, and how it can be done.

If this book does what I expect, you should have a better appreciation for where we came from, what we learned, and what we've somehow forgotten. You'll understand better how our past is sabotaging our present. You'll have more clarity about how to move forward, an understanding of some of the roadblocks and quagmires, and you'll have the mental resources to begin. The book won't get you all the way there, but it should give you the concepts you need to prepare the rest of your plan in ways appropriate to your particular responsibilities.

The path I propose to take you on is sometimes a bit convoluted and theoretical. Much of it comes from life in the trenches; I hope it resonates with your own experience and causes you to smile or groan in recognition. It may put together for you elements you've known about but may not have linked before.

Most people take journeys they choose to go on, with some idea of the benefit to them from staying the course; so I want to preview the logic and flow of my argument.

Chapter 1 sketches out the growing crisis in our industry prior to September 11th. It describes the unintended consequences of the business model Jack Welch brought to GE, now broadly emulated throughout our industry. His efforts to undo the assumption that the corporation owed lifelong employment to its employees, coupled with widened span of control, ever increasing requirements for double-digit growth, and an annual edict to eliminate the bottom 10% of each manager's employees, had some nasty side effects. This model destroyed personal identification with the organization. It created a situation in which hours escalated endlessly and family life suffered. We were treated as and came to treat each other as commodities. Loyalty was to myself. We began to dismantle our own infrastructure of support and to tread the slippery slope of ethic in order to get results. I propose that everything we've been doing in order to get results is not only *not* getting us good results, it's actually getting us *lousy* results and making it harder to get better results in the future. I then propose that there is a better way - one that is sustainable, effective, and human.

Chapter 2 suggests that in order to figure out how to get to where we need to be, we first need to remember how we got to where we are now. I take you back into the major themes in the industry in the 1972 to 2003 period by inviting you along to visit my history at GE Aircraft Engines. I identify what working with others to make tough things happen in a tough

industry taught me about organizational and personal effectiveness. I suspect you have learned many of the same lessons. My purpose is to trigger your memories of your own history on a business and a personal basis, head and heart, in order to craft a shared launch platform.

Chapter 3 makes the point that though our current models worked surprisingly well for a long time, they aren't working now. I briefly describe the end stages of a once useful business paradigm. I raise two questions: What is the best model for our environment now, and what happens to people in organizations as we approach the useful end of problem-solving models that once served us well? I note that some of our best and brightest have been experimenting with other models – some inside our large businesses, others by opting out and setting up in smaller businesses to do it their way. So alternative experiments already exist; *we're positioned for a paradigm shift.*

Chapter 4 addresses the need for us to understand that we have within ourselves equally great capacities for good and for evil. We need to understand this if we're going to confront the change needed *in our own* models, assumptions, and behaviors. Most of the problems in our businesses today are derived from things we're doing to ourselves and to each other, not because we're pathologically calculating and callous, *à la* Enron, but because the cultures we're part of have supported these behaviors, because we've concluded we must do them to succeed, and because it's crept up on us over time. Yet the capacity to make other choices not only exists in us, in many of us there is a hunger for "there's got to be

a better way.” This hunger is now a key basis for the hope for change.

Chapter 5 reviews how our managements have been seeking to get significantly better results. In most of our organizations, we’ve dramatically revised our strategic objectives and written cascading sets of mission and value statements. We’re implementing major change initiatives. Yet management has been frustrated at the apparent lack of willingness of employees to step up to the opportunity in spite of the massive resources that are being poured into the efforts. Employees have been equally frustrated by what they see as a disconnect between management’s strategic vision, mission and value statements, and management’s own *behaviors*.

I propose the reason: Change initiatives this massive can’t be accomplished within our current paradigm for how we work together – our *behavioral* paradigm. To succeed, we have to change how we actually work with one another, day-in, day-out, inside the organization and out in the marketplace.

Chapter 6 makes the point that if we’re going to consider whether to effect a paradigm shift, we need to reclaim what it means. I review Thomas Kuhn’s 1962 book, *The Structure of Scientific Revolutions*,² drawing parallels between what he calls “the practice of normal science” and what we can call “the practice of normal business.” He notes that the rigorous training scientists receive teaches them to think *inside* existing models. He takes paradigms “to be universally recognized scientific achievements that *for a time* provide model problems and solutions to a community of practitioners.” For long periods the existing models work. There then come periods in which problems you

should be able to solve elude solution. Though you have to overcome tremendous inertia and investment in the old paradigm, investigations begin that “lead the profession at last to...a new basis for the practice of science.”

As we look for parallels between his world and ours, it becomes clear that the formal and informal educational indoctrination we received exerts a deep hold on *our* minds as well. We, too, derive insight from the success stories of our industry’s hero-leaders. The model problems they’ve solved, and the business models they’ve built, become the basis for our models. And sometimes we, too, reach points when models that once served us well can no longer solve the problems we need to solve.

The chapter concludes by suggesting that our paradigms are models or maps. Sometimes they’re useful; they help us navigate the terrain. Sometimes they aren’t. *And sometimes the terrain changes.* When that happens, it’s important to change the map.

Chapter 7 describes how managerial paradigms embed and why they tend to persist beyond their useful lives. This chapter explores how each of us figured out how to make the world work. It relates our early models to how we moved into our organizations as problem-solvers, managers, leaders, and creators of organizational culture. Those of us who rose did so because our personal paradigm for problem-solving worked wonderfully well in the environments in which we found ourselves. These models are deeply embedded in our instincts and deeply related to our self-identities. As we rose, we embedded our personal paradigms into our organizations’ paraphernalia of culture. Southwest is

as different from American as Herb Kelleher is from Bob Crandall.

This is why, if our managements, managers, and leaders decide to take this path, they will need mechanisms to remind themselves and their staffs that many of their instincts won't work - mechanisms for holding these embedded reflexes in check.

Chapter 8 introduces two basic premises: 1) the purpose of our behaviors is to achieve our objectives in a particular environment, and 2) negotiation, which *Newsweek* magazine calls "the game of life," underlies most of the behaviors we use to achieve our objectives.

Linking these ideas lets us use the research findings from the Harvard Negotiation Project³ to identify our current model for dealing with each other. They describe it as two sides of the same game: hard positional negotiation and soft positional negotiation. Most of us in aviation tend to play the hard side of this positional game. We can then look at the relationship between our current behaviors and our objectives. To do so, I review a sampling of objectives culled from actual corporate strategic objective and mission statements. I hold hard positional negotiation behaviors against these objectives and ask two questions: Does this compute? *It doesn't*. Can we get from here to there using these behaviors? *We can't*. Soft positional negotiation won't get us there either. *If we intend to achieve the objectives, we have to change the game.*

Chapter 9 notes that historically, when we've decided we needed to change our behavior, we have *intended* to change and *tried* to change. And then we've sent people to skills training. Nothing changed.

Einstein says that *you can't solve the problem at the level of the problem*. In this case, you can't change behaviors by seeking to change behaviors. That's not where our behaviors come from.

I introduce an $A \rightarrow B \rightarrow C \rightarrow D$ model for behavior change. Our *Assumptions* derive from our master model - our paradigm - and drive our *Behaviors*. Our *Behaviors* tend to elicit *Reciprocal Behaviors*. In combination, these *Behaviors* have certain *Consequences*. The model says that if we don't like the *Consequences*, we can make a *Decision* to change. Usually, when we decide to change, we seek to change the *Behaviors*. It doesn't work. To change, we have to revisit the master model and change it. The good news is that when we do change our model, we can do with relative ease things that felt like pulling teeth before.

Chapter 10 reviews how it takes three things to change our behavior:

- 1) a cathartic event,
- 2) our personal identification with the event, and
- 3) a readily available alternative model - ideally, one already pre-tested in our system.

In terms of the alternative model, the research of the Harvard Negotiation Project in the late 1970s set out to identify the best way to come to agreement *without giving in*. This led to the identification of the elements of interest-based negotiation. I hold these behaviors against our industry objectives, asking the question, "How about this instead?" It is, I believe, a far better fit.

Chapter 11 addresses how we can apply these concepts in our environment. I take us back to Chester Karrass's doctoral dissertation at USC in the late 1960s.

There was a time when you could take your time to play the negotiating game. You could erode relationships and accept sub-optimal results. Then the world got very, very interconnected and needed to flow smoothly together. We need our suppliers as much as we need our shops. We need repeat customers. We need to be in functional worldwide alliances. We need an educated, involved, committed workforce. We need to do more and more with less and less.

Neither hard nor soft positional negotiation can get us there. Interest-based negotiation and interest-based management can. But how do we apply interest-based concepts in our interdependent world of business, profits, and bottom-line results?

The chapter introduces several elements that apply, build on and extend the Harvard research to the industrial setting. And it reviews a simple statement: What goes around comes around. We're all interconnected, far more than we thought.

Chapter 12 addresses the misperception that interest-based negotiation is the same as “win-win” negotiation. Win-win negotiation has gotten a bad reputation throughout our industry, especially with some key union groups.

Most organizations that decided to shift to interest-based negotiation or bargaining had notified everyone that they would now behave with each other in win-win ways. So we dutifully set out to “try” to function in this new way. Operating inside our old mind-sets, *seeking to change our behaviors rather than our paradigms*, all we did was switch from the hard side of the positional game to the soft side of the same game, calling it “win-win.” We experienced “win-win” as “win-lose,” and we were right.

Perhaps more than anything else the failure of hard positional negotiation and of “win-win” soft positional negotiation points to why it will take widespread training at the paradigm-shift level to get the results we so badly need.

Chapter 13 reviews some of the evidence that this alternative model works in our industry. It describes some of the folks in aviation that Joel Barker,⁴ author of *Paradigms: The Business of Discovering the Future*, would identify as “paradigm pioneers.” These are the people who took a step in faith to apply the new paradigm before there was overwhelming evidence supporting it, and before their organizations embraced it. They did so because it seemed to work better. Paradigm pioneers have been at work throughout our industry. They have stories to tell. Many are good news stories. The chapter also addresses some of the things we learned the hard way - among them that short-term gains can sabotage long-term objectives, and that when management doesn’t understand the change taking place on its watch, it can mismanage the change process disastrously.

Chapter 14 describes how you can take yourself and your organization from here to there. Scope out your total business change process and objectives, considering all eight of the stages that John Kotter describes in his book *Leading Change*.⁵ *Then add the ninth factor.* Change your managerial and behavioral paradigms as a key and necessary element of the entire change process. Once the mind change occurs, if your business culture allows even some of it, you won’t go back.

Clearly, some folks are going through this change on their own. Evidence exists that a “global

mind change” is underway. But if we wait for it to happen naturally, it won’t happen in our current organizations. Too many corporate culture mechanisms are in place to hold us where we are.

The chapter proposes ways to drive and guide this change inside our organizations. Though it will take time, persistence and resources to implement fully, immediate and visible benefits will occur wherever you begin.

The reason for doing so is simple: We can’t accomplish our strategic objectives within our current managerial and behavioral paradigm. By changing our paradigm, we can.

* * * * *

So these are the highlights of the journey I invite you to go on with me. Now I need to involve you in the whole picture.