



Corporate Transformation of a High-Growth Company: Emmis Communications

A change management process for creating and implementing a distinctive firm brand and fostering a unique employer-of-choice culture while driving performance, accountability and innovation to higher levels. Initiative leverages executive strategic planning and alignment, leadership-development programs, performance-management systems, employee-commitment strategies, targeted organizational communications and special events/recognition.

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Summary

“I was certain that we could build a company that would stand for something different. Twenty years ago, radio was an industry characterized by short-term relationships – very few people ever thought of working long-term for one company, and absolutely no thought was given to building careers without moving around. I thought Emmis could create a different atmosphere.” Jeff Smulyan, CEO Emmis Communications, excerpt from 20-year anniversary letter.

Emmis Communications is a small entrepreneurial radio company making the leap to being a much larger international company with holdings in various media. This change-management case study describes the systematic approach used by Emmis Communications to successfully create a distinctive firm brand and performance culture while at the same time extending the positive employer-of-choice reputation it had earned. Rapid growth required greater corporate structure and strategy clarification. Assimilation of newly acquired businesses required greater alignment and proactive strategies for “Emmisizing” the entire organization.

Under the leadership of a visionary and entrepreneurial CEO, Jeff Smulyan, the organization undertook a process of further defining its strategies, corporate structure and culture. Using a variety of processes, Emmis drove clarity and focus company-wide to drive business results and build the distinctive Emmis Brand and culture. In partnership with Results Based Leadership, Emmis implemented a cascading and collaborative process of focus, education, communication and performance accountability. The initiative utilized many change techniques and focused on a system-wide approach.

The lessons learned at Emmis Communications are important for any organization undergoing a major change initiative that affects the organization’s brand, culture, performance and business results. Companies experiencing rapid growth, overcoming entitlement behaviors, wanting to drive a distinctive culture through the company, building an employer-of-choice reputation, or evolving from a smaller company to mid-sized company will particularly find these lessons useful.



Introduction: Rapid Growth to a Media Mid-Cap

Emmis Communications Corporation (NASDAQ: EMMS) is the 6th largest publicly traded radio portfolio in the U.S. based on total listeners. Emmis owns 18 FM and 3 AM radio stations that serve the nation's largest markets of New York, Los Angeles and Chicago as well as Phoenix, St. Louis, Indianapolis and Terre Haute, IN. In addition, Emmis owns two radio networks, 15 television stations, regional and specialty magazines and ancillary businesses in broadcast sales and publishing.

Founded in 1980, Emmis Communications launched its first radio station, WENS-FM, in July 1981. As Emmis (the Hebrew word for "truth") acquired more radio stations across the nation, it established a reputation for sound operations and emerged as a radio industry leader and innovator. Emmis was the first broadcast company to own top-rated radio stations in both L.A. and New York, and it pioneered such concepts as the Rhythmic Top 40 and all-sports radio formats.

The company launched its magazine division in 1988 with the purchase of *Indianapolis Monthly*, and later acquired magazines such as *Texas Monthly* and *Los Angeles Magazine*. Emmis became a public company in 1994, and moved into the world of international radio in 1997, when it was awarded a license to operate a national radio network in Hungary. In 1998, Emmis expanded into television by buying six television stations in markets throughout the United States. In the last three years, the company has added properties in each of its divisions. In fiscal 2000, the company invested more than \$1.5 billion in acquisitions. Annual net revenues have grown from \$140 million in fiscal year 1998 to over \$562 million in fiscal year 2003. Employee population in that same time period grew from under 500 to over 3,100. Emmis maintains its worldwide headquarters in Indianapolis, where the company was founded

Distinctive Culture

"While I never could have imagined that Emmis would grow to its current size, I was certain that it could be a company with a culture that separated it from its peers. I believed we could create great radio while treating employees well and letting them profit from our successes. I believed we could draw great ideas from every person in the company, not just the ones at the top. I believed we could win by taking risks. I believed – and this might be the most important thing – that we could have fun and still make a difference. I continue to believe those things. As a result, the approach that made Emmis unique in the media world of 20 years ago makes us even more unusual today." - Smulyan

With its emphasis on sound operations, integrity, community involvement, innovation and fun, Emmis' culture has been lauded by both its employees and its peers. Trade publications have regularly cited the company's leaders as being among the best in the business. In 2001, *Radio Ink* magazine named CEO Jeff Smulyan its Executive of the Year. Jeff Smulyan has also earned



a reputation in professional baseball from his ownership of the Seattle Mariners from 1989 to 1992. He is regularly interviewed by sports and news media about baseball and the economics of the game – in 2001, he appeared as a guest on the Bob Costas Show on HBO, and in 2002, as baseball appeared to be headed for a strike, he was interviewed by a number of media.



e outside of the box represents the innovative “out-of-the-box” culture of Emmis Communications.

The EMMIS culture carries at its heart the belief that, in order to succeed, a company must take risks, treat its people well and give them the tools they need to win. This culture has as its foundation the CEO-authored Emmis 11 Commandments [Appendix, Exhibit #1]. The original 10 Commandments were written as part of a speech CEO Jeff Smulyan delivered at an annual managers’ meeting; the 11th Commandment, “Admit your mistakes,” was added later, after Jeff’s experience with owning the Seattle Mariners.

Internal Growth and Economic Pains

“It’s hard to describe what starting the company was like in those days. I was picking all of our music, writing our commercials, buying the equipment, making sales calls ... in short, being involved in every aspect of the station.” - Smulyan

By 2000, Emmis began to feel the pains of its tremendous growth. The company had historically let the divisions and entities run mostly independently, albeit with Jeff’s leadership and strong values always being visible and influential. But size and resource-management needs made it prudent to establish greater governance and professionalize corporate functions. Jeff Smulyan believed that the Human Resources function especially needed to be professionalized and staffed adequately to help drive the unique culture into all of the newly acquired businesses. This change would require new HR leadership, the establishment of Emmis Learning, and the hiring and budgeting of resources to develop processes and systems to drive the culture into the organization.

As this process of change began, another factor began to draw attention: the economic downturn that developed in 2001, hitting the media industry especially hard. On September 10, 2001, when Jeff Smulyan was with a group of media and advertising executives in NYC, one executive commented that 2001 was the “worst advertising environment he had seen since the 1940s.” The historic attacks on New York and Washington, D.C., just one day later obviously exacerbated the already gloomy situation. Throughout the year and into 2002, the Division Heads (Radio President Rick Cummings; TV President Randy Bongarten; and Publishing President Gary Thoe) asked their direct reports (general managers for TV and radio, and publishers and editors for magazines) to provide financial reforecasts and aggressively review their cost structures.

In March 2001, the company launched ESAP (Emmis Sales Assault Plan), an initiative designed to increase the size and capability of the sales organizations throughout the company. This required new recruitment, hiring and training, as well as the implementation of performance-and-reward processes. This launch followed closely after the creation of a number of other



significant initiatives, including profit improvement, procurement initiatives, IT/systems implementations, sales excellence programs and additional corporate approval-and-reporting requests. As a result of these initiatives and other factors driven by growth, the relationship between Emmis' corporate headquarters and the entities in the field had been gradually changing, with 2001 and 2002 finding some in the field feeling the corporate headquarters was becoming increasingly intrusive.

Compassionate Employer of Choice

Although this case is about the building of a distinctive and higher-performing culture, it easily could have been a case of best practices for building a strong employment brand. You will see however, that the development and fostering of such a culture could also bring with it some unintended challenges.

Emmis' leadership realized that the development of an Employment Brand requires much more than slogans or value statements like the 11 Commandments. To establish such a strong reputation, the company recognized the need to invest in programs and practices that touch its employees and community on a regular and consistent manner. It would be the leadership's investments, behaviors and decisions regarding its people that would demonstrate the integrity and genuineness of the organization's values.

The following are some of the factors that have earned Emmis the reputation of a "great place to work":

- Commitment to employee stock ownership programs. The "One Share" program delivers one Emmis stock certificate to every new employee. Annual stock option events are designed to ensure that every employee in good standing gets a meaningful grant of options.
- Employee Benefit and Welfare programs. Emmis has always had at the core of its HR programs a commitment to being highly competitive in employee health and benefit programs. The goal is to be generally "more generous" than its' peers. Programs are reviewed annually and visible changes are made based on solicited employee feedback.
- Response to attacks of September 11. . While employees at Emmis' strategic radio cluster in NYC were particularly affected by the events of Sept. 11, the company recognized that this was an event that touched every employee in the company. The organization's response to the employee's needs was swift and compassionate. For example, on September 13, Emmis Human Resources introduced an Employee Assistance Program to all employees Furthermore, Jeff Smulyan sent out an emotional and heartfelt email that reflected on the events and described his personal feelings about how the tragedy touched the business and everyone's life.
- Employment policies and practices. Emmis has had a philosophy that employment policies should allow employees flexibility and freedom in their relationship with the company. It assumes an adult relationship between employee and employer.



- Handling the economic downturn in 2001 and 2002. Emmis was forced to take cost-cutting actions to handle its debt-leverage situation. In total Emmis had to reduce the workforce by approximately 8% - a new experience for Emmis. To address this situation, an enhanced severance package was created and outplacement services were created. Within hours of considerable TV division layoffs, Jeff Smulyan and TV Division President Randy Bongarten participated in a live TV satellite feed to speak about the events, state of the business, and concern for affected employees.
- Maintained investments. Again during this difficult time Emmis executives had to make critical decisions about resources and investments. Two controversial investments were sustained during this difficult time: 1) Emmis Learning's Leadership Development Workshops and 2) the Annual Emmis Manager's Meeting & Emmi Awards Ceremony.
- Annual Employee Survey. Emmis has conducted an annual employee survey since 1986. Not only does it include the standard scaled responses, but it also gathers verbatim comments, all of which are read by Jeff Smulyan. The organization has a formalized Employee Survey Reaction Plan process that ensures review and appropriate accountability for action on areas of concern.
- Creative Stock Compensation Program. Probably most impressive is the innovative stock compensation program created to protect jobs and wages during one of the company's most difficult financial periods. A program was designed to reduce payroll by 10% (approximately \$14M), while maintaining employees' monthly net income through a special stock program administered every payroll period.

This is not an exhaustive list of events, programs, practices and decisions made at Emmis during the recent past, but simply a sample list to provide a sense of the general culture and genuine compassion for the employees of Emmis Communications.

Assessment: On the Air

By January of 2001, the HR function was in place and a period of assessment began. Two primary areas were evaluated: 1) the state of the Emmis culture throughout the company, and 2) the presence of appropriate HR process implementations to support the business's strategies and operational needs. The data-gathering period was conducted formally and informally through March 2001.

Formal data collection:

- Employee demographic profiles and turnover trends from HRIS reporting
- Annual employee survey data results and trends
- Focus groups at the Annual Emmis Managers Meeting (March, Las Vegas)
- Aggregated Leadership 360 feedback results conducted for all 300 participants at the 2001 Annual Emmis Managers Meeting
- Exit interview data and trends
- Emmis Learning training needs assessment



Informal data collection:

- HR Leadership visits to a large representative group of entities, where discussions and interviews were conducted with General Managers, Department Heads and key employees. Also included all-employee general communication meetings with Q&A sessions.
- Interviews and numerous discussions with Jeff Smulyan and executive team members on state of the business/culture and perceived organizational needs.
- Review of all prior business plans and strategies.
- HR staff identification of morale, employee-relations and leadership issues and trends.
- Review of all current HR processes, policies, and practices.

Diagnosis: Plugged In?

As hinted to earlier, over a number of years, Emmis' paternalistic, employee-friendly culture had created something of an entitlement culture among some employees who did not feel encouraged to perform at higher levels, but, rather, often felt that if they simply did their jobs consistently and reliably they would be rewarded at increasing levels. Rather than feeling loyal to the company, these employees often felt that the company should be loyal to them regardless of their levels of productivity.

In addition to this observation, some other clear themes emerged. The following is the initial summary of findings that would shape the focus and approach to the organizational change initiative:

- No clear common internal Strategic Planning process existed, making the prioritization of the investments, projects and initiatives functionally driven and “opportunistic.”
- Understanding and integration of the culture throughout the organization was greatly mixed. Most of the newly acquired businesses did not have a working understanding of, or buy-in for, the 11 Commandments and Emmis culture.
- The Executive Team had mixed interpretations and beliefs of the business investment priorities as well as the Emmis Culture and 11 Commandments.
- The divisions and entities preferred to operate as independent bodies, while the corporate strategy was increasingly focused on gaining cost advantages and synergies through centralization and business involvement.
- General concern about the negative effects of growth (risk of losing small-family company feel) and about the standardization and processes/formality associated with growth and increased corporate governance.
- Among the corporate and entity groups that had been with the company for many years, elements of entitlement and “job protection” hindered performance, accountability and innovation.
- Morale and employee commitment was generally lower in the entities that did not



understand, or had not been exposed to, the Emmis Culture.

- High levels of pride existed with the employees who had had more visibility to, and understanding of, the Emmis culture.
- Performance Management and accountability was underdeveloped, inconsistent, and sometimes non-existent. Pay decisions were more often based on internal equity and time-in-job than performance.
- Jeff Smulyan was committed to continuing acquisition growth, building higher levels of performance and innovation, and fostering a high-loyalty culture created through the founding values. Not all members of the executive team had appropriate levels of alignment with this vision.

New Business Realities – Drivers for Change

The economy, competitive pressures and debt leverage issues created a necessary and compelling motive to maximize the company's performance. The media industry is undergoing radical changes. Consolidation, acquisitions and property swapping is redefining the landscape.

This consolidation is being driven in part by new technologies that create opportunities that could be considered conflicts of interest. For example with recent FCC changes, a media company could easily squelch unfavorable news items about itself in areas where it has market dominance. The larger, more powerful media forces could restrict distribution of a competitor's products. Finally the big players can cross-promote their products from one platform to another. Not long ago, this would have been considered outrageous. Today it's part of the new business reality – although there is always the chance of FCC intervention until Washington steps in.

These new business realities are forcing Emmis to reinvent itself in radio and TV and develop nontraditional revenue sources while at the same time continuing to acquire new properties when feasible. Making this effort more challenging is the company's ongoing desire to complete this transformation and growth while also maintaining the industry-distinguishing "Emmis Culture."

The Change Objective

- ⇒ To drive business performance, Emmis needed more understanding and agreement on its structure, strategy and cultural definition, starting at the top of the company. Processes needed to be put into place to drive this new clarity and focus throughout the organization. The company needed increased accountability and a balance between the deployment of strategies, goals and objectives and the maintenance of the culture, 11 Commandments and behavioral expectations.

So, the hypothesis behind the evolving organizational change initiative was that clear strategy, Firm Brand, and culture definition with supporting communication and performance systems would result in higher levels of employee productivity and commitment as well as distinctiveness and value to customers and investors.



Approach

A key principle HR partner, Victor Agruso, was brought in as the strategy, organizational development and HR effectiveness consultant. With the HR leadership, Agruso helped assess the best way to further clarify and implement Emmis values and strategies, and advise how best for human resources to make a positive contribution. A network of consultants were then appropriately engaged to support the developing change effort. Agruso helped create and implement the blueprint for achieving the external consultant's project goals outlined in this case.

Specific change approaches would include:

- An Executive Team definition of Company structure, strategies and culture.
- Strategies for widely communicating the direction of the company.
- Performance Management systems for driving performance/behavior expectations and accountability.
- Communications, forums, and events to extend the unique Emmis culture company-wide.
- Executive and Leadership Development programs to build understanding and capability to execute on the strategy and culture.
- Measurement processes to influence performance/behaviors and guide the change initiative.
- Programs, symbolic events and recognition to reinforce direction of the company and accountability.

Design: Who's our Customer?

In the media work of Radio, TV and Publishing, the customers are traditionally considered to be listeners, viewers and readers. Emmis challenged this paradigm in the course of its



organizational alignment process, recognizing the need to define its internal audience and decide how to get its attention, commitment and energy around the company’s “programming.” To do this, Emmis needed to take a dual approach to alignment. The model below portrays the definition and translation of the Mission/Vision & *Firm Brand* of Emmis into two parallel “What” and “How” paths to achieving results. The *What* column demonstrates the alignment of strategies, goals, objectives and results measures; the *How* column demonstrates the alignment of the culture, competencies, and behaviors. The customer in this model is every employee in the company and the supporting systems, or points of influence, are identified in the middle of the What/How model [Exhibit #2].

The model helps create a sequential approach to aligning the organization from the top down. It requires the Executive audience to define the “programming” from the top and processes to cascade that programming down to the entire organization. Opportunity exists in the process to get audience feedback in the process to ensure some level of collaboration and listening to the voice of the internal customer. The true “customers” of this change initiative are those who gain value through the success of the initiative: CEO Smulyan; investors; employees; and customers (Emmis’s advertisers).

Intervention: Getting Tuned In

How clear, consistent and strong is the signal about what the company is trying to accomplish and how will it get there? It was clear that Emmis was an organization full of the industry’s best operators - innovating new successful formats and turning around underperforming operations. It was the strength of these operators that allowed the company to permit its divisions to operate so independently. However, it was no longer the same company of just a few years ago. A larger, now international media mix, significant acquisitions, and the development of a corporate structure required new focus and operational definitions. As the company grew, the unique culture was becoming diluted and more difficult to extend to new acquisitions.

Executive Alignment

With Emmis’ partners, Agruso and Results-Based Leadership, an approach to defining and aligning the Executive team and Organization was created. Jim Dowling with RBL customized a RBL FAST workshop into an executive two-day off-site which was then scheduled [Exhibit #3]. Norm Smallwood, author of *Results-Based Leadership*, facilitated a session with the company’s 16 top executives, who engaged in a challenging and sometimes emotional process of education, debate, and decision-making.

A second follow-up FAST workshop was scheduled to continue the passionate discussions where the company’s strategic direction was verified and implications for leaders were identified. The



FAST workshop set anchor points for how Emmis chooses to conduct business and how it wants its leaders to be seen by their best customers.

Several significant steps were achieved as a result of the workshops:

- Corporate & Divisional Strategy was further developed
- Allied corporate structure established with operational definitions taking shape
- New era defined– “Establishing a new standard for performance and innovation”
- Firm Brand created – *Great Media, Great People, Great Service*
- Scorecard development commitment, process and designated teams established
- Critical strategic content created for the next-level RBL leadership program – Leading For Results
- Identified need for additional executive development, alignment and team building

Worth noting is the conclusion of the company’s value chain:

- The customer: the advertiser (in some cases the reader, where subscriber fees exist)
- The product: desirable demographic pool for the advertiser.
- The production process: programming and editorial content that builds the product – the attention of desirable watchers, listeners, and readers.

The company’s firm brand then represents desired distinctiveness in these key areas:

- ***Great Media***: driver in production of audiences that are sold to advertisers.
- ***Great Service***: attention to super-serving the advertisers, the primary customer.
- ***Great People***: Emmis culture demonstrated through every employee and in their interactions with customers, audiences, investors and other employees.

The new “era” - “*Establishing a new standard of Performance and Innovation*” - represents the company’s intention to focus the culture in a way that leverages the positive intended elements of its culture while addressing growing concerns around performance and accountability.

Malicious Compliance

During the first two-day off-site, signs of executive disagreement and resistance arose in a few key areas: 1) Business portfolio make-up and decision-making; 2) allied corporate structure versus a holding-company model; and 3) customer definition as the advertiser versus the listeners, watchers and readers of the content. By the conclusion, the group seemed to be in agreement on the items listed above. After the event, however, there were signs that some key executives and some of their direct reports lacked confidence in their statements of support and communications of the work. This was later labeled “malicious compliance,” an effort to support what was decided as an executive team, but with reservations and disagreement showing through in their communications. A few chose to continue to behave as though operating in a holding company structure, for example, and taking different courses of action, contradicting the executive team’s commitment and sending mixed messages to the field.



Dr. Jim Intagliata of the Northstar Group was engaged early in the change initiative to provide executive coaching to Smulyan and the executive team. This coaching and assessment work would play a role in shaping future executive team-building/alignment sessions as well as supporting Smulyan's management of the executives. Intagliata's involvement in the strategy and behavioral work provided the coach tremendous insight to guide the alignment and "malicious compliance" concerns that had evolved. Intagliata was further engaged to conduct a competency modeling process described later, a key tool in assisting in the focus the executive team.

Leading For Results

The next level of leadership consisted of 75 General Managers, Publishers, Divisional Vice Presidents, and corporate Directors. For consistency, Results Based Leadership delivered workshops designed to build leadership alignment, commitment and capabilities. A highly interactive workshop, Leading For Results, was delivered to these next-level leaders to understand Emmis strategy and examine how they will deliver results both individually and through others.

The underlining philosophy was that key organizational leaders would be most influential in driving and extending the Emmis culture to the field locations. To do this, Emmis needed leaders throughout the company that understood the company's strategies, firm brand and culture intimately. These leaders need also to have the commitment and capabilities to deliver these messages and priorities to their respective staffs with passion. The following is a high-level agenda of the Emmis Leading For Results workshops:

Day I: Develop Case for Change

Opening: CEO and Executive Team overview and presentation of Emmis strategies, corporate structure, firm brand and culture.

Focus: How leaders accelerate change

Topics Covered:

- New Business Realities
- Organization Change
- Why Quality of Leadership Matters
- Leadership Value Proposition
- Statement of Leadership Brand

Day II: Build Organization Capability

Focus: How leaders get things done

Topics covered:

- Shared Mindset
- Talent
- Collaboration
- Speed



Accountability
Learning

Day III: Individual Leader Implications

Focus: Personal skill and accountability to deliver results

Topics covered:

Leader as Coach
Personal Leadership Plan

These participants were also responsible for translating the firm brand, culture and leadership requirements into an Emmis Leadership Brand definition. The Leadership Brand is a statement of what leaders stand for at Emmis; is linked to strategy and how Emmis wants to be known by its best customers; and provides a focus for Leadership Development activities. These leaders created the following Leadership Brand:

“Emmis leaders embody deep customer understanding and quality product focus, communicate well, and turn vision into action.”

Program Promotion and Multi Media

As with Emmis audiences, repetition and mixed media helps drive messages, influence and buyer behavior. A key strategy for the Emmis change initiative involved utilizing many communication vehicles for building the brand awareness and influencing the culture. All corporate communication mediums were identified with appropriate applications and objectives [Exhibit #4]. These vehicles were strategically identified with timed announcements, stories, and special events.

Special Events

Emmis’ annual Managers’ Meeting is the company’s largest event, bringing together its top employees for training, networking, and recognition. The 2002 meeting was held in Indianapolis to reduce costs and give the non-corporate managers greater visibility to the Emmis corporate offices and staff. The event was timed to follow-up on initial company-wide communications (such as the Emmisary) regarding the new focus and direction of the company. The theme and agenda for the managers’ meeting revolved around the new firm brand and era, “Crank it up! Establishing a New Standard for Performance and Innovation.”

The program was structured to communicate the company’s strategies, firm brand and cultural focus. Results Based Leadership set the tone for the 2½-day conference. Additional speakers and events followed to reinforce specific elements of the era and culture. The speakers had all been previously introduced, shared program materials, and worked to ensure a common thread throughout their respective presentations. The program was designed to keep all the participants together and networked during the beginning, so all heard the same Emmis messages:



- Jeff’s State of the Union – Focus on new Emmis “era”
- Norm Smallwood: Firm Brand, Leadership Brand, Balanced Scorecards, Emmis Competencies, and Performance Management
- Division Head presentations on Business Strategy
- Mark Williams of the Diversity Channel: Great People and diversity awareness
- Robert Spector, author of the Nordstrom Way: World Class Customer Service
- Wall Street Perspective from Industry Analysts and Former FCC Commissioner

Post-meeting surveys indicated a clearer understanding of Emmis’ company strategy and firm brand and that managers could now comfortably communicate this strategy and firm brand to their respective staffs.

The Emmi Awards are Emmis’s coveted annual awards for employees and entities to recognize the highest levels of achievement in a number of categories. In 2002, the award categories were altered to better reflect the company’s shift to a more performance-based management system and to better reflect restated objectives. In making nominations, managers were encouraged to consider results more heavily than in the past, and to consider how well the employee met stated objectives. This was a new approach and a significant signal to the organization. The executive team spent hours reviewing the nominations and made objective, fact-based decisions about the winners, which were previously more emotionally based.

The 2002 Annual Report introduced the new firm brand to the investor community. This was another significant step in clearly signaling to the employees that this was the new focus of Emmis and the commitment was strong. Emmis would be known for its *Great Media, Great Service, and Great People*.

Building a High-Performance Discipline: Cranking it up!

A clear need for a stronger performance and accountability discipline was apparent. From the executive team to front-line employees, opportunities existed to improve clarity about what was expected of them and development of an appropriate level of accountability and recognition. Now that the strategies were in place, the development of balanced scorecards and performance management systems would be developed.

The new performance system would consist of:

- Balanced Scorecards for
 - o Corporate
 - o Corporate Functional Groups
 - o Divisions



- Developed competency model that combined strategically needed attributes, behaviors needed to off-set gaps, and 11 Commandment reinforcement
- New Individual performance documents that combine “what” and “how”, goals and objectives and behavioral competencies.
- Performance based stock and merit compensation programs.

Balanced Scorecards

A key process for focusing the strategies and creating accountability would be built through the Balanced Scorecard. Results-Based Leadership consultants (including Balanced Scorecard pioneer, Rich Lynch) facilitated a process that built on the work that the executive team had completed. Teams were identified for each scorecard to be developed at corporate and divisional levels. Teams were made up of managers and key contributors within their respective organizations. The make-up of the teams was critical in the change process, competent and influential formal and informal leaders were sought out. The teams spent several days in workshops and participated in a number of follow-up events to define measures to track strategic performance in four key result areas: Investor, Customer, Employee, and Organization. The RBL consultants supplemented the data through direct interviews with highly valued customers [Exhibit #5].

Emmis Competency Model

Core to the culture-change process was the development of detailed Emmis Behaviors that both helped drive the new strategic direction of the company and supported the extension of the desired Emmis culture and 11 Commandments. Intagliata led the competency modeling process that became an important element of the performance management process. Since this was such a critical and visible tool company-wide, significant involvement of the executive team would be required. One such document [Exhibit #6] during the development process attempted to gather further feedback and participation for key members of the executive team in addition to the interviews and data gathering that they were engaged in.

Particular attention was given to the integration of the 11 Commandments into the competency model [Exhibit #7]. The modeling resulted in eight core competencies for all employees, and five additional leadership competencies [Exhibit #8]. As a result of the participation from the executives, the draft competencies were utilized almost immediately by a few of the executives with their direct reports.

Performance and Reward Management

Agruso and Results-Based Leadership conducted interviews, focus groups and a survey with the executive team which provided current state and preferred results in four areas: design and control principles, planning performance, improving performance, and rewarding performance. . Additionally, insights were provided relative to the maturity and current state of the process compared to Stage 3 (Disciplined) organizations [Exhibit #9]. As a result of this involvement



and assessment, an annual cycle was designed incorporating compensation systems, organizational development, and talent forecasting [Exhibit #10].

The Performance & Reward Management Implementation Plan was created to outline the sequence of all supporting communications and performance management events [Exhibit #11]. This exhibit visually presents the scope of the performance management implementation and the change events that were scheduled in phases to reinforce the overall change agenda.

Employee Training

In February and March, 100% of all employees and managers went through performance management and cultural training. In addition to the traditional performance-management and SMART goal development instruction, some unique, and “Emmis-like” training was delivered: two exercises, one centered on understanding the Eleven Commandments and another focused on building a strong understanding of the new Emmis Behaviors. For example, the Eleven Commandments card game was introduced to create an exercise of understanding and dialogue around the Emmis culture. Cards represented various symbols and clip art that were related to a particular commandment. Teams matched the cards to the related value and talked about examples of the values at work in their environments.

The second exercise required innovative exercises around the eight core Emmis Behaviors. New teams were formed and each was asked to portray a behavior in one of three mediums that Emmis operates in: visual design (drawings), radio spots, or acted out commercials. This was an entertaining, fun and lively learning experience. The other groups would identify the team’s portrayal and there would be some dialogue about their choice and art form. This specific exercise generated meaningful discussions about the new culture, accountability, and leadership. Further, the creative portrayals are certain to improve understanding, retention and transfer of learning.

What about Innovation?

“Establishing a New Standard for Performance and Innovation”, so where’s the innovation? In addition to the Emmis Core competency, Innovation and Agility, additional programs, systems and events were developed to facilitate organizational emphasis on this important cultural value.

The *Great Ideas Contest* had been in place for several years to help generate creative and innovative business solutions. However, it traditionally did not require actual results or implementation. In many cases the ideas were recognized with stock, but nothing was implemented with no return back to the organization. In some regards the program slowed innovation, because ideas were held for the contest and not shared. The program was changed to encourage group involvement and results. Starting in 2002, in order for ideas to be recognized at the highest levels, efforts must be in the works to implement, or actual results exist.



Additionally, teams were recognized for shared development of ideas and implementation. This further drove the message and focus around results and accountability.

A symbolic “Think Tank” was created at corporate from an old soundproof production studio. The new meeting room was filled with beanbag chairs, toys, costumes accessories, games, lava lamps and other bright and creative props. The room was designed for groups to use for brainstorming, teambuilding, or just to have fun in. It provides a place where employees and teams could step out of the corporate environment and think out of the box.

Additional steps are being taken to use technology to drive information sharing, best practices and a knowledge network through the intranet, employee portals or other systems. Technology will provide the organization an advantage in quality and speed of decision-making. Ties to the Balanced Scorecard could provide executives and the organization real-time data through an Enterprise Guidance System.

Evaluation: Measuring Signal Strength

“And so it was that, on July 4, 1981, WENS began to broadcast. I spent my first day as a station owner driving around the city trying to figure if our signal was strong enough to serve the market. It became apparent fairly quickly that we had found a niche in the market, and the station went on to become a big success. When I look back on those days, I realize that what made this company special back then is what makes it special 20 years later: We have always attracted great people with a passion for our business and a passion for the way we operate. If there has been one consistent theme from that first night until today, it has been that EMMIS stands for a different way of doing business.” - Smulyan

The question now is whether a “different way of doing business” was integrated throughout the organization. Smulyan had consistently demanded through this process that employees be “all on one page”, and “know what is expected of them from their manager.” During the development of the corporate and divisional scorecards, three employee result areas consistently emerged:

- Productivity: Revenue per Employee
- Passionate & committed employees: Employee Survey Results
- Retention of Key Employees: Undesired Turnover

Over time these would become the high level measures of this initiatives impact on the organization.

The survey says? Well, there is telling results on the annual employee survey completed in May 2002. Keeping in mind that the change initiative was not very far into implementation and several of the performance management elements had not yet been developed, the result showed positive signs. The first percentage represents the average employee response to questions on the company’s annual employee survey; the second number represents the average score on similar questions for companies listed on the “Fortune 100 Best Companies to Work For.”



- **I understand the importance of my job and how it relates to our mission/goals: 91% 73%**
- **I have a clear description of my job and I understand what is expected of me: 83% 88%**
- I really like the people I work with: 86% 84%
- I'm not a number here, I'm treated as a whole person with life outside work 78% 77%
- **In the past year, I have discussed my performance review with a manager: 76% 78%**
- My work has special meaning, this is not "just a job" 77% 79%
- I'll work for Emmis a year from now: 76% 66%
- Taking everything into account, I would say Emmis is a great place to work: 77% 88%

The company is continually assessing its annual survey and is considering additional questions that would determine a general Employee Commitment index score. There are survey questions that the organization would actually expect to decline in some areas as a result of new accountability and employee acceptance of clearly defined standards.

Other measures will begin to track important performance trends on the scorecards. Productivity can be measured by revenue and earning per employee. Undesired turnover, or retention of key employees, will be tracked more effectively after a talent review and succession-planning process is in place. Technology is being developed to effectively measure and present this key performance data.

January 12, 2004

Q&A with Emmis Communication's CEO Jeff Smulyan

Q: When you announced your Third Quarter Earnings, you said the past year was the best in the company's 24-year history. Why?

A: *In our early days, as a private company, we succeeded in part because we had that start-up enthusiasm and entrepreneurial spirit. We had some truly great years. What makes this past year even greater is that we turned in a strong performance as a mature company competing against much bigger, tougher competitors in industries that are much more mature. We demonstrated that we can compete in any environment against anybody.*

In every area of the business, we're more professionally run than ever before. I'm proud of what's going on in our markets, where our people are finding new ways to succeed, and I'm proud of the services our corporate team provides — our HR, finance, legal, IT, engineering, support staff... everybody is contributing. I think there is a genuine feeling that we aspire to be as good as anyone's ever been in these businesses, and I think we're making good on that goal.

[TO VIEW EXHIBITS – PLEASE CONTACT THE AUTHOR – JOHN NELSON]



Lessons Learned

Lesson #1—Study the impact of previous corporate initiatives on this change initiative.

Your change initiative may have to start with damage control of previous initiatives. Be aware of ALL previous corporate initiatives, their successes, failures and most importantly, impact/impression on the operations. Work with all corporate functions to collaborate on the new initiatives, starting with a postmortem of the previous “corporate” initiative list. Full engagement and support of all corporate functions will have to be achieved prior to moving such a key initiative into the field.

Lesson #2—Constantly monitor and reinforce Executive Team alignment and involvement in the initiative. Having CEO support and confidence is not good enough. If any key leadership changes occur, invest a lot of time with the new leader to gain their sponsorship. Incorporate as much of their feedback into the product as possible. Provide enough focus on the business needs and executive input to ensure it feels like their work. Do not assume that executive alignment will ensure next-level leadership alignment.

Lesson #3—Leverage technology to drive communications and create constant real-time visibility of key company information, measures and company performance. Intranet, employee portals and Business Intelligence/knowledge management systems should be built and implemented in concert with the change initiative. Make these parallel corporate support systems part of one corporate initiative.

Lesson #4—Engage in visible beta tests and leverage field executives to drive sponsorships of program initiatives – upward, laterally and downward. Gain next-level support through education like the Leading For Results workshops, but more importantly through involvement in the design and implementation of programs before company-wide rollout. Use the field beta tests as examples and utilize the field leadership to communicate to peers and employees their experiences.

Lesson #5—Monitor and adjust the language, don’t scare them away at the onset with “consultant-speak” or “MBA-speak.” Integrate the unique culture of your organization into the new common strategy and performance language you are trying to create. A common language must be created, especially if one does not currently exist around performance and strategy. But be cautious: The mere impression of the language and formality may slow your initiative significantly. Recruit an organizational translator onto your change team, and use him or her at every step of the process.

Lesson #6—Implement with patience and never take short cuts. Utilize the change model and do not short-cut buy-in steps for the sack of speed. Recognize that an effort of



this scale will take two to three years to yield measurable and consistent results. Set executive and employee expectations appropriately – under-commit and over-deliver. Credibility will be lost if expectations of a one- or two-year success are established or that it will be easy to achieve. This may be the most difficult process an executive team will ever need to execute – it will be met with resistance to change and will require consistency, tenacity and visible alignment.

Lesson #7—Monitor outside events and decisions that might contradict the initiative or dilute leadership's credibility. Over the course of business, things happen. Decisions have to be made to adapt to the market, economy and internal factors. It requires courage to portray to management how certain decisions and actions will be interpreted by the rest of the organization. Being the leader of an initiative that some may not be ready for while also being the voice or messenger regarding contradictions or potential credibility issues creates a delicate situation at times. Have courage, remind the organization of your role and prove that it is in the best interest of the whole company, and not just being generated by self-interest.

Lesson #8—Do not let politics get in the way. Ensure corporate functions are focused on what is best for the company, not on functional agendas, politics or leadership egos. Such an initiative must include a strategic and proactive alignment of the corporate functions. It would be prudent to acknowledge and respect the internal pecking order and provide special attention to the internal opinion leaders. The creation of positive corporate results will speak for themselves later in the change initiative. Work to be the example of selfless leadership in the best interest of the corporation.

Author and Initiative Leader

John S. Nelson (john@hrdimensions.com) is a Partner at HR Dimensions, LLC., which specializes in business and human resource strategy development, culture and change management, performance improvement strategies, and Human Resource excellence. Prior to this, Nelson was a company officer and Vice President of Human Resources for Emmis Communications where he was brought in to build strategy, infrastructure and professionalize the Human Resource function to manage the significant growth of the corporation and drive the unique culture company-wide. Nelson has experience in a variety of entrepreneurial, general management, consulting, strategic human resource and organizational development roles. He has been a key contributor and a sought out advisor with some of the most respected companies in their industries, such as: InterContinental Hotels Group, Honeywell (AlliedSignal), Apple Computer, ARAMARK Business Services, Ceridian Employer Services, Hallmark Cards, HarvestMap Systems, Medtronic, PeopleStrategy, 1.0 & Company, Bay Hill Group, and Results-Based Leadership. Nelson received his Bachelor of Science degree at Iowa State University in



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Some information in this case study was taken with permission from Emmis Communications internal and public documents.



EXHIBITS

[TO VIEW EXHIBITS – PLEASE CONTACT THE AUTHOR – JOHN NELSON]

- Emmis 11 Commandments EXHIBIT #1
- OD SOURCE – What/How dual path model EXHIBIT #2
- Results-Based Leadership, FAST Agenda EXHIBIT #3
- Emmis Communications Matrix EXHIBIT #4
- Sample Scorecard – Emmis TV Division EXHIBIT #5
- Emmis Attribute Model – input gathering EXHIBIT #6
- Key Attribute for Emmis – matrix EXHIBIT #7
- Attribute Linkage to Key Result Areas EXHIBIT #7
- Emmis Competencies EXHIBIT #8
- Leadership Brand Insights EXHIBIT #9
- Performance and Reward Management Design EXHIBIT #10
- Performance Management – Implementation Plan EXHIBIT #11

