

”Changing company culture as a precondition for successful implementation of change processes”

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1.0 How hard can it be?

How hard can it be to turn around a company, regardless of whether it is necessary due to a burning platform, or because the board has decided to reposition the company – with all related consequences?

Should you set up a creative think tank or use deployment methods, decentralization, lean etc.? There are a billion fancy management tools to choose from.

But why is it that all the expensive reports on the shelf in the upper management offices never really resolved the promises on the last page in a satisfactory way?

If nothing else, the managing director was very motivated about the realization of all the new initiatives. Each and every employee felt his dedication during various info meetings, where he eloquently tried to sell the message or compellingly talked about the implementation of the actions. Yet, nothing happened with the exception of the employees quietly considering when the whole thing would blow over or wondering what new buzz words to struggle with the next 3-4 months.

Alone the identification of the most suitable tools is extremely difficult. Very often such projects die - no matter how big the contribution from the clever internal or external resources selected to work with them. And the expected results just don't come.

A company's culture is defined as being the set of rules and values controlling the interaction of an organization's members, as well as their interaction with people outside the organization. Company culture is a common point of reference for the organization and is thus a part of the solution to the problem, if this solution is not based on written rules and routines. Company culture facilitates the way the structure of an organization operates and works.

Thus, company culture is the foundation which facilitates a change process. 90% of a successful implementation of a change process is due to the work concentrated around company culture. But company culture can also put up barriers and let only 10% of the desired initiatives and results become part of the new working day. It is not sufficient to design a new organization and set up a new structure, when changes have to be carried out. Company culture is the most essential supporting factor and the ingredient, which ensures and anchors the changes deeply in the organization, so that new initiatives and results are treated according to intention all the way through the organization.

As a main rule, company culture and differences in company culture cause 80% of all acquisitions to fail and not deliver the expected results. Still there is so little focus on it, which is probably due to the fact that company culture is an abstract thing that cannot be fitted into a fixed structure. However, there are tools and procedures making it possible to work with company culture, so that it becomes the strongest pillar for needed change and creation of results.

As change management is always a decisive discipline in relation to business and strategic development, it is essential to incorporate working with company culture into these processes. The results of the efforts depend on this, and as well as there will be a negative effect of not doing it, there will be a positive effect by doing it. This is where quantum leaps are made.

In the author's opinion it is not very effective to work with culture by sitting in a circle and discussing rules and values; partly because it requires too many resources, partly because it is a pseudo-implementation, which is hard to relate to by many employees. As a worst case they will regard it as a waste of money and resources, which could have been better spent elsewhere. The latter will affect the process directly in a negative way. Rules and values are best related to specific problems and real decisions. Hereby, each individual can relate to the initiatives and identify himself with a role, where values implicitly decide which decisions should be made.

In our focused work with culture, *socialization* is the process where participants learn and integrate the culture of the organization as rules and values. Thus, the most optimal measure is to establish and work with the new or re-newed culture from the beginning, when a project with strategic or business development characteristics is initiated. This enables the new culture to develop in a relevant environment, where desired rules and values are held up against a given problem.

2.0 Configuration of the process

2.1. Preconditions:

Already when configuring the process, it is important to establish an incubator-like environment in which the new culture receives nourishment to live after the project is over.

It is essential to realize that it is hopeless to try to put a stop to and remove an old culture. The way this is handled is to supply nourishment and attention to the new culture, which then more or less quickly out-conquers the old culture. The speed depends on the existing paradigm as well as the possibility to establish a sense of urgency or a "burning platform".

In connection with the configuration of the process, it is important to note that actions to remove barriers, bias and risks must be set up in order to reach an optimal result. In addition, a sustainable foundation and a positive growth environment must be created.

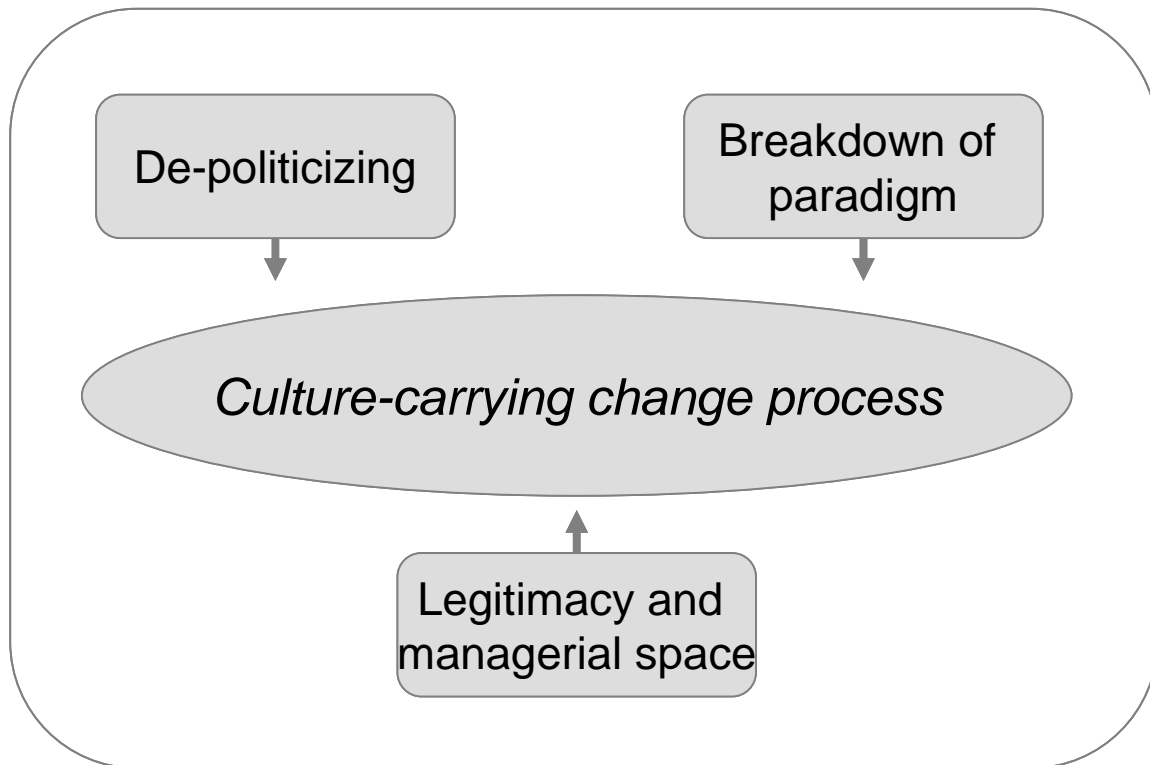


Figure 1. The culture-carrying change process

As a first precondition it is imperative that the process is “de-politicized”. This is vital partly to achieve the best results and partly to be able to initiate the new culture which must support the change process and give the culture-carriers a fundamental assertiveness.

The second precondition is crucial to relieve the process of struggling with the old paradigm, which puts a brake on progress and innovation.

This is of course important for the results and the originality of the thoughts behind them, as well as for the establishment of a new culture-carrying force. All through the process learning and integration of new rules and values must happen, and the organization must be motivated to a commitment towards the new initiatives.

The third precondition is the legitimization of the process and the creation of assertion and managerial space.

2.2. How do we do that?

To de-politicize the process, it is essential that the upper management of the units related to the process do not participate in the team which performs the diagnosis and works on the developments.

In order to free the process from the heavy burden of the old paradigm, it is important that the team members are selected according to a clear profile, as discussed later in this article.

A legitimization of the process happens by e.g. getting external expert help for diagnostics and developmental tasks. Management takes the role of consistently supporting and giving (positive) feedback to the working team. Hereby managers are involved in ensuring the overall framework, but they cannot claim the process and be controlling, as they are not a part of the actual work. Management thus becomes a strength and not a limitation to the process, so that all synergies and catalyzed, innovative thoughts are not limited by political or career considerations.

Building the new environment with the right elements is vital:

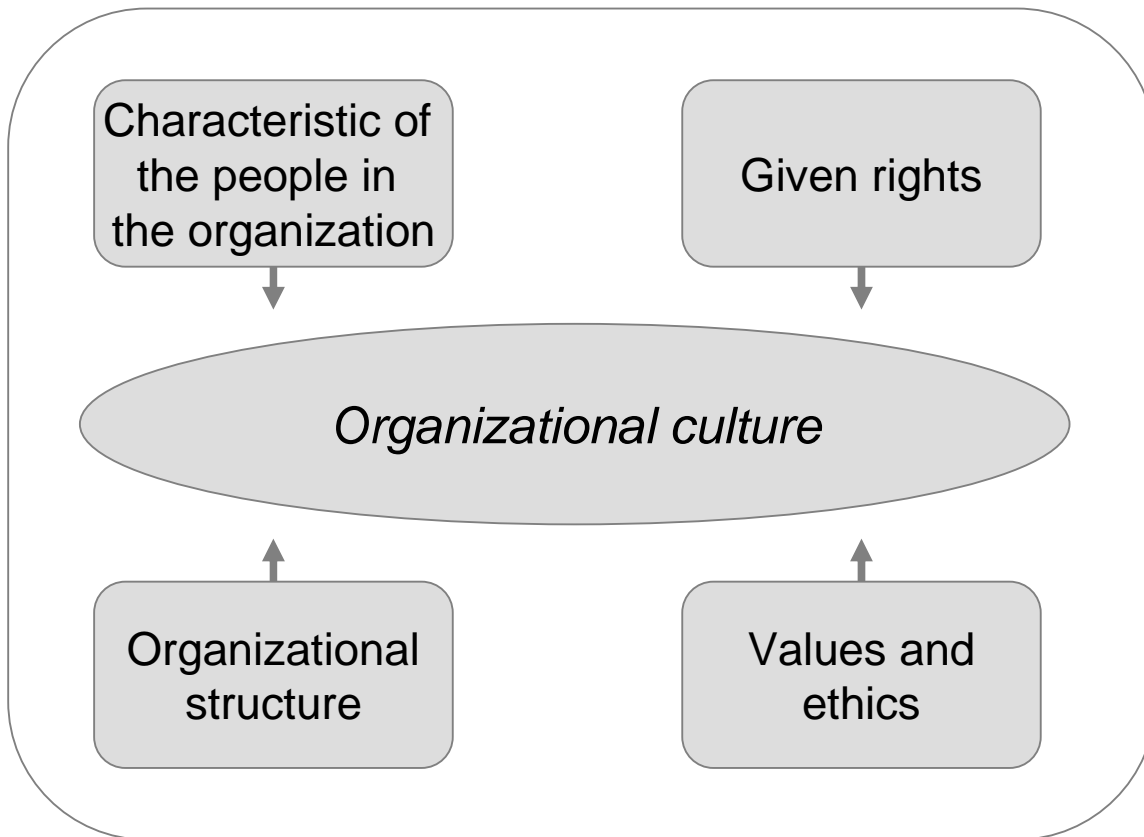


Figure 2. The set-up of organizational culture

The carriers of the new culture are set up in the core of the process through the right configuration. The examples below show a deliberate use of the elements necessary to grow the new culture.

Characteristics of the people in the organization:

The members of the team are selected according to a profile, where they are assumed to be less blocked by paradigms, younger in the organization, knowledge persons from various organizational units as well as having a strong informal position in the organization. When selected this way, they are capable of bringing knowledge and new thinking into the process, as well of being the champions of the new culture during roll-out of strategies and initiatives. A Noah's arc for the new culture has been built.

Rights:

The team receives some rights and a legitimacy to use them, which the team members have not had in their previous positions. This could concern rights to arrange for resources in connection with carrying out various tasks, the right to dispose over external conference facilities, or the rights to go directly to the top management if necessary.

Organizational structure:

The team is set up in a non-hierarchical way, where the formal organizational status does not automatically give a stronger position or more influence. As mentioned earlier, upper management is excluded and contributes only with framework and controlled feedback. The team's goal is being a high-performance team. The coach must bring the toolbox and convey the new culture into the team. Also, the coach has a strict coaching function and must be able to take out team members who do not perform as expected, and as necessary for the team's overall performance. Conversely, the coach must also train and supply the right tools, so that each team member is capable of solving his task.

The coach, however, should only "sell" the different tasks to the team members. It is decisive that each individual takes responsibility and commits himself to the task. This means that the members are responsible for being pro-active about getting the necessary help from e.g. the coach.

Organizational ethics:

In addition to the role as coach and supplier of a professional toolbox, the coach must also make sure that the new values are anchored. As mentioned above, pro-activity is an important value. Many other values will also follow as a result of the relatively tough way of working e.g. sense of responsibility, willingness to work hard, sense of quality, readiness to change, and loyalty towards the project currently being done. In the nature of the project, focus will also be put on strategic -, business -, and results orientation. Due to their work the members of the organization will become highly competent and very aware of how the values will be put into effect.

3.0 Completion of the process:

Already in connection with carrying out the process to bring change into the organization, it is possible to take the first steps towards change. Conversely, it can also be the first step towards putting up barriers against change.

As 90% of change management is about working with company culture, it is crucial to work effectively with the tools during the process.

3.1 The cultural WEB

The cultural WEB is an effective framework for setting in against a rigid paradigm. Therefore it should be considered when carrying out a developmental process.

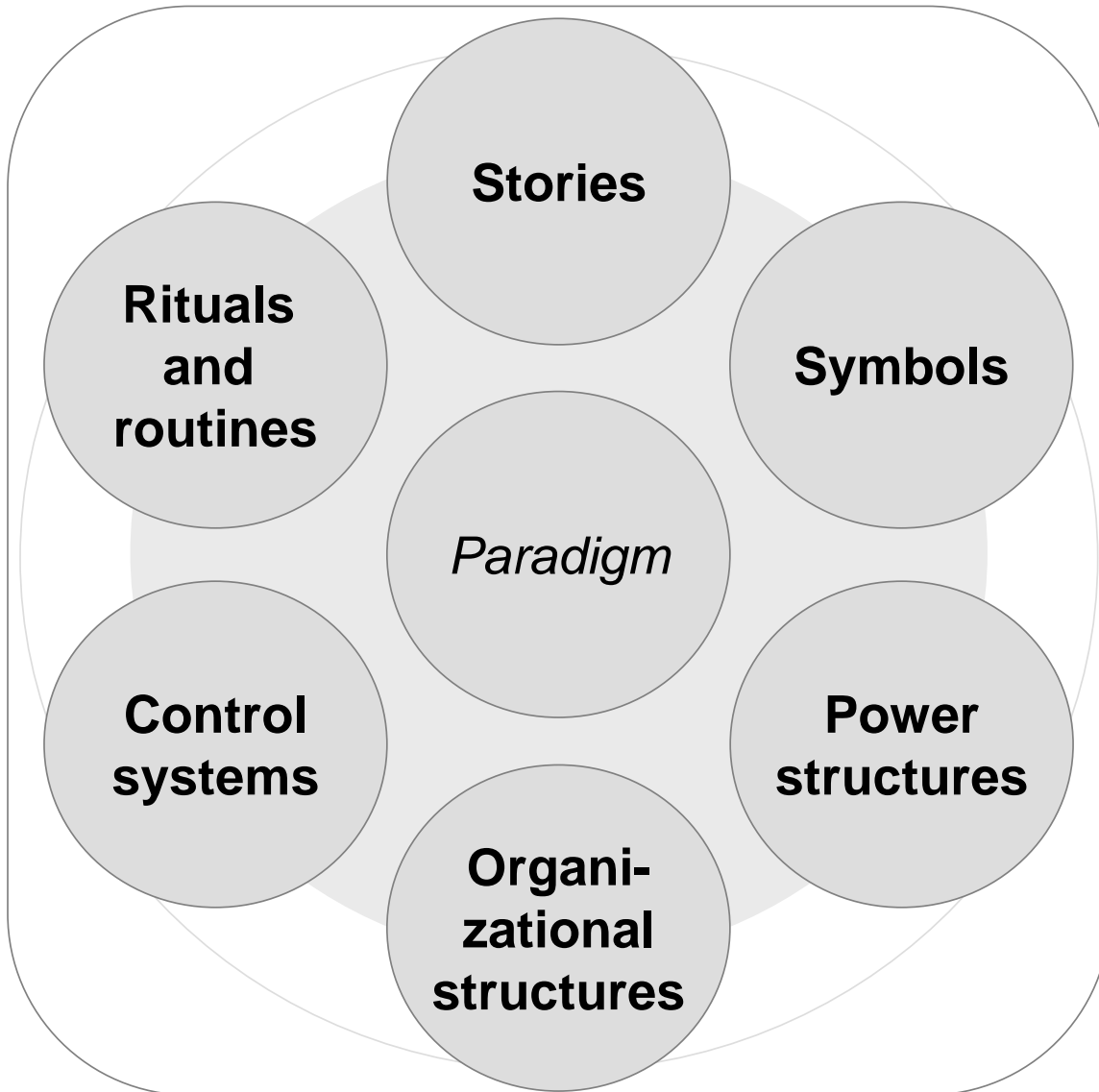


Figure 3. The cultural WEB

The team members are chosen due to their ability to become carriers of the new culture.

It is important that the external project manager only acts as a coach and lets the team “play ball”. The team members should go through a personal development in the process, which enables them to cope with the new functions ensuring that the project is completed successfully and according to intention. They are the corner stones of the continuous change process in the company. When working with culture, the incubator must reflect an environment of working towards the

world league – and on a very short-term basis. This creates a sort of positive stress which disables old rules and cultures more quickly. The team starts up by freeing themselves of the old paradigm.

The role of the coach cannot – as implied in the previous chapter – be performed by an insider as this makes it difficult or impossible to disable the existing organizational positions. Thus, using an internal project manager will often result in resources being spent on politically oriented arguments and competition. De-politicizing the process is practically impossible. In addition, a good professional toolbox must be provided for the team during the project.

The external person may define his or her role initially and will motivate the new culture with excitement and by ensuring visibility of the team's and of the individuals' achievements. It is therefore essential that the individual is put in the spotlight and receives recognition from management. As a result, it is not the coach, but the team itself, who presents results to management when milestones are reached.

Rituals:

As an external, it is possible to see some rituals in all companies. These rituals reveal a lot about the company's culture. Imagine the impression you get after spending a day in a bank, hospital or in an ad agency.

In the process it is important to be aware of the signals being sent through these rituals and the strength behind using them.

As an example of a ritual, you could:

Establish a war room with flip-over charts containing common symbols from the project all over the walls. There should be fixed meeting with hectic activity and a clear expectation of the team being well-prepared.

The rituals must be visible in the rest of the organization and signal that something new and exciting is happening. It should be obvious that people are committed in the new culture, a lot is happening, a common language is spoken, and the culture-carriers are very convinced (they have achieved the results themselves). The rituals are brought into the process and implemented by the coach.

Stories:

At once the team members become more and more visible in the organization. The remaining employees regard the participation in the team as something positive and as a personal development for the employees. They see that team members receive positive attention from the upper management. They perceive it as if the team members are being rewarded. All of this forms the basis for "hero stories", and the changed behavior of the team members will be noted and spread calmly into the rest of the organization.

Symbols:

Often symbols and rituals are inter-linked and support each other (such as in setting up the war room; colorful charts visualizing the common efforts all around the offices; the extra team rights as

described in the previous chapter) The symbols support the effect of the rituals as well as the rewards of being part of the change.

Power structures:

The team members are brought together across the organization and the ad hoc team organization bypasses existing organizational boundaries and power structures. Team members have easy access to the attention of the management. Team members have access to various resources normally not available to them, such as secretarial or analytical resources. They could also be granted access to the representative account in connection with having some nice dinners together over the course of the project. This reinforces the culture as well as acts as a reward for the extraordinary work load, which the team is confronted with during the completion of the project.

Organizational structures:

The formal organizational structure appears mainly when the team reports to management to obtain a formal go/no go. The coach must ensure that the reporting has a high degree of marksmanship and that management is equipped for its role in the process. He/she also makes sure that the reporting is done in a positive and constructive atmosphere. The team, however, must still see itself as being evaluated on its performance by management.

When implementing the project changes to the existing organizational structure is often a result.

Follow-up and controlling systems:

During the process the team members will work more hours than normally. This should not be perceived as something extraordinary, but is the price for taking part, developing personally and having the chance of a career leap, which often follow in the footsteps of participating.

When implementing the results, it will quite often cause changes in the follow-up and controlling systems. These are efficient methods to ensure that the project is moving in the desired direction. In addition, the systems ensure that the targeted results are developing in the right way.

3.2 Incubator environment:

You can say that in order to nurture the new culture, a very specific incubator environment has been set up with the purpose of ensuring the right conditions for establishing the new culture.

The goal of the new culture is to support the change processes caused by a given project, thus it is an essential precondition for a successful implementation.

Structure and procedure are summarized in the figure below:

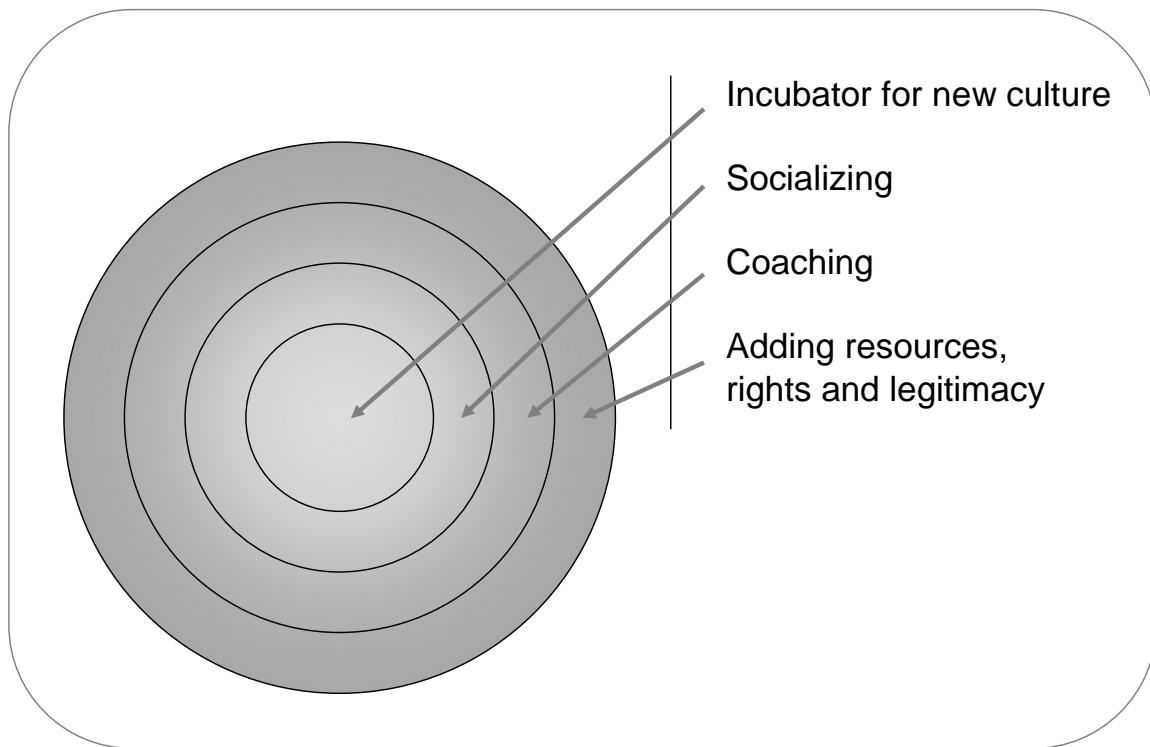


Figure 4. Establishing the incubator.

4.0 Finishing the process:

A process with high speed, high demands for performance and a lot of positive stress can only run for a limited period of time. The most ideal time horizon is three months. The speed and the dynamics, which create excitement as well as the innovative thinking which spreads to the remaining part of the organization, put high demands on energy level and usage of resources. This cannot be maintained for a longer time period. Therefore it is important, that the development process has a fixed end date after three months, after which a new phase for carrying all recommendations into the operational organization is established. Quite often the development process will result in recommendations with a wide-reaching effect on organizational and business decisions.

The conditions for the new-born culture are hereby changed. The difference is that even though we are talking about a new-born, it has now been brought into the company and it must be nurtured so it grows and becomes sustainable. Thus, we are not talking about a consultant project, where the consultant is the only one or the one most excited about the project. We have a number of highly competent employees, who are involved, committed and able to contribute optimally to implement the changes. Conversely, this causes management to commit itself to follow up on the project. The cultural web should be used to ensure favorable growth conditions for the new culture; a new-born needs lots of attention and care.

The cultural web is made operational by:

- following up on the visibility of success stories each time a new initiative results in a positive development for the company.
- following up with an employee development program, which should be used to promote and reward actions supporting the new culture.
- establishing a new KPI system, which visualizes and follows up on progress related to the desired changes and results in the organization.
- organizational placement of the team members in important key positions for the wanted changes and results.

It is important to note that there will still be many important initiatives to work on in the operational organization and some of the identified improvement- or development areas may be postponed after implementing more crucial initiatives. The implementation plan must undergo a prioritization, which facilitates a realistic implementation and delivers fast results on the bottom line or in the form of growth.

This will reinforce the new culture as well as strengthen long-term results on volume or bottom line. As a rule, the process should have paid its costs back in the same year, after which a persevering continuation of efforts should enable the company to create unexpected, great results.

The difference from a project like this to other projects is that the project and the strategy is created along with the company culture, which must carry the changes through. All elements strengthen each other. At the same time any management which understands how to use such a process, creates a strong strategic- and business platform.

The difficult part of developing a company doesn't need to be getting the brilliant thoughts, ideas or buying the concepts. It can be directly damaging to an organization if you tire it with projects that end up on the shelf, or where the individual has problems identifying his or hers own contribution to the overall results.

The challenge is creating sustainable change management, and in order to do so you will have to work with company culture. It is better to develop a project, where all recommendations and action plans are implemented, even if it is only 50% of the sophisticated or good ideas in the portfolio. In return you will obtain a spin-off effect of starting a new culture which is capable of handling change in relation to the continuous challenges and development opportunities arising in a dynamic world

So, when we talk about successful implementation of change processes, working with company culture is an important precondition. Unfortunately this area receives relatively little attention in strategic business development, and many managers still regard it as being an unknown discipline – although there is a growing recognition of the importance of working with company culture.

5.0 When and how to get started.

5.1 Cases

Working with change management is a discipline practiced in connection with many different tasks and situations. Working with company culture will always be a significant part of the task in relation to change management. But the task to be solved in the company can take many different shapes.

Below are two short case descriptions showing two different situations and tasks in two different companies.

Case 1: "Burning platform"

A large industrial engineering company selling large made-to-order projects has an acute problem. Through several year results had been negative and this year – before starting the project – the negative results reached a two-digit sum in millions. The project was set up and carried out according to the chapters above.

Initially, the participants worked through a series of analyses which made up the diagnosis of the company's situation as well as the common basis and point of reference. No members of upper management participated in working with the project. Management was continuously briefed by the external coach and invited to meetings by the team, in which the team and the coach supplied part-results from the project. The results indicated that the company's business platform needed immediate attention. Thus, the first two phases of the action plan only contained activities directed towards internal conditions. Already during the completion of the project, a common understanding of the problem spread into the organization.

A structured and focused approach also caused many other issues to be treated during the project. In this way the project balanced itself on costs in the year of completion. The impact on company culture resulted in a top-tuned effort brought about by the following utilization of resources. In this case the project resulted in an improvement of results of more than a three-digit sum in millions over a three-year period.

Case 2: "Growth and increased profit"

A large series manufacturer in the industrial sector wanted a five-time increase of growth in turnover. The company had a tradition of continuously carrying out improvement activities, was in a healthy condition and characterized by its very structured processes. There was no case of "burning platform", but simply the wish for more growth in a low-growth area.

When talking about change management the identification of a burning platform can be a big and decisive help in getting the focus and readiness in the organization, which helps ensure results. An inexpedient paradigm is a lot easier to break down and work with in a situation with a burning platform. Therefore, the challenges in a project with a well-functioning company in a low-growth sector are actually larger, when touching upon change management and working on company culture. In a similar fashion as the first case, the project was set up and completed according to the

described procedures. Initially the participants worked through a series of analyses which made up the diagnosis of the company's situation as well as the common basis and point of reference. Again, no members of top management took part in the work. Top management was continuously briefed by the external coach and invited to meetings by the team, in which the team and the coach supplied part-results from the project.

As opposed to the first case, the diagnosis showed that in this case the focus should be on external conditions. The process then developed into a real strategy process, with the team identifying *where* and *how* to position the company on *which* markets, the necessary strategic set-up, as well as how to structure the processes, so the value added became optimal in relation to the selected position. Additionally, the analysis made clear that by focusing on new areas, other areas had to be cut away or some efforts had to be reduced. In total: a re-positioning of the company. After having implemented various initiatives, the company experienced growth after a three-year period which satisfied the high expectations at the start of the project. The result: extremely good work with extremely good results in a process, in which also a new company culture was integrated during the completion of the project.

5.2 Are you considering getting started?

The two cases show that working with company culture is a very rewarding activity no matter the direction or orientation of the project. Whenever change in business and in the organization is needed, this discipline can help structure the change process and free up a lot of resources and put speed into the process. Thus, a process like this will add quantum leaps to the results made in the change process. And the goal of the change process may vary.

It is essential to start up with a diagnosis on the company situation. This includes business and strategy as well as paradigms and the culture running through the organization. All three parts are equally important for the optimal configuration of the process. After that, the directions in this article can be followed. The best results are often achieved with an external sparring partner acting as coach and change agent.

6.0 The author

Bettina Eriksen is managing director in Beacon Group Aps and has many years of experience with business development, strategy and analyses. Bettina was previously a partner with the consultants Flensby & Partners, where she primarily worked with strategy- and business development. Before this time, she was managing director in ABB with responsibility for strategic and business development as well as for acquisition of companies. Bettina established Beacon Group in 2005 with offices in Odense and Copenhagen. Read more on www.beacongrou.dk.