



# Cultural Transformation: Real Change

Dr Ian Macdonald

## Context

Macdonald Associates have been involved in many change programmes with many different organisations around the world. Associates have worked with schools, churches, international mining companies, financial organisations, voluntary organisations, indigenous communities, local authorities, manufacturing, in fact, a wide range across the private, public and voluntary sectors.

In the course of that work we have written many papers and articles. They cover leadership, teamwork, system design and implementation, structure, case studies and other specific topics. However, we realised that we did not have a summary of the transformation process itself. There has been no simple guide or map to show in one place how all the parts fit together.

## Purpose

Therefore, the purpose of this paper is to provide a summary of the transformation process. This summary does not prescribe a fixed route; we acknowledge that we have started at different points and with different contexts. Nevertheless, what is outlined below is the process which, when followed, has resulted in significant change, in some cases exceeding expectations. Further, when we have been unable to follow this pathway (often for quite understandable reasons), the change process has been slower or yielded less significant gains.

The paper is in three parts:

- A. First is the outline of the process in the form of a flow chart (Fig 1,2,3) which is explained below in the text.
- B. Is an account of social process issues in terms of the relationship between the leaders of the organisation and consultant(s).
- C. Is an account of some critical issues from experience which, if not addressed, are likely to stall or even reverse the process.

A: OUTLINE OF THE PROCESS

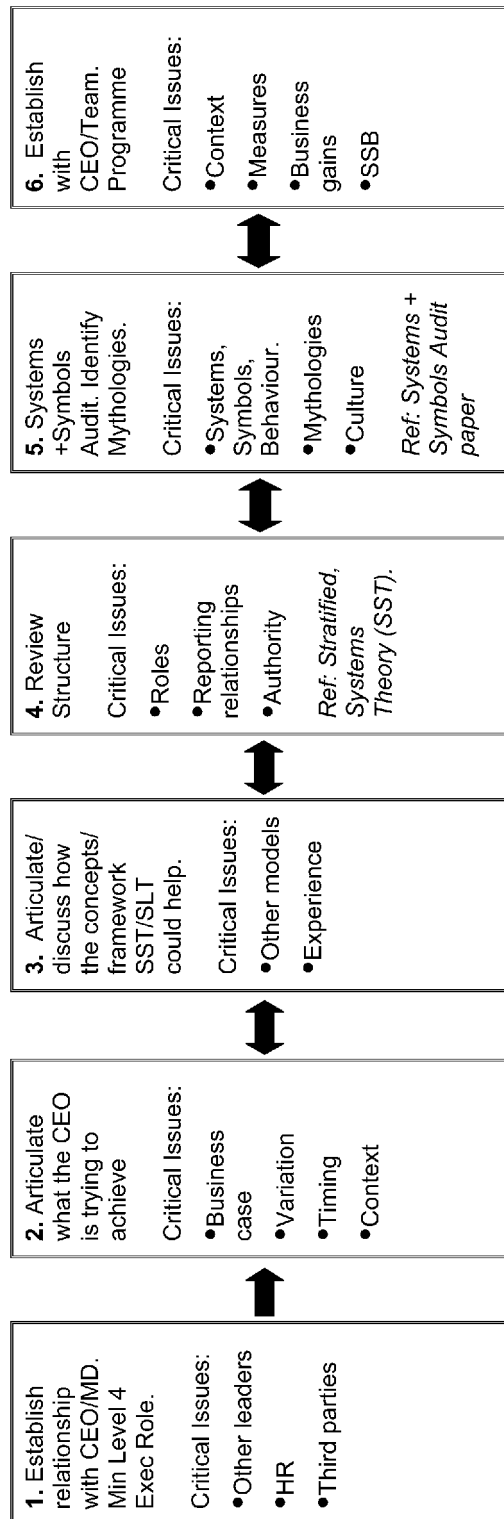


Figure 1

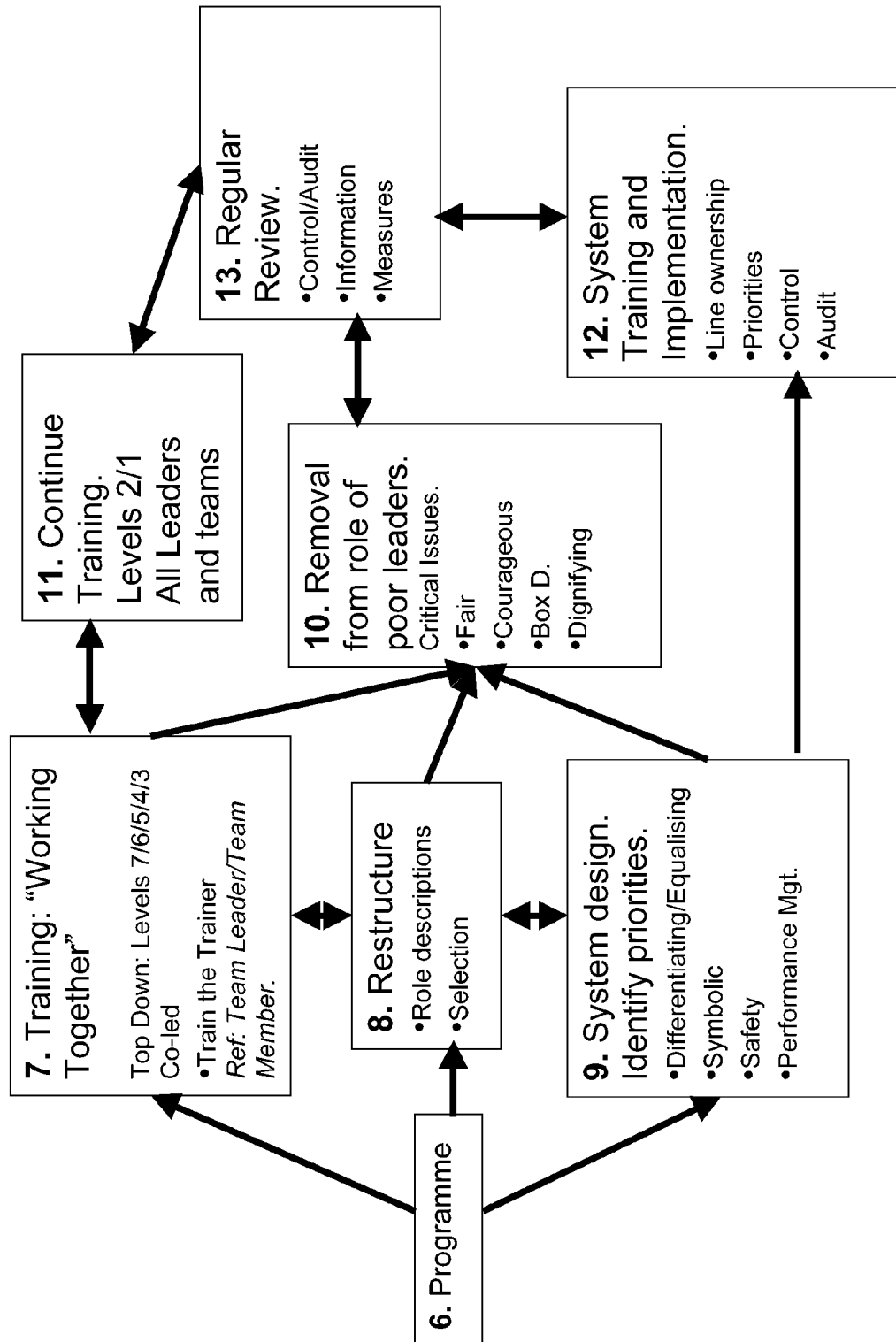


Figure 2

## **B. NOTES ON THE PROCESS**

### **1. ESTABLISH RELATIONSHIP WITH CEO**

These relationships can occur and develop in many ways. However, our experience is that a direct, working relationship with the line executive is essential. This may not always be with the overall CEO. If not, then the scope of change will be limited to the area of discretion of that line manager. For example, it may occur in a division, a site or sector. If there is not a direct relationship with the CEO or line manager above, then at least those in these roles must be supportive if not driving the process.

#### *Critical issues*

- What if other executives are not aligned?
- What is the nature of the relationship with internal consultants (HR)?
- What is the influence and role of third parties e.g. union leadership?
- What is the role of the Board, are they supportive, knowledgeable?

These must be taken into account in the relationship which next moves to:

### **2. ARTICULATE WHAT THE CEO IS TRYING TO ACHIEVE**

Often the CEO will have a very clear picture in his or her own mind but will be frustrated that it is not obvious to everyone else. Often this articulation is called a “Vision” or “Mission” statement. We prefer Purpose and Goals or Objectives, as such terms are clearer and less abstract. Often it is useful to express this in very simple behavioural terms, e.g., “a place where people want to come to work”, “where people are listened to and their contributions valued”. It is important in this process to take into account the following critical issues:

- How to articulate this, integrating the technical, commercial and social elements? That is, the purpose and goals should not be only in terms of one element. Examples could be: technical-only a six sigma approach, social – make it a better place to work, commercial – our only objective is 15% ROC.
- How much variation is there throughout the organisation? Are some areas good/bad examples, near or a long way from achievement?
- What is the business context? It should be obvious change is needed or “if we aren’t broke why fix us?”. Both of these last two will have significant impact on the timing and speed of the process (see 5)

### **3. HOW DO THE CONCEPTS OF SYSTEMS LEADERSHIP THEORY HELP?**

It is critical that there is real and in depth understanding by the executive leadership of how and why these concepts and tools can form a pathway to achieving the goals. As with the technical element, improvement is based upon process understanding.

Critical issues are:

- How to avoid the process being a “black box”? That is avoiding an executive stance of “Oh well, that’s HR, or why we pay consultants. Just fix it.”
- How to integrate with other models, concepts? It is highly unlikely that a CEO or equivalent will have reached that position without having their own ideas or experience. Similarly others will have their own concepts, especially HR. It is important not to be overly precious, pedantic or dogmatic. It is the rigour and discipline which is important and some terms may be changed. This ability to integrate without losing the integrity of the concepts is at the heart of the relationship and makes the difference between successful transition and imposed compliance.

#### **4. STRUCTURAL REVIEW**

Using Stratified System Theory built on by Systems Leadership Theory an analysis can be made with regard to:

- Work required to be done and how that matches with roles currently in place.
- The clarity of role relationships and appropriate authority.
- Understanding the existence of power.

Concepts from Stratified Systems Theory are applied in terms of levels of work, operations, service and support, authority relationships.

At the same time or just after it is useful to carry out:

#### **5. A SYSTEMS AND SYMBOLS AUDIT**

This process is described in the paper of the same name but is essentially an organisational health check. A review and interviews are carried out by an external consultant to determine, for example, how people view the leadership and systems. This is done using the values continua (love, trust, honesty, dignity, courage, fairness). It identifies cultures and mythologies (stories about the organisation that underpin value judgements). Also observations are made about internal consistency, e.g., safety slogans visible around the site whilst extinguishers are missing and exits are blocked, or poor housekeeping, litter and waste during an apparent cost-cutting process. It is important to note that this is not a survey.

*Critical issues are:*

- This process must be explained and authorised by the leadership so that consultants are not seen as spies or the police. It may be better not to call it an audit but a review.
- It should not be interpreted statistically. As mentioned, it is not a survey and one person may be highly significant and insightful.

The Structural Review and Systems and Symbols Audit thus provide the data to check out:

- a. How far is organisational practice currently internally consistent: is it doing what it says?
- b. How far is organisational practice away from the purpose and goals?

As a consequence of this the next step is:

## **6. THE CEO TO FORMULATE A PROGRAMME FOR CHANGE**

That is bearing in mind other business/organisational issues and the current context, what is the order of change and who will do what?

*Critical issues here are:*

- Alignment; how far is the diagnosis and the process shared? This may be influenced by the extent of information shared with regard to the Structural Review and Systems and Symbols Audit.
- Choice of people who will engage in this process. This will be highly symbolic and indicate the seriousness of the process.
- What qualitative and quantitative measures are to be used to measure the progress and judge success against cost?
- Ensure that everyone understands the relationship between behaviour, systems and symbols.

The next part(s) of the process depends, of course, on the nature and extent of the programme including what are priority areas. Certainly steps 7, 8 and 9 could well proceed in parallel.

## **7. TRAINING**

It is important that people understand what is expected and why. We have found the Working Together course is helpful as it combines context setting with knowledge and experiential learning. It is essential that courses are run top-down and are co-led, that is with internal course leaders and an external consultant/trainer. Other papers explain the nature and process of this course. It provides an opportunity to discuss the strategy and important information about alignment and capability. As a result, people may choose not to be a part of this process and so changing roles or organisations.

It is critical to train internal co-presenters (Train the Trainer). Although the roles of the two co-presenters are different, the internal co-presenter should be able to demonstrate knowledge of the concepts and be able to present the business case.

## **8. RESTRUCTURE**

The extent of this process will obviously depend upon the gap between what is needed and what exists. However, it should be based on the nature of work (levels), understanding required authorities and a simple, effective role description system. The process again should be clearly led by the relevant executive head with

support from internal and external experts.

- It is critical that the process is not experienced to be dogmatic or overly bureaucratic.
- It is also critical that a differentiation is made between the work and the capability of the current role incumbent.

## **9. SYSTEM DESIGN**

We have written several papers on system design which explain this process in considerable detail. Our experience is that the work is complex and iterative.

Therefore the critical issues in process are:

- To have small teams work on systems (4 or 5 maximum), although they may take input from others.
- Ensure that there is sufficient capability or the systems will be bureaucratic.

The key systems to examine are:

- Safety
- Performance Management
- Fair Treatment.

The key to the analysis is to look first of all at the purpose of systems and to review all current systems in terms of differentiation or equalisation. Significant gains can quickly be made by changing systems that currently differentiate for no good reason to equalising systems, for example, car parking, uniforms, canteens, benefits. Similar gains can be made the other way (equalisation to differentiation), e.g., performance pay from fixed hourly rates.

It is often helpful quickly to initiate some symbolic system changes to demonstrate action. Some systems may have irritated people for years and yet are relatively easy to change e.g. authorisation for stores, car parking, good safety equipment.

## **10. REMOVAL FROM ROLE**

This step is absolutely critical. We have seen many change programmes slowed, halted or fall into disrepute because, despite good structure and systems proposals, people are left in roles even when they cannot effectively carry out the work of the role. This is especially true for those in leadership roles. This is perhaps the most difficult element of all. In successful change programmes we have often seen between a 30-40% change in leadership roles within a year. Some of these may be by choice, others by requirement. It is rare that positive behaviour change will occur amongst those in level 1 or 2 roles if they see poor leaders left in the roles higher up.

The critical issue is, of course, how to manage this process in a fair and courageous way. It is important to differentiate between those who change roles (or leave) because they do not have the capability but are genuinely well regarded and those who leave because they are bullies or are operating in unauthorised or unproductive ways. The former should leave with dignity, the latter should be dismissed. Of course this may not be so clear cut and there should be an opportunity for training and development to come up to speed. The critical issue here is not to use training as an excuse to avoid facing the hard truth.

There may well be a sub-culture of people who oppose the changes and are not aligned. The rest of the organisation will be watching this group carefully to see how they are treated. This is a key leadership issue and relates directly to performance management. Many initial “opponents” have in time not only been won over but become enthusiasts. The critical issue is whether they are doing the work of the role. Removal from role of a poor performer who also opposes change can be very positively significant and symbolic.

## **11. CONTINUE TRAINING**

In our experience it is important to take the training through the organisation. Courses may differ in length or content but as mentioned above these differences should have a work or business reason. The obvious similarity between courses for all employees helps in several ways:

- a It reinforces common language
- b It helps build a shared culture (people at all levels can discuss their experiences)
- c It is a positive symbol of equalisation.

The two critical issues are however:

- There must be demonstrated change in behaviour by people who have been through it. The worst comment made on a course is “I wish my boss had gone on this” – when the boss already has.
- The course must not become a substitute for change. That is, we must avoid “we have nearly finished our change programme as 90% have been through the course”. Such training can become ritualistic and detached from real change.

## **12. SYSTEM TRAINING AND IMPLEMENTATION**

However good the system design is, it must involve training in knowledge and skills of implementation. This is an essential, but often overlooked part of the process. The critical issues here are:

- To ensure that systems are seen and experienced to be owned in the line. If people systems are seen to be “HR” or information systems “IT”, then long, protracted wars can break out between users and apparent owners.
- It is essential to build controls into systems which provide information for audits and reviews. Too many systems are implemented with no or poor controls. They may start off well but drift over time and may become counter-productive without the leadership realising this.



- It is important to identify priorities. Some systems are in urgent need of redesign; others can be left and others can be abolished. It is important to link the systems work with the training and structural work so that they are seen to be interdependent.

### **13. REGULAR REVIEW**

Finally the CEO, his/her team and relevant others regularly review progress against expectation. This highlights the need:

- a. To integrate the whole process
- b. To have good control and audit information
- c. To have good measures

The review then will relate back to other stages as required e.g. restructuring, systems work, training, implementation, etc.

It is essential that this work is ongoing and remains actually and perceived to be the work of the executive leadership of the organisation.

### **C. SOCIAL PROCESS**

In the change process, if productive transformation is to occur, then there are several social process lessons that we have learnt. Some have been mentioned or implied.

The main ones are:

- To ensure that the CEO or equivalent leads the process. Establishing a relationship with the CEO is critical especially as that relationship must be and be seen to be advisory.
- The external consultant (and his or her team) must develop productive relationships with the CEO team. This is not likely if the consultants are perceived as “zealots”.
- Although people in HR roles may seem to be the obvious allies of this process, this may not be the case. Indeed, people in the HR roles may see external consultants as rivals. Building a positive relationship and engaging with current concepts used by HR is important. At the other extreme the HR department may be seen as owners of the process and that the Head of HR is the client. This must change overtime or the whole process will be likely to be sidelined.
- It is important to understand the role of other external third parties, e.g., union leadership. There may be vested interests in maintaining a distance between the organisation’s leadership and its employees. It is important to discuss a clear strategy of if and how such organisations relate to or are involved in the change process.

- It is usually a good idea not to name this process or the teams involved. Although this paper describes it as a particular transformation process, if it gets named, it is easy for the work to be seen as separate from the business. It is also easy for it to be seen as a project (which will end or go away or fizzle out).
- All through the process it is important to keep in touch with mythologies throughout the organisation. These may be positive or negative to the changes and will affect both training and pace of change. Most successful transformations have been supported by the advice from “wise counsel”, i.e., a few separate people in the organisation who do have good reliable networks and who have sound judgment.
- In relation to this point both internal and external members of the change process team must have a heightened awareness of their own behaviour. People will be actively testing for consistency and inconsistency and waiting for dissonant behaviour which might undermine confidence in the process.
- Change in leadership can and may well affect the process. It cannot be assumed that if the CEO changes and a new person is appointed then the programme will continue. This will depend upon whether the Board regards and values the process as needing to continue. Whether a productive and constructive relationship can be established with the new CEO (see B Notes on Process 1). We have worked in organisations where new CEOs have continued the process and others where effectively the programme has stopped or been put to one side.
- The pace of change will vary; timing is very important and clearly relates to Resourcing. There is no fixed time for this process however it is likely to take more than a year even when conditions are favourable. Pacing will depend on many factors, resources as mentioned but also the current state, capability and perceived need and benefit of change.
- Finally, it is important to build internal resources to sustain and improve on the change process. Although some consultancies might regard this as bad for business, it is not helpful or productive if change is seen to be dependent upon outsiders.

#### **D. OVERALL CRITICAL ISSUES AND SUMMARY**

There are several pitfalls we and the process can drop into, and some key overall lessons.

From a consultant’s perspective:

- It is essential to be disciplined but not dogmatic.
- Advise in such a way that avoids a class or even caste system developing over levels of work as in “she’s just a level one”, “he can’t do that; he’s a level three” etc. The concepts of capability and complexity must be distinguished.
- Spend a significant amount of time and effort on systems analysis and what behaviour results from it. Especially use the differentiation/equalisation and system matrix models.

From the executive/leadership:

- Demonstrate it is line owned.
- Link to clear results, qualitative and quantitative.
- Embed the work with systems
- Remove poor performers from role

All involved must keep in touch with mythologies, help build positive new ones and be aware that of any one of the advisors and leaders will be constantly judged as to whether they are examples and role models of what is preached.

*Ian Macdonald.*

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