

## A Perspective on Business Transformation: The Power of a Culture-First™ Approach

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**Context for Transformation:** Over the years, businesses have tended to rely on structural approaches to change because they are more tangible and quick—either centralizing or decentralizing, or both. They have also tried to re-engineer business processes, introduce new technologies, outsource, and other “programs of the month” in their efforts to grow and beat the competition. In fact, I’ve seen some Fortune 100 companies deploy all of these approaches within a 10 year time frame only to experience reduced trust, performance, lowered productivity and quality, and increased frustration that nothing they tried really worked. What has always been missed in these transformation efforts has been how to engage the culture of the organization as a force for change.

Here is what the Corporate Executive Board has said about structural change in technology companies:

Demands for speed and efficiency are driving widespread experimentation in organizational design. Ninety percent of IT organizations have either recently reorganized or plan to do so. But reorganizations fail to make IT more responsive and efficient because they fit within very traditional lines. ***Reorganizations change reporting relationships within IT, but they don’t fundamentally change the attributes of IT’s operating model that make speed and efficiency such mutually incompatible goals.*** (Emphasis added) (*The New Model for IT Service Delivery Volume I: Design, Definition, and Governance* 2012)

In effect, if you don’t change the culture of the organization, you can’t achieve the speed and efficiencies you need to compete, let alone sustainable growth and industry leadership.

There is another way to transform a business that builds high trust and high performance, while the business is moving at the speed of change. This alternative approach is called *Culture First*\*.

### A Summary of Past Transformation Approaches

Here are some of the findings from research and experience in organizational transformation over the last 70 years:

- **Traditional Change Strategies:** Most change strategies have been driven either by:
  - **Structural Change:** Reorganizations are quick and top-down driven, but merely rearrange the deck chairs and reporting relationships—no lasting cultural change
  - **New Information Technologies:** Introducing new technologies has been a way to increase efficiencies, reduce costs, and integrate and rationalize legacy systems, all of which require a fundamental shift in how people work; they have been largely top-down, eliminate jobs, and

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\* This term is from the award-winning methodology known as *The Collaborative Method*™ that was developed by Dr. Edward Marshall and is described in his *Building Trust at the Speed of Change*

- do not give the workforce ownership over the change; hence they are often resisted, are very expensive, and do not produce sustainable cultural change
  - **Process Re-engineering:** Business process redesign has been a commonly used change strategy to simplify the complexity in business processes along the supply chain and across silos, with the intention of driving out cost; they are typically top-down, produce fear because of job cuts, lack the necessary engagement and ownership of those affected, encounter resistance, and very often fail
- **High Failure Rate for Transformations:** Over 75% of these change processes failed primarily because leadership didn't stay the course and the workforce did not own the change (Harvard)
- **Cultural Foundation:** The most critical element for a sustainable transformation is the company's culture, which has largely been missing from these traditional approaches; if the cultural foundation is not properly laid, the change will fail
- **From Power to Principle:** If the transformation is driven by compliance (power, politics, and fear), the change will fail; if the transformation is driven by the principles of trust and ownership, its probability for success increases dramatically

### **An Alternative Approach to Business Transformation: Culture-First & Collaboration**

A collaborative transformation strategy is based on the principles of trust, ownership, integrity, and accountability, and is focused on addressing a critical business challenge, such as moving to IT as a Service. Transformations of this magnitude require a shift in the culture, in leadership behaviors, and in how people work together as much as they do a shift in structure, technology, and process. In fact, by embracing the cultural change needed and entrusting the workforce with the ownership of the change, the prospects for success will dramatically increase.

- **Principles of Collaborative Transformation:**
  - **Principle #1—Trust:** if the workforce doesn't trust leadership or is fearful of the change, the transformation will not succeed
  - **Principle #2—Ownership:** People take care of what they own; they don't wash rented cars; to succeed, the workforce must own the changes that will directly affect their work lives and futures; building ownership will result in high trust and significantly increase the likelihood of change success
  - **Principle #3—Integrity:** Leadership must walk the talk of collaboration to ensure credibility and integrity of the process
  - **Principle #4—Accountability for Results:** Business results must be achieved and both leadership and the workforce must hold themselves and each other accountable for those results
- **Critical Leadership Steps:** Here are 5 critical steps for leadership to take:
  - **Step #1—Articulate a Clear Vision and Direction:** Articulate a clear vision and strategic direction for the business, and commit to creating the cultural foundation for sustained growth and industry leadership

- **Step #2—Accept That Culture is the Foundation for Success:** In accepting that sustainable success begins with a solid cultural foundation, leadership then identifies the principles that will comprise it, and build the change strategy off of those principles
- **Step #3—Engage the Culture By Transforming How People Work Together:** Adopt new collaborative ways of working, starting with senior leadership; articulate expectations around the how people will work together, and build a performance reward system that reinforces teams and collaboration rather than individuals and compliance
- **Step #4— Workforce Ownership:** Give the workforce ownership over the transformation process; this requires clarity, definition, discipline, and a systemic approach to engagement, alignment, and accountability
- **Step #5—Transform the Business:** Take down silo walls, collaborate across boundaries to solve the key challenges of business transformation, celebrate early wins, build momentum, and solidify business gains