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REPORT

CULTURAL TRANSFORMATION FOR SURVIVAL

Madrid, June 12, 2019

**“IT IS NOT THE
STRONGEST OF
THE SPECIES THAT
SURVIVES, NOR THE
MOST INTELLIGENT
THAT SURVIVES. IT
IS THE ONE THAT IS
MOST ADAPTABLE
TO CHANGE”**

DARWIN

INTRODUCTION

In the novel *Il Gattopardo*, Tancredi says to his uncle, “If we want everything to remain as it is, everything must change.” This may seem like a paradox, but it is a reality applicable beyond politics, touching all aspects of life.

Detecting new trends and predicting changes brought about by them are two indispensable skills for a business’ longevity. Kodak kept an iron grip on the photography market for over a century, but fell during the shift to digital. VHS and other 80s’ paraphernalia have become mere objects of nostalgia, and currently even digital cameras are being left behind following the integration of cameras into smartphones. But despite this, Fujifilm was able to see this change as a chance to reinvent itself and maintain its prosperity; the Japanese multinational corporation, which was founded in 1934, still stands today.

“Employees who do not put themselves in the company mindset do not belong there”

Many companies tend to focus on tried-and-true business strategies that have worked for them in the past. However, success is situational, and the parameters that led to the success of any given strategy may have changed. Corporate cultures that cling to old methods will struggle to survive.

It is not easy to define the concept of “company culture,” nor is cultural change easy to implement or consolidate in an organization. In fact, culture is often the primary obstacle to organizational change, leading to its downfall.

In our opinion, an organization’s culture can be defined in one word: **personality**. Akin to a genetic code, it is comprised of an organization’s

values, procedures and practices. Employees who do not put themselves in the company mindset do not belong there.

Companies usually make cultural changes to adapt to changing talent and market demands. At present, rapid technological change begets a need for organizations to undergo a generalized cultural shift. But there are many other factors that may drive a company to evolve, such as changes to their business models, internal restructuring processes or shifts toward increased employee involvement.

The end goal of cultural transformations is optimization. To successfully transform the workforce, implementation goals must be **SMART**—meaning Specific, Measurable, Achievable, Relevant and Timely. Employees are a key factor in this process. If they feel a sense of ownership over this change, they will readily adopt it and make it their own.

Zappos is a good example of a successful cultural transformation. When Zappos’ CEO wanted to redefine his company’s culture, he asked all his employees for their opinions. With input from his entire workforce, he decided on the set of values that would become part of the company. He then asked the employees to change one company process or policy to even further accentuate the new corporate values, and in doing so, he was able to leverage those new values immediately.

Another example of a successful cultural change is **W.L. Gore**.¹ In 2017, despite the company’s great success and highly consolidated market position, Terri Kelly and his team of executives determined their workforce was dissatisfied with the low-risk decision-making and extreme caution in new business initiatives. The company’s sluggishness on the innovation front was particularly dangerous, so they decided to alter their decision-making process.

The company created an internal team called the *Innovation Center of Expertise*, whose goal was to promote the most promising employee proposals. In addition, the company created small start-up teams so its professionals could explore new projects. Most of the ideas failed to become successful businesses, but Kelly allowed employees

¹ Fortune

unsatisfied with the new initiatives to return to their old jobs. This arrangement was met with much enthusiasm. It acted as an outlet for frustrated Gore employees and was ultimately a great success.

Last is an example of a company facing a cultural transformational challenge that has become very common: addressing diversity as a distinct value with avenues for improvement. **SAP**, a U.S. software development company, realized its workforce was comprised primarily of a single demographic, so it decided to promote diversity in its corporate culture. In 2013, the company announced that 25 percent of its global leadership positions would be occupied by women, a goal that was reached in 2017. At present, SAP is still introducing new measures and initiatives to promote the incorporation of women on all levels. In the company's words, "Diversity drives innovation and generates a variety of enriched perspectives that empower engagement both with SAP employees and consumers, which in turn supports and promotes business success in the changing digital world."²

PEOPLE ADDRESSING CHANGE

People shape their identities through their relationships with their environments, emotions, values, etc. These details form an idiosyncratic

profile for each individual. As Ortega y Gasset once said, "I am myself and my circumstance."

No two people are alike, and this manifests in an obvious way: Different people's reactions to change vary greatly. TED speakers have shared techniques for adapting to a changing world, but how can we improve a new culture's implementation process for a broad spectrum of employees?

Innovation diffusion theory³ can help to gauge responses and willingness to participate in change. With this Gaussian curve, we can analyze different profiles in terms of their willingness to embrace change.

This theory puts forth five categories:

- **Innovators (2.5%):** Those who volunteer to try new things and are ready to take risks.
- **Early adopters (13.5%):** Those who are potential leaders and instigators of change in their company. They feel comfortable with change even if they are as proactive as the Innovators.
- **Early majority (34%):** Those who are not leaders but likewise are not averse to common changes, such as updating to state-of-the-art technology.

² SAP

³ Forbes

- **Late majority (34%):** Those who are skeptical and will wait for the majority to have implemented a change before putting in the time or effort themselves.
- **Laggards (16%):** Those who are a challenge involve in the change process.

In addition to an analysis of the time it takes for professionals to get involved, we can also analyze the qualitative profiles that arise based on these reactions to change.

These profiles are divided into 4 groups:

Apostles

A company's cultural forerunners, they have a positive attitude toward change and will use their emotional attachment to motivate others to implement the company's initiative. They are committed to the company and quite possibly feel responsible for the change themselves, so they will make it their own and automatically become **ambassadors** (promoters) of change.

Hostages

These professionals are committed to the company and their job, but have some difficulties implementing change, which may put them off from their initially positive perspective. They are most comfortable with what they know, so they feel intimidated when faced with change. If they are left unassisted during early implementation phases, they may get overwhelmed and become mercenaries.

Mercenaries

These professionals work for their company as they would any other, with no sense of company loyalty. Since they have no attachment to their company or team, there is no personal stake in their work there. When faced with a cultural change, they may adapt reluctantly, but they only distantly acknowledge their company's goals.

Toxic

Toxic professionals dislike the company and their job. Their reaction to change is completely negative. They don't want it, and they cannot implement it because of a total lack of predisposition for company initiatives.



COMMUNICATION'S ROLE IN CHANGE MANAGEMENT

A cultural change may fail for any number of reasons. Below are some obstacles that usually lead to failure:

- Lack of commitment from company leadership⁴.
- Resistance among employees, which is a very common issue. This risk cannot be ignored during the planning process.
- Poor or infrequent internal communications. Insufficient communication is the most common cause of implementation failure.
- Lack of strong employee commitment. Without employee involvement, creating a new culture is impossible.
- Unclear culture definition.
- Lack of planning.
- Improper leadership.
- Prioritization of the system above the people.
- Lack of vision.
- Overlooking short-term goals and small victories.

⁴Forbes

- Failure to anchor change to corporate culture.
- Premature declaration of victory.

Risks may arise as a result of workforce rejection or a disorganized transition. If a culture change goes off-course, it can result in issues such as:

- Creation of a confusing culture.
- Detachment of professionals from values.
- Employee demotivation.

To guarantee success, it is important to emphasize minor victories and allow everyone to feel the beneficial effects of the changes. This helps them get motivated to continue involving themselves in the process. In short, good communication is the key to success, enhancing culture transformation through **knowledge, inspiration, activation and participation**.

Knowledge

A good starting point, in terms of both spreading news and determining your workforce's mood, is to ensure everyone understands and know how to promote a given initiative.

Remember that communication can be mutual. For quite some time now, communication in both the media and business has moved not only downward, but upward as well. Thanks to this



multi-directionality, managers are easily able to get opinions from employees about the company's new face.

“There is only one good, knowledge, and one evil, ignorance”

Sócrates

Inspiration

Good communication can inspire. The same way an advertising campaign can evoke an emotional response, communication (both internal and external) around a company's cultural change can generate fluctuations in employee attitudes. If they become enthusiastic, the heightened mood will act to promote involvement.

“Reason leads to conclusions, while emotion leads to action”

**Donald Calne,
neurólogo canadiense**

When putting together speeches outlining the shared vision, aim to inspire to add to your workforce appeal.

Activation

Activation goes one step beyond inspiration. In this case, it is bidirectional, or even multi-directional. When implementing cultural change, **start with the leaders**. If they are aligned with the new values, they will become key internal allies in the transition process. Their role is to promote change among their teams and other coworkers.

There are various tools to activate and orient leaders, as well as provide them with the know-how to empower them during the transition process.

“Example is not the main thing in influencing others. It is the only thing”

Albert Schweitzer

Participation

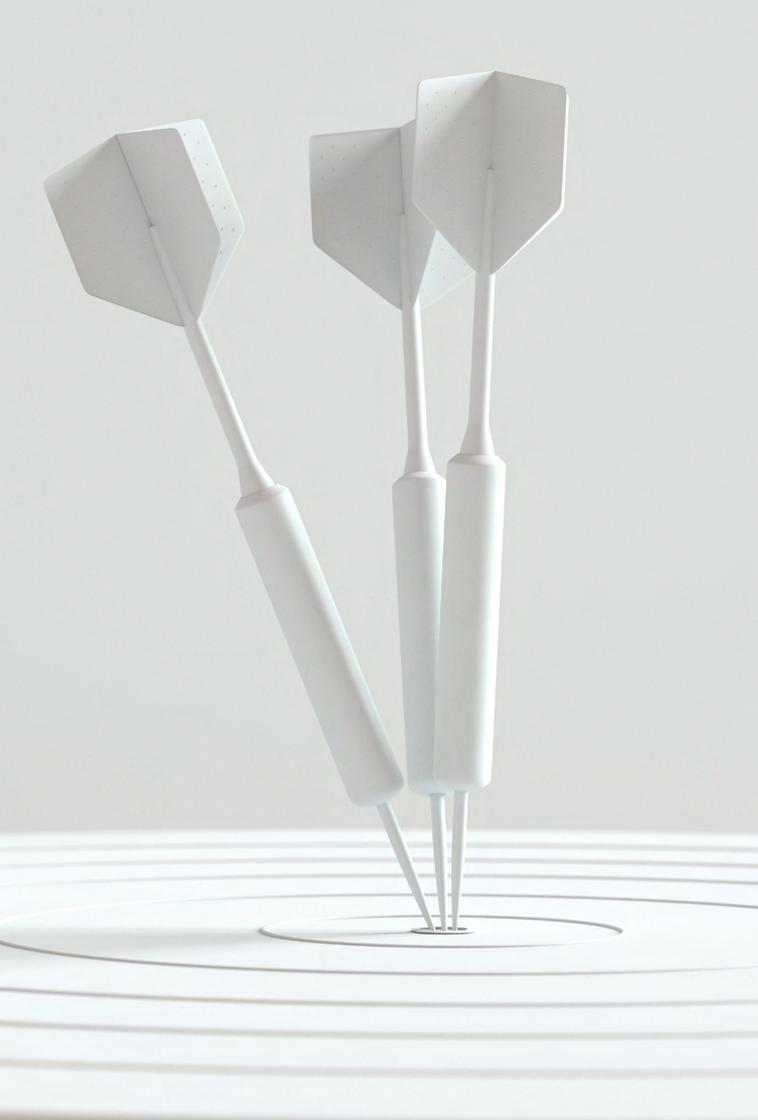
One way to help professionals develop **sense of ownership** of company change is to get them directly involved. This may seem obvious, but it remains oft-forgotten. Motivation and commitment levels increase exponentially, expediting the transition. Employees are best-equipped to deal with what happens in the company, and their ideas may be very beneficial due to their clear perspectives on existing business opportunities and improvement areas. Basically, co-creation of a new culture optimizes its organization and implementation.

“Individuals score goals, but teams win matches”

Zig Ziglar

PHASES OF CHANGE

Culture must change and adapt to current demands for a company to survive. Specific tools exist for this purpose, such as specialized work spaces, information and communication systems, incentive systems, etc.



Devices, systems, rituals, organizational charts, etc. are all tools that can help smooth transition, but there are certain unavoidable phases of cultural change that must be accounted for. These phases include:

Phase 1: Analyze, Diagnose and Understand

Thorough analysis is required to determine the starting point for any cultural change. It is essential to assess the current situation; clarify the company's vision, mission and values; and define the gap between what the entity currently represents and the strategic goal it seeks to achieve. An analysis of the current state of the organization, including its strengths and weaknesses, allows you to chart a realistic course toward your goal. Without this analysis, it is impossible to properly align the transition or determine which factors are necessary in the company culture's evolution.

There are many tools that can be used in this diagnosis, from surveys to focus groups and even largely unexplored methods, such as agile methodologies.

In fact, many companies are already using these resources, though they are usually utilized for other purposes, such as evaluating the work environment, leadership 360° assessment, work-life balance, etc.

This first phase is often most difficult, due to the large amount of effort required to achieve sufficient **discovery and self-knowledge**. A common but serious error is approaching this phase with a negative attitude or with excuses. Do not deceive yourself; nobody likes to hear what they don't want to hear.

It is important to acknowledge that preparing the company to face future challenges is the reason for change. Thus, it is essential to know what factors to change and which problems to address. For example, neither individualism nor teamwork is inherently better than the other, but in your specific case, a lack of teamwork may put your company at serious risk.

Phase 2: Design and Align

When planning to implement change, it is essential to not only consider the company as it is now—your starting point—but also include all collaborators and anyone else who may exert influence to help you maximize the alignment of your goals. Maximal participation is vital to sufficiently define the vision, values and internal processes that will support cultural change in your organization, such as incentives or remuneration policies, among others. Change must be integrated into all of a company's operating processes to guarantee success.

This can be achieved through **an inspirational and exciting speech** to all members of the organization. Communication and thoughtful execution are paramount, and again, the involvement of all departments will aid in this. The goal is to generate a positive attitude, and a little fun never hurts.

Phase 3: Implement, Measure and Review

Many companies invest efforts and resources into the previous phases but forget project success requires not only on implementation, but also continuous improvement of the plan.

This is where **clarity, honesty** and **coherence** come into play, even more so if the company is able to send a message that emotionally impacts the transformation’s main actors. In this phase, it is important to inspire and involve as many collaborators as possible to cultivate positive attitudes throughout the organization. If possible, generate a positive attitude within the organization. The changes we consider essential for achieving cultural transformation are:

1. Leadership: Inspire and coach employees toward the desired future, providing directors and top managers with the tools they need to successfully take on this role.
2. Communication: Involve every group in the new vision and relevant key messages at each stage of the transformation process.
3. Training: Cultural transformation, quite often, is associated with the need for new behaviors, which implies both acquiring new skills and organizational support to help employees learn them.

4. Employee Experience: This responds to questions team members may ask themselves. How will this cultural change transform their job expectations, customer relationships, team coordination tools, job measurements and working conditions? In short, what benefits will they gain by embracing the new culture?

The truth is, despite making these changes, any organization’s cultural change will be a long-term endeavor. The results of this sort of project are never seen instantly. It is necessary to set benchmarks that guarantee continued optimal management and change implementation.

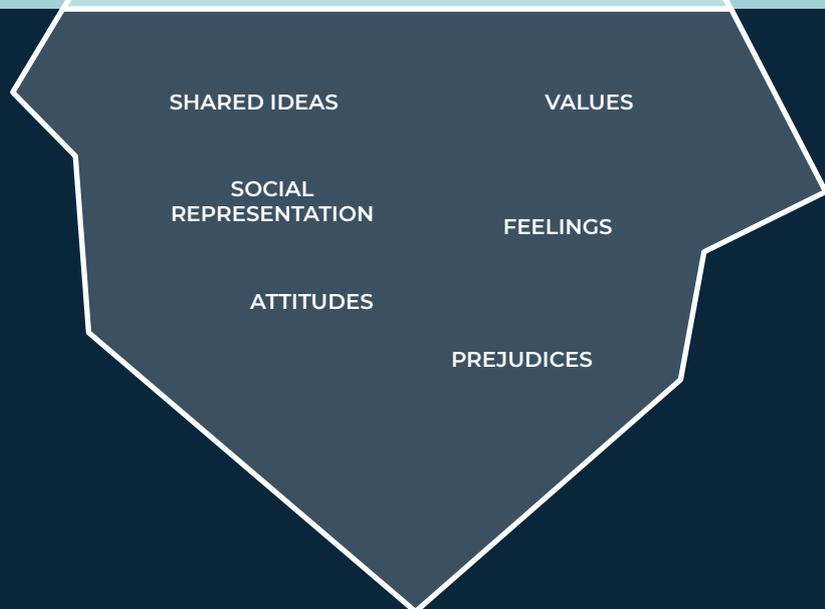
Consistent review allows you to set the pace of implementation, and, if needed, drive its acceleration. In this phase, it is especially important to acknowledge the efforts of those involved as progress is made and important milestones reached.

In this last phase, you must also focus on project goals and, if possible, use tools and methodologies to hasten the transition. A consistent communication

Visible Cultural Elements



Invisible Cultural Elements



plan that supports the transformation and involves all employees is the best way to achieve strong and clear results.

KEY SUCCESS FACTORS

Studies have shown that one in three companies fail in their attempt to implement a new cultural model. The need for a roadmap with clear, efficient goals that involve all employees is clear.

There are many factors that can have a positive effect on cultural change. In our experience, some of them include:

Long-term vision and planning

Any organization's culture is made up of both visible and invisible elements, such as:

An organization's visible elements are easy to mold, while the invisible elements are concepts whose evolution can only be expected to take place over the long term. This is why sustainable roadmaps require proper planning and prolonged follow-up from those involved. Even a long-term approach will not guarantee an attitude change across the entire organization.

A tool that can be useful in the long term is your **recruiting process**. Sustained incorporation of people who share the values of your desired culture will naturally facilitate that change.

Holistic and Consistent Vision

Coherence provides security during the cultural change process. If visible elements are not cohesive with the intended change, you will lose credibility and failure is guaranteed.

For example, you cannot ask your sales force to work as a team if you only offer individual incentives. You cannot ask your manufacturing plants to improve production quality if you only measure productivity in terms of volume.

All visible elements of culture (systems, processes, politics, physical environment, etc.) must be aligned with the culture you are aiming for.

Leadership and participation

The element of change most visible to an organization's members is the direct involvement of leadership and management teams during the transition. In the cultural transformation process, it is necessary to ensure the organization's top management is thoroughly prepared so they can act as enablers and facilitators that during the change process. **Leading means facilitating action and inspiring others.** Leaders who use their positions well are capable of influencing behaviors and molding attitudes.

This type of leadership, based on collaboration and the creation of flat organizational structures, enhances organization members' participation in the change process. When all members are able to participate in cultural change initiatives, it not only generates a more powerful shared vision, but also adds another essential ingredient: the desire to change.

Accountability and Continuous Information

Lastly, you must remember to follow up with the metrics that allow you to **quantify success** and uncover any need to implement adaptability or enhancement processes.

Through accountability, you can concretely give good news about company development to organization members, and with this, you generate commitment to change.

There is nothing more gratifying than seeing a transformation come together. Conveying that success through data generates a **feeling of pride** and sense of belonging, both of which are key to the success of your cultural transformation.

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