



Cultural Change and Leadership in Organizations

A Practical Guide to Successful Organizational Change

Jaap J. Boonstra

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 **WILEY-BLACKWELL**

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*This book is dedicated to all the initiators, inventorpreneurs
and leaders who want to make a difference in organizational
life and contribute to sustainable change in organizations*

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About the Author

Jaap Boonstra is Professor of Organizational Dynamics at ESADE Business School in Barcelona (Spain) and Professor of Organizational Change and Learning at the University of Amsterdam (Netherlands). From 2001 to 2010, he was the Dean of Sioo, an inter-university centre for organizational change and learning in the Netherlands, and is still associated with the institution as a researcher and lecturer. As a consultant, he is currently involved in change processes for international organizations in the Netherlands, Germany and Spain. In 2011, he was awarded the Impact Prize of the Association of Management Consultants for a change project in a youth care institution.

At ESADE, he is involved in master's courses, executive education and company leadership programmes. At the University of Amsterdam, he lectures master's and graduate students in management of change, strategic decision making, power and politics in organizations and organizational learning. His research activities focus on transformational leadership, barriers to organizational change and innovation, power dynamics in organizational change and sustainable development of organizations. He has published more than two hundred articles and is the editor of *Dynamics of Organizational Change and Learning* (Wiley-Blackwell, 2004) and *Intervening and Changing* (Wiley-Blackwell, 2007).

Preface

“Our culture needs to change.” How often do we hear that said in or about organizations? For instance, if a company is in a crisis situation and a deep change is required, or if the collaboration following an international merger simply won’t get off the ground, or if the future of an organization depends on working in a more customer-oriented way and on innovative behaviour. Without cultural change, it is not possible to achieve successful strategic change. But cultural change is not that easy. In practice, goals are often not achieved, and cultural change processes get bogged down without producing any results. How can leaders tackle cultural change successfully, what are meaningful change strategies and which interventions are effective?

The Foundation for Management Studies commissioned a team of researchers to carry out an in-depth, two-year investigation into nineteen organizations that had recently successfully achieved a major strategic change. The result is in your hands: a book with an unprecedented abundance of stories and experiences that have resulted in new insights and recommendations for deep change in organizations.

Cultural change in organizations is not a goal in itself but is for the strategy of the business. This means that there is a continual dialogue with all parties concerned about the role of the company culture in achieving the strategic change. The best chance for successful change comes from giving meaning and value to the company, and to what the company wants to mean for customers and for society. Another interesting outcome of the investigation was that leadership in cultural change is not reserved for the top of the company. The cases described also show examples of important cultural changes that have been set in motion and carried by managers at

lower levels, by professionals or employees who believe that things are going wrong or who feel their professional honour is challenged. Successful leadership in cultural change is connected with passion and a vision of the future and not with the formal position in the company. This book establishes links between the reason for the change, the most suitable change strategy, the style of leadership and the interventions for steering the change in the right direction.

Many people have contributed to this study. I would first like to thank all those who collaborated in the study and were so open-hearted about changing their organizational cultures. Their experiences and insights form the basis of this book. The members of the research team carried out investigations at the companies with precision and dedication, gave insights as feedback to the discussion partners and wrote wonderful stories about the changes in specific organizations. The collaboration in the research team provided a stimulus to tackle this adventure together and bring it to a good conclusion. I am also very grateful to the Foundation for Management Studies for funding and supervising the study. The members of the supervisory committee were exceptionally helpful in arranging access to the companies, discussing the interim results and in the writing of this book. The challenging and stimulating exchange of ideas during the meetings about the research was very valuable.

The work has been done; now it is up to you to get going with the insights from this book. I wish you much success with initiatives you take to strengthen and change the culture of your organization.

Jaap Boonstra
Amsterdam/Barcelona, Summer 2012

The research for this publication and the English edition of this book is supported by the Foundation for Management Studies, The Hague, Netherlands.

Introduction

This book deals with cultural changes within organizations. Change can be driven from within companies. It can also result from the need to adjust to external pressures in a changing environment. Organizational culture is related to the identity of an organization and reflects the values and purposes of the organization, which play an important role in shaping the future of the organization. Successful cultural change is intertwined with strategic change. This book presents strategies and interventions for cultural change in organizations, which deal with the following questions:

- What are we to do when our organization is confronted by a financial crisis or when the legitimacy of our organization is questioned by society?
- How are we to make a success of international collaboration aimed to improve the market position of our company?
- What initiatives are possible to prepare our organization for the future and build a valuable business?
- How should we organize our professional services in a way that they contribute to business processes and customer needs?
- What are creative ways to use diversity and conflict in our organization productively?
- How can we strengthen creativity in our organization and stimulate breakthrough innovation with business partners?

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- What initiatives can we take to create profound change in our organization and improve customer value continuously?
- How do we realize transformational change and what may be our role in this?

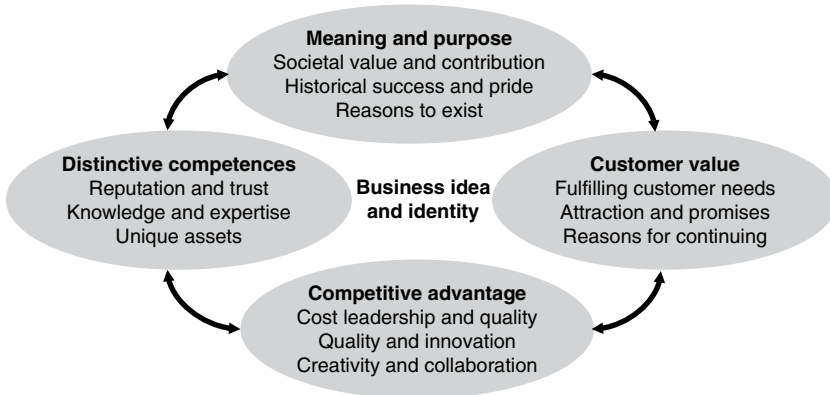
Stories and Inspirations to Guide Cultural Changes

This book offers inspiration, practical advice and suggestions for realizing cultural changes within organizations, and a way to effectively combine and organize diverse insights for strategic and cultural change. It provides orientation for people who want to travel to the rough and broader terrain of cultural changes in organizations. Inspirational stories and practical insight into successful organizations are combined with conceptual perspectives and descriptions of useful change strategies and sensible interventions. In this book, you will find stories and learning experiences from organizations successful in strategic and cultural change. Learn from the successful international collaboration of KLM and Air France and the international expansion of the engineering company Arcadis. Discover how Ahold, Philips and KPN overcame a crisis and qualified themselves for the future. Understand how temporary staffing agencies of USG People survive in a competitive market by continuously focusing on customer value. Read how 3M stimulates innovations and how Rabobank used Internet technology to redefine themselves to customer needs as the core of their financial services. Let yourself be inspired by the stories of Amazon and Dutch Railway Services and how they improved their services and increased customer satisfaction. Read about youth care and health care institutions and how they succeed in realizing a customer-centred approach. Share the learning experiences of a metropolitan Police Force and discover how they invest in diversity to create a trusted police force in a multicultural society. Read the stories of the Ministry of the Interior and the City of Amsterdam and how they have prepared for the future in a turbulent environment.

Cultural Change is About Identity More than About Behavioural Change

Part 1 offers an overview of different perspectives on cultural change in organizations. This comprehensive perspective is helpful in taking a wider perspective on strategic and cultural changes in your organization. Cultural

change is no longer perceived as a planned or programmed effort to change the behaviour of employees and managers within the organization. Companies that are successful in cultural change do not even use the words “cultural change”, and they refrain from programmed behavioural change. They focus on the identity of the organization, the basic assumptions and the business idea. Cultural change is not an aim in itself; it is focused on realizing the business idea and delivering customer value. The business idea as a new perspective on organizational culture is illustrated in the following figure:



Change initiators bring people together with inspirational vision, developing the central business idea and moving their organization to meet the future.

Cultural Change Needs Deliberate Change Strategies and Ongoing Strategic Conversations

Part 2 shows how to initiate and guide cultural change in organizations. It offers many examples of how organizations are successful in their change strategy. There is no one best way to change an organization. This part helps you to choose the right change strategy, to think through the way forward and to keep thinking as you move. Successful cultural change requires seeing beyond the current range of vision. Strategic conversations are helpful for interpreting the present and developing scenarios for the future, using storylines and imagination. Leaders in cultural change refrain from top-down planned change approaches. Cultural change is an interactive process for making sense. Leaders in cultural change mainly choose a continuous change strategy. They involve people on all levels in the

organizations and invite customers to share their ideas for the future. A participatory approach is combined with an interactive approach. Leaders in change are not afraid to use their positions to express that which is unacceptable. By visioning the future and articulating non-values, they guide the change process in a desired direction. Basic principles for cultural change strategies are:

1. understanding and sharing the basis of organization's success;
2. focusing on customer value and value-driven business processes;
3. breaking out of the existing and restrictive frames of thinking using strategic conversations;
4. bringing people together to imagine attractive futures and building future scenarios;
5. forming a vital coalition that initiates and guides the change process;
6. consciously balancing inspirational and interactive change strategies;
7. monitoring the change process and adjusting aims and approaches when needed;
8. playing with inspiration and direction, rest and rhythm, sense and space.

Changing step by step in a conscious and continuous way is most successful for cultural change in organizations.

Leaders in Cultural Change Set an Example and Create Meaning

Part 3 articulates the role of leadership in profound changes. Leaders in cultural change are initiators who create meaning and set the pace. They question existing patterns and open up new perspectives. They invite people to build vital coalitions and initiate change. There are different types of change. Top management can only bring about creating a new corporate strategy, but other people in the organization can take the initiative in articulating the need for change or pointing out possibilities for innovation. Cultural changes are not always driven by top executives. Individuals in every role or position can take initiatives for cultural change. It is not unusual that professionals take initiatives for change because they feel their professional pride has been injured, or that employees set the pace due to a sincere feeling that things can and should be done differently. Significant cultural change cannot possibly be done when it is driven by only a handful

of people at the top of an organization. Values are only guiding values when they are chosen voluntarily. In cultural change, an organization builds its capacity for doing things in a new way. Cultural change is connected to the strategy, the structure and the systems of an organization as well as with existing patterns of collaboration and the values, aspirations and behaviour of people within the organization. Cultural change is not possible without personal transformation. Part 3 also explores what leaders do, which of them are successful at cultural change in organizations and how they work with the forces that shape change. The examples and insights are based on the behaviour of leaders in the sixteen case studies on cultural change. The transformational leaders in these organizations are sensitive to values in our society and aware of changes in the environment of the organization. They know what is going on in the organization and have a highly developed social antenna. They have a profound degree of self-knowledge and are able to contain their own ego. Leaders in cultural change bring meaning to unexpected events and unclear situations. They take the lead in crises, form a leading coalition to solve problems and envision future perspectives. They are explicit about what is important for the organization, what they value and also about that which they do not want to happen. They interact and invite others to participate in change. They share perspectives, set borders, build trust and give space to others to experiment and appreciate initiatives that contributes to success.

Choosing Meaningful and Interactive Interventions for Cultural Change

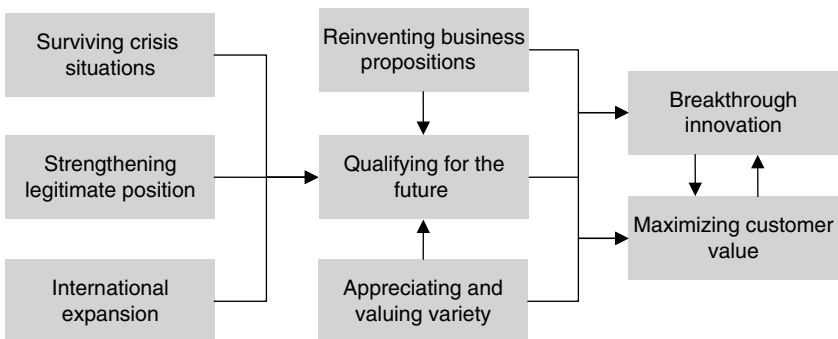
Part 4 presents a practical methodology by describing more than fifty interventions to nurture and sustain ongoing cultural changes throughout the organization. Deep changes in the way people think, what they believe, how they see the world and how they behave require a dedicated mix of interventions that fits the context of the organization and the purpose of the change process. In crisis situations, top management articulates problems, makes sense of the situation, gives direction and formulates principles that guide the change process. Without crises or immediate threats, and in situations where organizations want to qualify for the future, the most widely used set of interventions are interactive interventions that stimulate people to question existing patterns and underlying values. Interactive interventions are used to build common ground, envision the future

and take action. Structural interventions used to change organizational structures and technological systems turn out to be useful in realizing changes in coordination, patterns of collaboration and work practices. New work practices guide changes regarding how things are done and stimulate dialogue about existing patterns and underlying assumptions. Sometimes leaders in cultural change use power and conflict to create energy for renewal. These interventions are usually used to make a breakthrough in existing and destructive patterns, to create space for innovation and to relieve emotional tensions. Interventions based on power are used sparingly, and the structural and power interventions are always used in combination with interventions that create interaction, meaning and engagement.

Success factors and success actors in cultural change.

Specific Trajectories for Cultural Change in Organizations

Part 5 contains conclusions and reflections on successful cultural change in organizations and throws light on the importance of leaders in these changes. There is no one best way to realize cultural change in organizations. Eight specific drivers or trajectories for cultural change might be distinguished, and every trajectory needs a deliberate change approach with a thoughtful leadership style and a methodological set of interventions. The eight trajectories are reflected in following figure:



The challenges inherent in the trajectories for change, tax our collective abilities to deal with them. They require people who take initiatives and guide strategic and cultural change in organizations. The ambition to create

a desirable future is more important in creating cultural change than a sense of urgency. The business idea of an organization faces strategic and cultural changes, and this challenges the mental models and forces behind its current and future success. An articulated business idea is embedded in the language of organizations. It is connected to the identity of the organization and it strengthens the way things are usually done in the organization. Cultural change focuses on basic assumptions and the identity of the organization. It challenges patterns of collaboration and the way things are done there. Cultural changes in organizations broaden the scope for realizing transformational change and create customer value.

Successful Cultural Change and Leadership

The concluding chapter presents a comprehensive overview of conditions and success factors related to the specific trajectories for cultural change. The most important factor for success is to consider the context and purpose of change and to choose your change approach and interventions deliberately. The most important actors for success are the people in the organization who take the lead independently of their role or formal position. These initiators have the courage to explore and discuss the existing situation, to articulate a desirable future, to build a vital coalition, take action and guide the change process. The general success factors for cultural change are:

- initiate profound change with a vital coalition which takes the lead;
- appreciate the successes of the past and value the strengths of the organization;
- create trust through dialogue with business partners, customers and employees;
- develop the business idea and envision a desirable future;
- balance between existing identity and breakthrough innovation;
- deliberate and discuss the change strategies and roles in the change process;
- engage management, employees and customers in the change process;
- invest in professional development and learning;
- monitor the change process continuously to adjust when necessary;
- visualize results and contributions to the business idea and share successes.

Other factors for successful cultural change are dependent on the context of the organization and connected to the drivers for change and the specific trajectories.

Further Exploration

The examples and concepts in this book are a source of inspiration for leaders in cultural change in organizations. The change strategies and interventions presented may be used as a practical methodology for cultural change. This book can be explored by reading the examples of successful organizations at the beginning of each paragraph. By focusing on Parts 2 and 5, it may be used as an insightful guide to choosing a change strategy. The reflections on leadership in Part 3 may be helpful in choosing your own role in profound changes and inviting others to contribute in cultural change. Exploring Part 4 as a reference book may be helpful in considering specific interventions. The practical insights in this book and the extended stories of successful organizations may help you and other people in your organization to be successful in strategic and cultural changes in organizations.

Part 1

Cultural Change in Organizations

Introduction

Essence of this Part

This part describes how successful businesses regard their organizational culture and the motives for them to change their culture. Many businesses regard culture as the identity of their organizations. This view of culture that developed 30 years ago still has value today. Businesses also see culture as a learning process. In recent years, there is also awareness for differentiated cultural values as a source of conflict. These tensions between existing cultural values may be a source for renewal and innovation. This new perspective regards conflict as a source of radical renewal. The culture of organizations is inextricably connected to the strategy, structure and systems of the organizations. More than ever, the meaning for customers is the key element. Leaders who choose for strategic and cultural change in organizations choose a change process in which the values for customers, employees and external partners are increasingly clear. Leaders play an essential role in this process of value creation and giving of meaning.

This part is interesting because it sheds light on different ways of looking at organizational culture. This multiple view helps leaders, managers and employees to choose how they want to work on their own organizational culture. The thinking about cultural change in organizations has changed over the past 50 years, and this too is discussed here. And finally, this part is worthwhile because it describes eight reasons for cultural change encountered in the nineteen organizations that participated

in the study on which this book is based. It shows that a crisis situation is not a prerequisite for cultural change, as is often claimed.

Structure of this Part

Chapter 1 presents a brief description of how thinking about organizational culture and cultural change has changed in 50 years. In this chapter, I describe organizational culture from five perspectives. Culture as the identity of the organization, as a learning process, as source of conflict, as value creation for customers and as business idea for the organization. The most recent view is that organizational culture is connected inextricably to everything that an organization stands by and goes for. Chapter 2 gives eight reasons for organizations to get to work on their organizational culture. These eight reasons are linked together and form related trajectories for cultural change in organizations. In all successful businesses, an increase in customer value is linked to cultural change.

This first part is an orientation in existing theories about organizational culture and takes thinking about changing organizational culture a step forward. The subsequent parts deal with choosing a suitable approach to change, the role of leaders in cultural change and interventions for cultural change. These parts provide practical handholds for changing the culture of organizations.