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A systematic approach to change considering corporate culture

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Successful change projects are characterized by the use of the right methods at the right time. Therefore, Fraunhofer IPT developed a toolbox meeting following demands: little effort to conduct methods, comprehensiveness, consecutive build-up, flexible and dynamic approach concerning reflection and changing conditions plus consideration of soft factors. The theoretical background is based on communicational and motivational aspects as well as organizational phenomena like micro politics and corporate culture. The success of a change-project must be assessable for management and all participants. To recommend the most appropriate methods for single projects, company specific conditions, the change-type and the prevailing corporate culture should be considered. Additionally, a study conducted by IPT shows significant correlations. The individual change-types influence the effect of individual culture characteristics, which may be supportive or inhibitory. The toolbox provides flexible methodological support and integrates corporate culture. The aim is to safeguard the quality of change-projects on different corporate cultures.

1 Introduction

In order to be successful in the market, it is insufficient for companies to respond only in times of crisis. The business environment is turbulent and unpredictable, which creates a constant uncertainty (Doppler 2006). They need to adapt continuously to the current market situation and adjust by change. Besides quality and cost, reaction time has developed to a substantial success factor for entrepreneurial activity. Strategic change is far from exceptional cases. It has become one of many daily business operations. Still, persuading people to undergo changes is easier in times of crisis than it is in good times and remains as one big obstacle.

If one seeks advice regarding the design of a change project, the question of "what to do" will be answered quickly. But the question "how" these things are done, will not be answered breadthways. Nevertheless, having found a suitable approach to manage a project, the probability of it failing is most likely (Michaeli 2000). Reasons for this are as numerous as occasions for change itself: lack of communicated objectives through leadership, fears and lack of involvement of employees, high operating pressure in daily operations paired with the lack of resources and unclear definition of responsibilities for implementing the change project reveal the area of conflict. All these aspects can be described as part of the corporate culture.

2 Aspects of corporate culture

Corporate culture plays a decisive role in an organization's functionality. It influences human behavior at every organizational level. Corporate culture refers to the well-established values, attitudes, beliefs and norms that are shared by the members of an organization and includes the

"subconscious" part of organizational life (Schneider / letter / Guzzo 1996). It manifests itself in various organizational factors such as organizational structures, control systems, symbols, routines and rituals (Johnson 1992) and is linked to many key processes such as corporate and executive leadership as well as company performance (Schein 1985 and Cameron / Quinn 2006). It hasn't been denied for years that the corporate culture plays a major role in the ability to change an organization and an important factor for change projects (Senior 2000). The capacity for change is influenced by the attitude of employees to conflict and criticism, the sharing of information plus experimentation in processes and products. Culture determines the degree of managements' openness to new ideas, the willingness to discuss sensitive issues openly as well as the autonomy of employees and support in their actions. In addition, it establishes the extent to which the organizational structures facilitate change. Consequently, an organization may, depending on the culture, adopt various strategies for change (Kezar / Eckel 2002). But once the methods in a change process are not compatible with the existing corporate culture, there is a high risk for change failing. Therefore, it is an important element of a change process to understand the prevailing corporate culture (Austin / Claassen, 2008 and Schwartz / Davis 1981).

However, the act of understanding corporate culture is anything but easy. Culture is often difficult to describe, alterable only in the long-run and hard to assess. This calls into question how corporate culture can be integrated operationally and useful within change management.

According to the background of their perception and assessment of reality and against the background of their personal goals, values and interests, people behave entirely logical.

Consequently, they consider their actions in everyday business - supported by the prevailing corporate culture - to be correct. Hence, lasting organizational change can only be achieved if it is grounded in the existing corporate culture (Kotter, 1996).

Due to the fixed link between an organization and its culture, this is very difficult to change. Even small changes in organizational culture require a lot of time. The stronger the culture, the harder it is to change (Kotter 1996 and Scholz 1987). In many further sources (eg. Schwartz and Davis 1981, Seel 2000, and Senior 2000) this problem has been recognized and therefore an efficient solution is tried to be found. According to Kotter (1996), it is a fatal error to start change by changing norms and values. Culture can only be changed if first the behavior of employees changes and if this new behavior then adds a visible value. This perspective also motivates Johnson's (1992) justification for successful cultural change: the creation of an appropriate change climate. Only on this basis is change widely accepted and considered necessary for the organization. Schneider et al. (1996) also mention changing corporate culture directly as problematic. Cultural change occurs through change of everyday laws, practices and routine, such as organizational climate, which lead to the acting of its employees. Since these are more tangible than values and beliefs of employees, they are also easier to modify.

Because of the many difficulties culture change implicates and the added risk of unwanted side effects, a different path to arrange culture and change is pursued. Scholtz (1987) recommends to alter the change strategy referred to the existing corporate culture, rather than changing the culture itself. This approach to adapt change to corporate culture seems very promising, considering that often several ways exist which lead to set goals. Decisive for the start of a

change process is to evaluate the degree to which corporate culture supports or inhibits the proposed change (Senior 2000). The main focus should be placed on those aspects of culture that are essential for strategic success and not consistent with the planned organizational change (Schwartz & Davis 1981). This makes the reformulation of change strategies easily and effectively. Thus, as a lever for cultural change one may conclude that, if a company's employees get what is important to them under new conditions, most of them change their behavior rather quickly.

3 Systematic approach to change

Generally speaking, the holistic approach, which is assessed as suitable and effective for business companies, can also be applied to change projects: Change projects, as the company itself, include many complex processes which interact among each other. The knowledge about levers for the quality of a change process is a prerequisite for the development of an appropriate process model and the use of appropriate tools for planning, design and implementation of a change project. The EFQM model (see Figure 1) combines the holistic approach, the taking into account of both hard and soft factors of the company and the evaluation respectively weighing of individual organizational criteria against each other. It provides for both the active formation of a model and leadership, strategy and employee orientation and resources and processes. Within an organization, existing and planned initiatives must be clearly positioned to eliminate cost duplication and identify gaps. (EFQM 2009)

The goal of the European Foundation for Quality Management (EFQM), established in 1988, is to promote awareness of comprehensive quality management concepts. The model distinguishes between enablers and results. While the enabler-criteria ensure compliance with quality requirements, quality improvement can be measured from the result-criteria (Pfeiffer 2002). Within the hereby presented approach, the management of change projects will be viewed holistically. The basis is offered by the enabler-criteria of the EFQM model. They describe in detail how the organizational structure and processes of a company must be designed to achieve the best possible quality. Looking at the EFQM model in the context of change management, the most important quality characteristics for an organizational change process can be drawn from the enabler-criteria and their sub-criteria. With its focus on the categories of leadership & role model, employee orientation and policy & strategy, the EFQM model also forms the basis for the handling of soft factors within the change process.

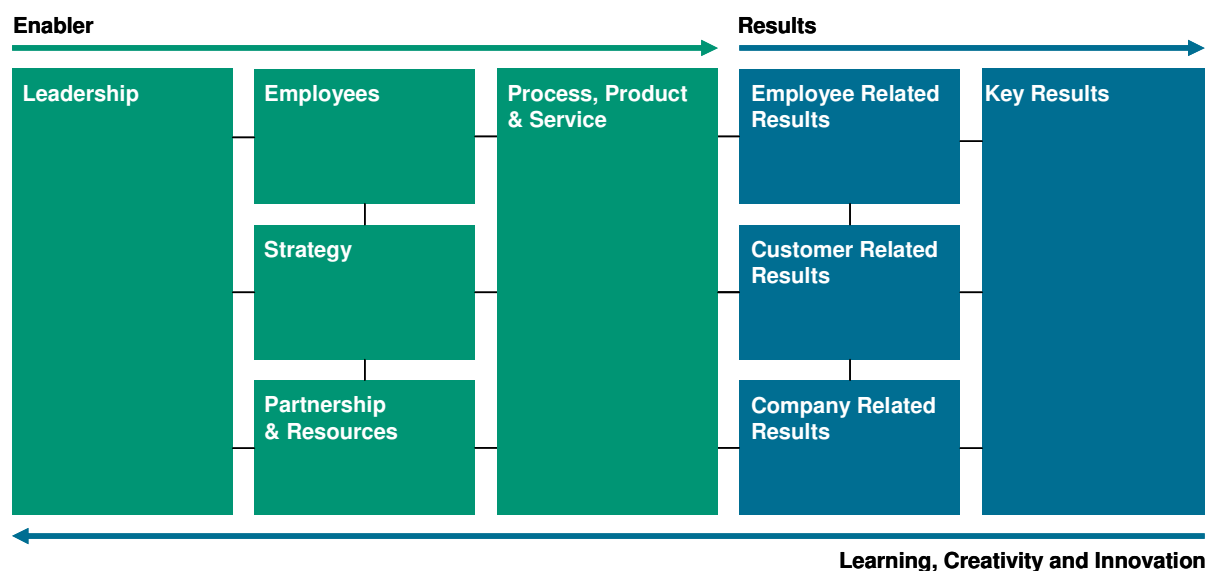


Figure 1: EFQM-Model of the European Foundation for Quality Management (EFQM 2009)

Based on the dynamics of companies and business environment, the design and implementation of a change project cannot be separated sharply. The reason for this uncertainty in planning are, on the one hand, the constantly changing variables of the environment. On the other hand, corporate culture, which is based on soft factors, plays a crucial role within the uncertainties of an organization. It for example is natural that in a company with a flat hierarchy and strong participation of employees, the approach to use quality-oriented methods of change management must be different than in businesses with rigid hierarchies and low employee participation. Individual characteristics of corporate culture are seen as supportive or inhibitory for the application of selected methods of change management. Exaggerated, one could also say, that for the proceeding of a change project it is increasingly important on the part of the top management to guide the emotions as well. This requires a recommendation of single, supporting methods and tools.

The scheme presented below provides companies a pool of methods for change projects and the temporal division into well-defined phases. To recommend the most appropriate methods for each phase of a company's specific project, an additional selection methodology is required. Here, firm-specific conditions, the nature or type of the change project and the prevailing corporate culture should be taken into account. Figuratively speaking, the collection of existing methods to support change projects forms kind of a black box from which the best methods of support are elected only by the factors mentioned above. The commitment of staff to change and the intentional use of methods, is influenced much more by soft factors of corporate culture than by hard factors such as the processes and strategies. Although numerous methods for the

implementation of change projects exist, these cannot be used effectively without considering the individual corporate culture. At the same time there are typologies and success factors of change projects that make it possible to recognize certain correlations. However, these are usually not seen as concrete causal directions.

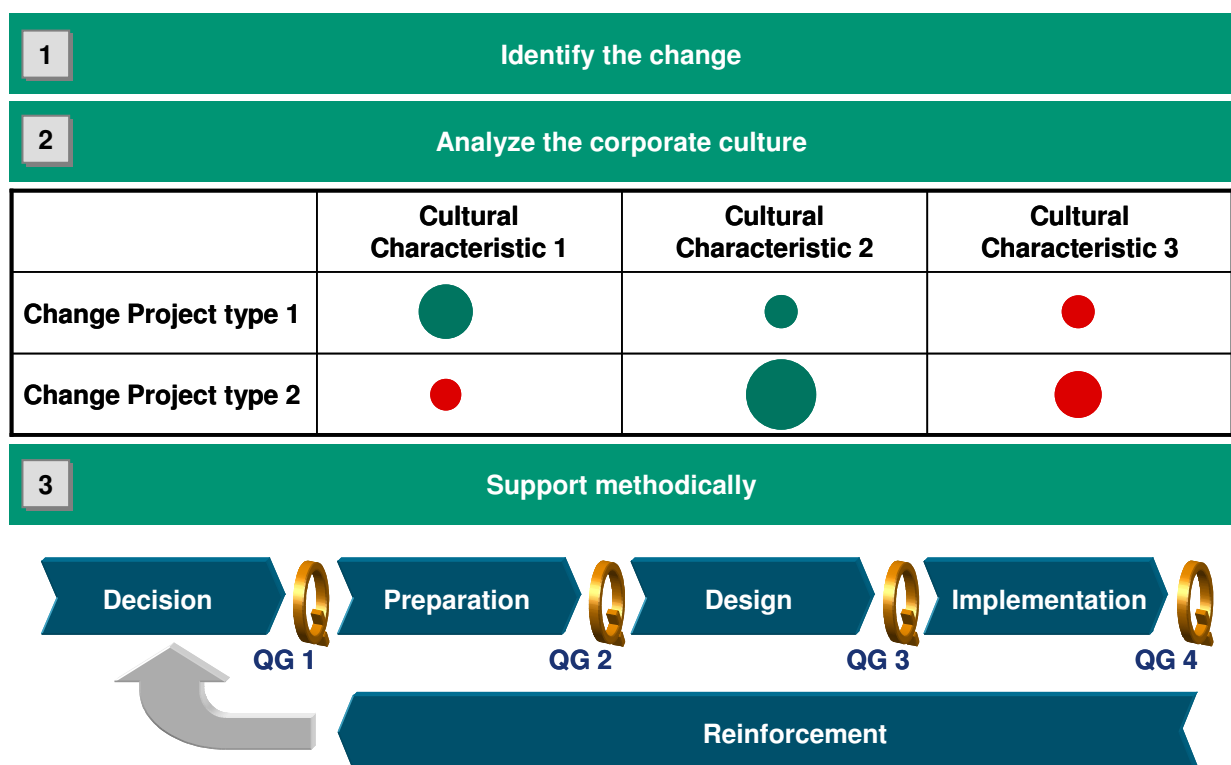


Figure 2: Strategic Steps for culture based change

The process described provides tools, one can use to diagnose the nature of the prevailing corporate culture and how it may affect upcoming change projects. The strategy of culture-based change, described below, follows the steps, "Identification of the planned change", "Analysis of corporate culture" and "Derivation of methodical recommendations" (see

Figure 2). Thus, it provides a logical sequence of operations and an intuitive approach during the change process.

Identification of the planned change

The concept of change management suggests a uniform field of change projects and implementations. In actual fact completely different problems are hidden behind the change agenda, which combine one common denominator only: it is a change from which a large number of employees are affected.

Therefore, the first step in a change project is to identify the nature of the proposed change. The more precise the reaction generated by the project can be estimated, the better the appropriate methods can be chosen. Different changes in most cases include different potential for conflicts. In addition to the different activators for a change, such as new technologies, customer and market, shareholders as well as standards and laws, the change effort helps to categorize. Different types of change range from ad-hoc procedures for rapid adaption of business units or dramatic reductions in costs through job cuts and outsourcing to complete re-orientation, the carefully planned restructuring of the company to ensure survivability.

In the context of the strategic support for change projects, the classification of a project is subject to the so-called type of change. The classification is carried out with the help of everyday words that are easily understood and in which individual companies can file themselves easily. The focus is placed on organizational change and following change project types are considered:

- Reduction in staff,
- Reduction of costs,
- Increase in productivity,
- Outsourcing
- Reorganization / Restructuring and
- Implementation of new IT.

As expected, a study conducted during the research project "Culture-Based Change" shows significant interlinkage between corporate culture characteristics and the success of change projects. In addition, the types of change show a significant influence on the success of individual cultural characteristics. Some cultural characteristics have also demonstrated a strong connection with the project's success across several types of change. It thus turns out to be strategically wise to assign the proposed changes in advance to a change typology as well as to identify present cultural features.¹

Corporate Culture Analysis

The strategic management of cultural issues is difficult. Corporate culture is a big and not clearly circumscribed field of organizational phenomena. Existing cultural models usually try to cover it as completely as possible based on dimensions. This approach is certainly valid and

¹ The study was conducted in April 2009. Approximately 2500 companies of German speaking countries have been contacted. In addition, magazines and Internet forums have been used for advertising. The questionnaire was online for a period of 2 months and the response rate was 14%. A brochure about the study and a report containing the results of the research will be published during the year 2010. For further information see: www.cuba-change.com

important, research-based and results-oriented speaking, but hardly provides pragmatic approaches as the dimensions must necessarily be very abstract to fully represent a culture. With the help of pre-defined characteristics the corporate culture can be described within reach. These aspects can be estimated by themselves and can be connected with the probability of a change projects' success. However, they do not claim to fully represent the corporate culture. Examples of cultural characteristics can be reactions from executives concerning mistakes or whether opportunities for informal communication between employees are given – even company wide. For the strategic management of corporate culture characteristics it is proposed to on the one hand identify the relevant individual-specific characteristics of an organization on the one hand and on the other hand to check the occurrence of the identified supportive and inhibiting cultural characteristics within the organization.

An important result of the study carried out during the research project “CuBa Change” is the huge importance of motivation for the success of change initiatives. The commitment of corporate and project management form the most important support in change management. Contrary, goal setting by top management only (top down), without parallel communications with affected employees, has a strongly inhibiting effect. Therefore, the successful application of change management methods can basically be considered conducive to the success of the overall change project. This was indirectly confirmed by further investigation, in which the project's success was compared with the number of methods used. There appears to be a slight tendency towards "more methods meaning greater success."

Therefore, it is appropriate for the change proposed to individually identify the mission-critical features of an organizational culture before starting the project. The collected results for the supportive and inhibiting influence of cultural characteristics have been compiled in a correlation matrix, helping businesses to independently investigate the relevant cultural characteristics.

Company Specific Circumstances

Some companies cope better with change than others. Those change-oriented organizations are referred to in the literature as "organic" or "inclusive". They are characterized by decentralization and indirect authority. Formal rules are replaced by flexibility and employees are empowered to control their own work. Decisions are made in a democratic and participatory manner. The focus lies on cooperation and teamwork. These organizations are future-oriented and support their employees to challenge existing practices. They focus on the hitherto unknown rather than controlling the things they already know (Burns / Stalker 1961, Kanter 1983). These organizations are characterized as learning companies.

Opposite to these are "mechanistic" or "segmentalist" organizations. Within these organizations change is often difficult to master. They can almost be described as "anti-change-oriented". However, these organizations are highly efficient when they operate within a stable environment. They are hierarchically very structured, authority is centralized by few top managers who forward orders directly to their subordinates. Many individual departments are shielded from each other and the employee is expected to possess a very specific knowledge.

Just as organizational isolation prevails, problems are considered separately and dealt with in isolation. (Burns / Stalker 1961, Kanter 1983)

Of course, these two types of organizational design do not represent the totality of all organizational forms, but they form the two opposite poles of a whole continuum. The individual companies are located at various points alongside this continuum.

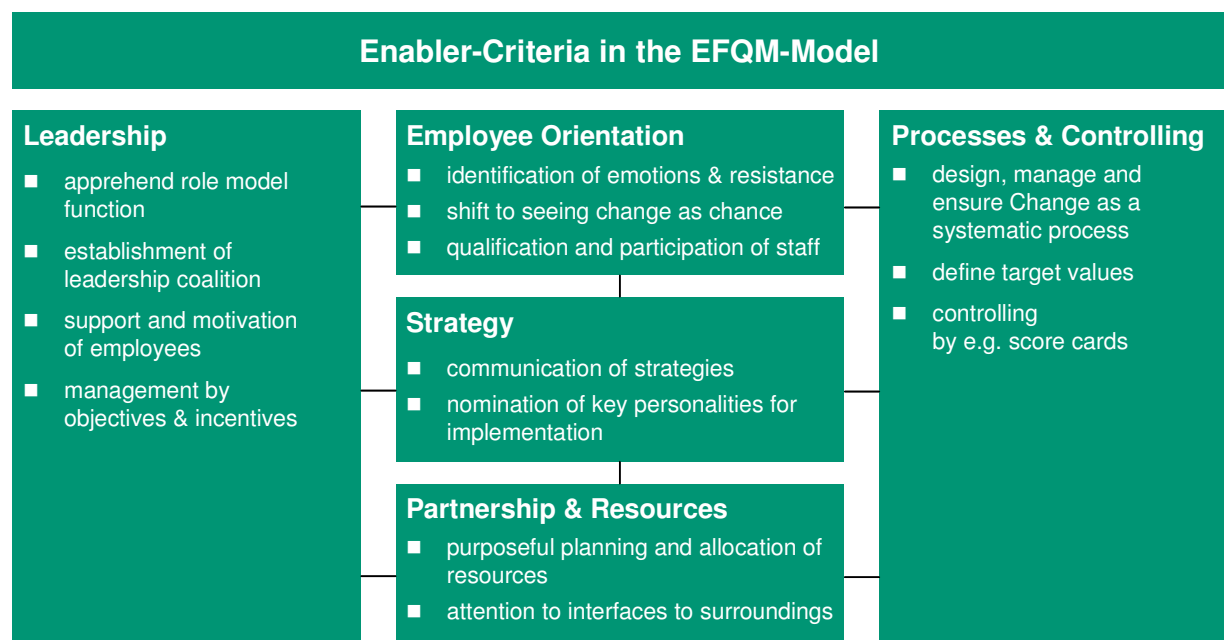


Figure 3: The holistic contemplation of Change Management resulting from the quality perspective

Furthermore, regarding the enablers criteria of EFQM model described above, three internal dimensions within corporate culture can be identified (see Figure 3). The characteristics of the organizational structure will be covered by the dimensions of "partnerships and resources" as well as "processes, products & services". "Leadership" and "strategy" constitute the type of

leadership. "Employees" are represented as a separate dimension in the EFQM model itself.

Thus, the three identified dimensions, which are apt to describe corporate culture, are:

- Organizational structure,
- Leadership and
- Employees.

Those three dimensions can not describe corporate culture holistically, as already mentioned above, but help to classify.

Methodical Recommendations

A supportive or inhibitory affect on the application of selected change management methods is attested to the individual characteristics of corporate culture. The Fraunhofer-Institute for Production Technology IPT developed a systematic, which offers companies a suitable approach to the independent conduction of their change projects, based on the idea of the EFQM-Model. The individual steps of this scheme will be funded through traditional and innovative tools of quality and project management. The description of the nomenclature in an operational manual as well as the refurbishment of the tools in the form of templates and working documents assists companies in applying. Which employees are best to use the tools in the enterprise is dependent on the type and number of participants and their role within the company. The span reaches from the executive level down to the individual employees, from a few interlocutors up to the entire enterprise. (Voigt 2006)

Aim of the scheme is the integrated planning, implementation and protection of change projects in order to ensure project success. The systematic approach to designing strategic change projects is divided into five phases. These differ in the decision to change, preparation, design, implementation and reinforce the change enterprise (see Figure 4). Change projects are frequently but wrongly understood as one-off projects. The procedure described in the model, however, represents a cycle that includes the continuous feedback and improvement. More important than the choice of a particular approach or method is, however, the actual implementation within the company. This has to be structured in-depth, helping to make the strategic implementation clearly measurable based on sub-processes and intermediate results.

The will to change can be born out of an obvious need of the organization or merely arise from the recognition that processes could be more effective or efficient. Between these two extremes any gradations are conceivable. The trigger for a change in operations may therefore be of different nature and influenced by the composition of the group that is involved in the first phase - the decision to change . While, if largely driven by external factors, the senior management is involved in the strategy phase, specialists from the operational level may be increasingly involved in this first phase if a growing internal pressure is the reason for change. As part of the decision, and in addition to the selection of alternative courses of action, realistic planning criteria for the implementation of the project should be maintained. The result is a development and prioritization of a strategy to change the organizational unit, based on the environmental requirements.

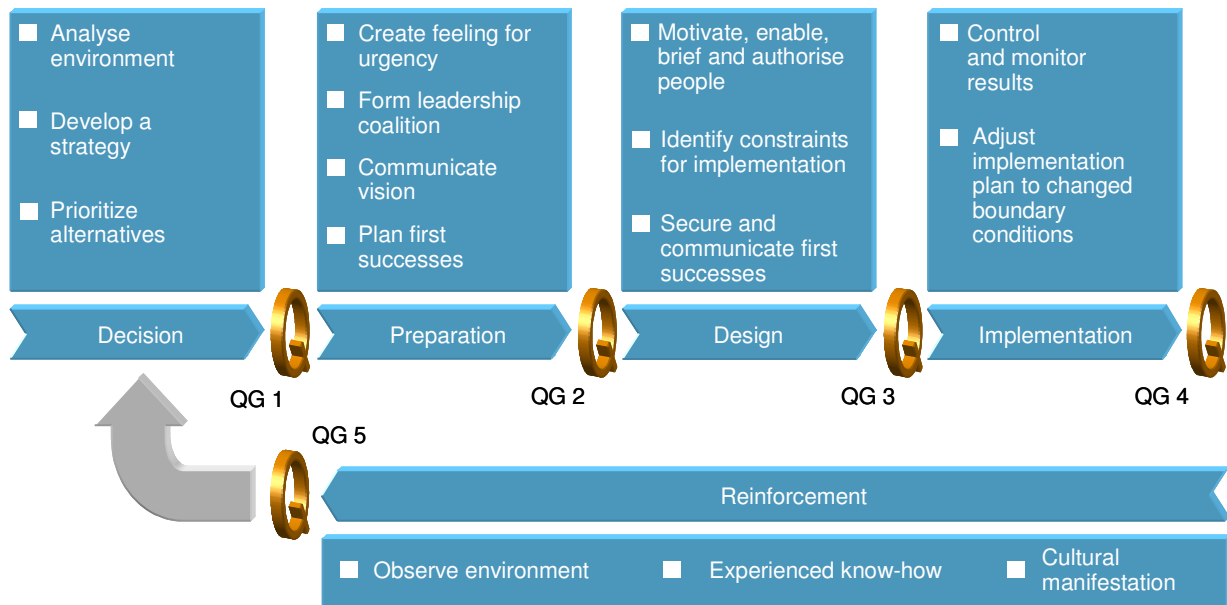


Abbildung 4: Process Model of the Change Systematic (Voigt 2006)

In the second phase of the scheme - Preparing for change - the basic framework of organizational structure is to create. This includes mainly the formation of a leadership coalition that will, besides the participants in the strategy finding, include other executives as well as the development of a communication concept. Here, the tasks in the communication are structurally embedded in the organization. With the help of the leadership coalition and the communication concept, the vision of the change project is created and communicated to the members of the organization. To accompany this step, it is a leadership responsibility to launch its first successes in form of pilot projects. Through rapid implementation of single components of the change project in small parts of the organization, the employees will recognize the benefits of the project.

The third phase - designing change - includes the operationalization of the strategy and related objectives. Part of the operationalization of these goals is to refine them as activities on an employee-level. This should be done during a target setting process, which constitutes the foundation for the implementation and controlling of the change project. Together with the identified hazards and those methods to conquer them as well as the planned communication activities, these steps form the overall plan to implementation.

The substantive implementation of the stated objectives and related activities will take place during the fourth phase - the implementation of change. Therefore, a rigorous controlling of progress and effectiveness of methods initiated is put into focus. Any changes are to include into the implementation plan. Additionally, in the previous phase settled goals have to be followed up. The specified communication methods by means of systematic and continuous communication as well as ad hoc communication now come to fruition.

The fifth phase of the process model - reinforcing the change - is used to monitor the long-term sustainability of the modification introduced. This includes adherence to new processes, the effectiveness of newly introduced organizational structures, and the care for new rules, values and principles that were established as a result of the change project. In addition, the context of the organizational unit has to be observed concerning arising factors, which require further development of the strategy implemented – which leads to another change. If this is the case, steps of the process model must be cycled again. Since the process of securing is continuous, no quality gate to assess the maturity is located at the end of the fifth phase.

4 Conclusion

Successful and efficient management of change projects implies the identification of methods against the background of the company-specific conditions. The aim is to safeguard the quality of change projects on different corporate cultures. Cultural characteristics and their individual influence was investigated in the context of strategy development through the study and hypotheses led by case studies. The cultural characteristics and success of different types of change projects show significant correlations. Additionally, it has been shown that the considered typologies have a significant influence on the success impact of a cultural characteristic. A cultural characteristic with clear positive impact on project implementation is for example the credible antecedent of corporate assets by the managers. The opposite is true concerning the cultural characteristics that mistakes lead to negative consequences or penalties. This is also reflected in the use of change management tools.

Thus, target agreements should be agreed holistically across multiple levels within the company. If executives authentically exemplify the corporate values through their own behavior it will affect the formation of target agreements positively. The employees accept goals and achieved results as useful and recognized. The credible antecedent of corporate assets by managers has a positive effect on the further implementation of feedback sessions. The employees have confidence in their superiors words, and thus as well in their feedback. Credible leaders motivate their employees automatically more than managers who are not trusted in. Therefore, motivation management through internal coaching is positively affected, too.

The situation is different when in a business failure leads to negative consequences or sanctions. This causes a profound negative impact on everyday work life which can be explained by the affected employees fear. Instead of doing something wrong, things get rather not applied at all. Negative influence can be noticed especially for the following methods of managing change:

- Portfolio Analysis,
- Development of a communicational concept and
- Internal coaching.

In contrast to the tests and experiments to change a culture for achieving desired effects, an approach of culture-based change was developed during this research project. How may changes be made more culture-compatible, which means adapted to the existing and shortly not variable corporate culture? Therefore, the aim is not influencing the corporate culture, but rather considering appropriate methods to use.

The peculiarities of this approach are the flexible methodological support and the integration of inhibitory and promoting factors of corporate culture. The result is a guideline, which method of change management can be used when and for what specific purpose of a specific project. Through the use of a culture and method based approach, the risk of failure of change projects can be minimized. Companies will be accompanied step by step through their change project. This guide provides the user different options with varying intensity and effort, supported by a software tool. The considered typologies, the culture characteristics and the methods are listed and recommended for the specific application.

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