

# ***Overcoming the Inertia in Organizational Improvement Initiatives***

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Minor changes in organizational operations usually take a small amount of effort. Larger changes, such as to radically boost performance and profitability or to merge two organizations into a synergistically greater organization, require much greater, well-focused efforts.

## **How Successful Are Change Initiatives?**

Change initiatives are not usually successful.

*Independent studies at Harvard University and the London Business School reveal that “...over 70% of all change initiatives in corporations do not deliver the required results” and that “...the most common cause of failure...insufficient focus on people.”<sup>12</sup>*

While 70% of organizational transformation programs fail, research also shows that:

- 70% of organizations have low performing cultures.
- 70% of leadership creates those non-adaptive cultures.
- 70% of employees are not engaged by their organizations.

An American Management Association study of Fortune 500 companies found that “...less than 50% of changes in their organizations were successful, and that employee resistance was the main reason for failures.”

## **The Economic and Social Costs of Low Performance Cultures**

As reported in their book, *Corporate Culture and Performance*, Kotter & Heskett found, in a sub-set of a Harvard Business School study of 207 firms over an 11-year period, that adaptive (performance enhancing) cultures had a dramatic affect on corporate performance.<sup>3</sup>

Exhibit 1. Differences in Performance of Organizations Having Adaptive and Non-Adaptive Cultures

	<b>Non-Adaptive Non-Performance Enhancing Culture</b>	<b>Adaptive Performance Enhancing Culture</b>
<b>Revenue</b>	<b>166%</b>	<b>682%</b>
<b>Stock Prices</b>	<b>74%</b>	<b>901%</b>
<b>Employment</b>	<b>36%</b>	<b>282%</b>
<b>Net Income</b>	<b>1%</b>	<b>756%</b>

Clearly evident in the exhibit is that organizations having adaptive cultures far outperform those with non-adaptive cultures.

## **Partnerships and Mergers Frequently Run Aground Because of Cultural Problems**

In a study of partnerships/mergers among organizations in the same field of business activity, between 55 to 75 percent did not meet the anticipated purpose and expectations for the partnership and were considered failures.<sup>4</sup> Over one-half of the time a partnership does not succeed, the fundamental cause is cultural-clash.<sup>5</sup> While it is generally agreed, that cultural compatibility is the greatest barrier to successful partnership integration, investigation of cultural factors is least likely to be conducted during the critical due diligence stage.<sup>6</sup>

### **What is Organizational Culture?**

What is this powerful force called “organizational culture” that can dictate success or failure in change initiatives and mergers, and is so easily overlooked? To work with the culture of an organization is to work with all facets of a company that have any bearing on why people behave the way they do on the job from day to day. It is the traditions, shared beliefs, and expectations about how individuals behave and accomplish tasks in organizations. This frequently unrecognized, but powerful, social force functions to maintain a status quo in behaviors that can outlast changes in leadership, new organizational structure, new policies and procedures, and new organizational products and services.

### **How Do You Change Organizational Culture?**

The process of changing organizational culture is similar to turning a battleship. You have to know how to move it, develop its turning momentum, and adopt a patient but very well-targeted set of change-initiatives. General techniques for promoting positive group dynamics, such as team building, typically do not work in penetrating the broad substrata of organizational culture. The better the focus of a cultural change-initiative the more likely that the effort will be effective and the faster the results will be realized. That is not to say that a “30-day wonder program” exists that will create a constructive, highly productive organizational culture overnight. Typically, such change can take 12 to 18 months to gain major momentum. Although, this seems like a protracted effort, in the absence of a well-focused change initiative, culture change usually takes much longer (if it happens at all).

The approach employed by Pacific Accord uses an objective and statistically researched method of measuring the current cultures within various subgroups of an organization and for identifying what you, and your leadership team envision as the desirable culture. These measures allow us to analyze gaps between what currently exists and what is needed to create an effective, productive environment in which employees identify with and pursue mutual goals shared with the company.

Our method enables us to target those factors (training needs, policies, procedures, supervision methods, etc.) that need to be changed in order to help leaders find ways to move towards a more cooperative and dedicated work force. This approach goes well beyond the typical “warm and fuzzy” culture transformation interventions, while generating significant impact on revenue, shareholder value, and profitability.

Because we do not know the specific nature of an organization’s culture before objectively assessing it, we cannot predict what the various strategies and actions that will be needed to address specific cultural issues. What we do know from experience of working with organizations is that there are two “first steps” that will disclose for us (the organization’s leadership team and Pacific Accord consultants) the specific actions to take. The first step is that of conducting a cultural analysis survey. This survey can be taken via Internet or in paper form. The sample size must be sufficient to ensure that the major subgroups within the organization are statistically represented. The results of the survey will be presented in a detailed diagnostic report that provides a road map

for the next step. In the second step, the leadership team will be taken through a special work session in which the results are examined and specific strategies and action plans are formulated. These plans will be concrete: actions will be identified, assignments made, and time lines will be established.

### References

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#### About Pacific Accord

Pacific Accord Inc. specializes in individual and organizational improvement with emphasis on the inner dynamics (human factor) of performance. We help organizations identify their unique change-needs strategies, to engage all organizational levels in the change process, to set goals, and to think in ways that spur growth and success. For more information, contact Dr. Allen Beck at 816-361-4847, Email: [allen.beck@pacificaccord.com](mailto:allen.beck@pacificaccord.com) or Denise Mills at 913-980-4545, Email: [denise.mills@pacificaccord.com](mailto:denise.mills@pacificaccord.com).