The Four Stages of Cultural Transformation

A White Paper from AchieveIt

Harvard Business School has reported 90 percent of strategies fail due to poor execution. Fortune magazine has reported that only 10 percent of strategies effectively formulated are effectively executed. No matter which way you look at it, your chance of succeeding - whether implementing strategic, operational, project, or quality improvement plans - is less than 10 percent.

It doesn’t have to be that way. Focus on creating a culture of execution within your company, and then watch as you accelerate the results curve. In his book, “What the CEO Wants You to Know,” Ram Charan writes, “Execution is the great unaddressed issue in the business world today. Its absence is the single biggest obstacle to success and the cause of most of the disappointments mistakenly attributed to other causes.”

But creating a culture of execution doesn’t happen overnight. Organizations have to evolve through the stages of cultural transformation and then hardwire the tools that allow execution to happen systematically and with regularity.

The Four Stages of Cultural Transformation

As organizations develop a true execution management system and move toward consistent strategic business planning, they naturally evolve through four stages of cultural evolution:

1.) Culture of Collaboration

2.) Culture of Individual Accountability

3.) Culture of Execution

4.) Culture of Innovation

The speed and pace at which an organization transforms itself varies in response to many factors, including size, leadership, and external environmental conditions.

The decision of how fast to move is critical to successfully hardwiring an execution management program into the organization’s business framework. Moving too fast can create organizational upheaval, as managers who are not accustomed to being evaluated by true performance metrics feel the stress of having to meet specific business targets. This could create morale issues, hasten management turnover, and foster mistrust. However, if you move too slowly, the company’s evolution could stall.

That said, an organization should typically take no more than three years to evolve fully to a culture of execution and thus begin the final transformation to a culture of innovation.

However, organizations have been known to complete this journey in as little as six months.

A description of the four stages of cultural evolution follows.

Stage 1: Culture of Collaboration

For most organizations, developing a culture of collaboration happens naturally. As organizations create a common vision, executive and middle managers rally together in support of one or more long-term goals. Work plans are developed and a great amount of activity takes place, but the collaborative organization often mistakes activity for results. At this stage, there is very little effort to track tactical implementation against performance targets, and being busy is often an organizational substitute for being strategic. Oftentimes, a lot gets done, but not a lot is ever accomplished.

From Collaboration to Individual Accountability:

According to the Oz Principle, “a culture that embraces full accountability is created when people – on a team, in a department, in a division, or in an entire company – take accountability to think and act in a manner necessary to achieve
To move from a culture of collaboration to a culture of individual accountability is a difficult shift for many organizations. Completing this transformation requires the company not only work together as a team trying to achieve a common vision, but also measure progress along the way. This requires organizational transparency so all members of the team are able to monitor success and failure, see where implementation is lacking, and shift the focus from getting things done to getting results. The first step toward creating a culture of accountability is to define clear results within your organization. Companies in the collaboration stage oftentimes mistake “being busy” for “being strategic.” They are very active and are doing a lot of “things,” but the “things” aren’t tied to measurable results. This can derail any market development strategy.

Making the shift from a culture of collaboration to a culture of individual accountability usually produces significant business results.

Stage 2: Culture of Individual Accountability

Of all the cultural shifts, moving from a Stage 1 organization to a Stage 2 organization is the most difficult. Why? Evolving to Stage 2 requires three fundamental changes within the organization, none of which are easy.

First, the organization must become acutely aware that it is more important to track measurable outcomes than it is to check off the completion of individual activities. Second, the organization must be willing to not only individually assign every task in the plan to firm due dates, but also tie these assignments to annual performance objectives. And third, the organization must embrace transparency by providing everyone in management with access to all plans, as well as regular and periodic updates on plan implementation and performance. By doing so, managers are empowered to monitor performance and self-correct, when necessary.

From Individual Accountability to Execution:

To move from a culture of individual accountability to a culture of execution requires strategy being pushed to the front lines. Holding your management team accountable...
for results is important – which is the focus of accountable cultures – but getting everyone in the organization involved in strategy implementation elevates execution and creates a distinct business advantage.

Pushing strategy to the front lines is no easy task. First and foremost, it requires the organization’s mission, vision, and strategy be intertwined and that the organization has taken the necessary steps to ensure every employee knows how he or she helps fulfill the mission and achieve the vision through his or her daily job. This is a prerequisite to developing a culture of execution; if the primary focus of the organization’s employees is to live the mission and vision through the work they perform, then the company is well on its way to developing a culture of execution – especially if mission and vision is the foundation of the organization’s strategy.

With mission, vision, and strategy aligned, it is important to cascade strategic imperatives from the executive management team to middle management to front-line staff. If customer satisfaction is a strategic imperative, then all employees should understand how they could impact and improve customer satisfaction on a daily basis. In a hospital, this means everyone from physicians to housekeepers is provided tools and methods to improve patient satisfaction. In a bank, everyone from call center staff to tellers should be aware of how a single interaction with a customer can impact satisfaction scores. Customer service recovery programs should be hardwired and available to all employees. Customer service training should begin with employee orientation. And successes and failures should be shared across the organization. These are all critical ingredients for a culture of execution to emerge.

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Developing a culture of individual accountability requires the following tools:

- Organizational, departmental, and individual scorecards
- Dashboards that track results over time
- Objectives that are measurable and quantifiable
- Strategies and tactics that support the objectives
- Objectives, strategies, and tactics assigned to individual owners with firm due dates
- Progress review meetings at least monthly
Stage 3: A Culture of Execution.

The move from Stage 2 to Stage 3 involves two primary factors. First, the organization needs to become more focused on strategy development, ensuring that plans address only the most critical strategic needs of the organization. This laser-like focus fosters better resource allocation, enhanced organizational commitment, less internal competition, and greatly improved execution. Second, strategy is cascaded to every employee in the organization, so everyone has a fundamental comprehension of how individual job performance affects both the successful execution of the plan and the eventual fulfillment of the organization’s vision.

5 Ways to Hardwire a Culture of Execution

Tip #1: Intertwine mission, vision, and strategy.

Take the necessary steps to ensure every employee knows how he or she helps fulfill the mission, achieve the vision, and execute one or more strategies through his or her daily job. How? Have every employee complete a personalized mission, vision, strategy statement by having them complete a commitment card that contains the following phrase:

I will help my company fulfill its mission, achieve its vision, and execute its strategy by doing the following every day as part of my job:

Put the completed commitment card in the employee’s personnel file and use it as part of your performance management and evaluation process.

Tip #2: Communicate your strategy regularly.

Use the 7x7 method; that is, communicate your strategy seven times, seven different ways. Once you have successfully deployed the 7x7 method, deploy it again. In other words, communicate strategy every chance you get. The more your employees know about your core strategy, the more they will be able to make effective job-related decisions that can positively impact your strategy.

Tip #3: Include strategy discussion in employee orientation.

What better place to orient your new employees to your company’s strategy than in orientation? And while new hires may not be in a position to complete the mission, vision, strategy commitment card, they should, at least, be put in a position to think hard about it. Then, within their first 90 days of employment, have each of them complete the pledge.
**Tip #4: Reward employees who internalize strategy within their daily jobs.**

Do you want to change employee behavior and, therefore, transform corporate culture? If so, then create reward and recognition programs to applaud those front-line employees who demonstrate a positive impact on the organization’s strategy. Once others see these top-level employees being honored, their own behavior will naturally change, too. Before long, you will have a workforce driving strategy execution every day.

**Tip #5: Post dashboards and scorecards in every department and every unit.**

Harvard Business Review has reported substantial improvements for companies that use dashboards. Make these visual strategy indicators equally focused on company objectives and department/unit objectives. There is the old adage, “You don’t get what you expect. You get what you inspect.” Monitor performance and post it for all to see and performance will eventually change, helping to create a true culture of execution.

By implementing these five tips, you will involve all employees in the execution of strategy and the achievement of organizational objectives. This will create within your employees a sense of purpose and meaning, urgency to get things done the right way, and a greater level of satisfaction for their jobs. Finally, you will develop within your organization a culture of execution, enabling you to accelerate business results.

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**Stage 4: A Culture of Innovation:**

Once the organization fully evolves to a culture of execution, the final transformation naturally takes place. The reason for this transformation is simple; with every employee fully understanding the relationship between individual performance, execution, and vision, a unique organizational dynamic develops. Employees, who are now engaged in execution even though they have no direct plan assignments, make better decisions, begin to identify improvement opportunities, start to question the status quo, and become a vital component of ongoing strategy discussions – all of which are necessary for real innovation to take place.

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**Stage Four**

**Culture of Innovation**

Once you a culture of execution

**THE REST IS EFFORTLESS**

Everyone knows their performance affects

**THE COMPANY VISION**

Team members make better decisions, identify improvement opportunities and

**QUESTION THE STATUS QUO**

and

When team members question the status quo, they **DARE TO INNOVATE**
From Execution to Innovation:

Companies that successfully develop a culture of execution by driving strategy to the front lines create a competitive advantage in the market place. How? With all employees involved in strategy execution, mission fulfillment, and vision achievement, the organization naturally elevates and enhances customer and employee satisfaction, quality, and overall company performance. If the strategy is sound and the entire organization is involved in strategy execution, then the ability to grow market share becomes exponential.

Still, there is an additional advantage to involving all employees in execution. When you create a culture of execution, you naturally evolve to a culture of innovation, whereby the entire organization is involved in improving processes, effectiveness, and efficiency – which creates a sustainable competitive advantage.

True innovation comes from employees who are closest to product or service delivery, as those employees have the most insight as to how your company’s offerings are being used by your customers. They are first-hand witnesses to product and service successes and shortcomings, how customers adapt your offerings to fit their unique needs, how your customers use your products and services in ways never intended, and gaps in your company’s product or service delivery.

If your staff is isolated from your organization’s core strategies and have little – if any – idea how their jobs drive strategy execution, creating a culture of innovation is impossible. Relying on a small group of executives to drive innovation may yield some profitable results, but it will never yield long-term breakthroughs. Stunning innovations usually come from those closest to the action, and those people are your front-line staff. Creating a culture of execution puts you one step away from unlocking a culture of innovation – a culture that ultimately will create a long-term market differentiation.

Imagine having everyone in your company involved in driving innovation every single day. It’s not as easy as creating a culture of collaboration, evolving to a culture of individual accountability, and then evolving once more to a culture of execution: you need to install processes and methodologies for capturing innovation where it occurs – at the front lines. Innovation without knowledge capture serves no purpose. You need to provide employees the mechanisms to move innovation up the corporate ladder, from front-line staff to middle management and, finally, to executive leadership.

5 Ways to Hardwire an Innovative Culture

Tip #1: Give people the tools and skills they need to participate. Becoming more innovative doesn’t mean finding the “natural innovators” inside the company and pinning your hopes on them. Innovation can be taught. Leaders must act intentionally and proactively to build new skills throughout their teams of employees. Your employees need to develop new perspectives about your customers, market, and company. This requires skills to identify and challenge industry orthodoxies, extract customer needs unmet or unarticulated, envision industry and market changes, and understand the company’s core competencies. Employees must also learn how to do structured idea generation, turn ideas into business concepts, and define low-cost learning experiments.

Tip #2: Focus innovation on issues of importance.

Front-line employees are not likely to be motivated by financial targets (such as grow revenue by 20 percent), but they will be motivated by ambitious strategic goals that inspire the employee as a person, as well as a contributor to the company.

Tip #3: Connect the pools of innovation.

Innovating isn’t a solitary activity; it’s a collaborative activity and should be managed as such. Take a hint from the successful open-source movement. Connected innovation is successful in part because of the emotional rewards and reputational equity that it provides. Who doesn’t want to be seen by their peers as the leader of a successful innovation? In addition to the emotional rewards, ideas just get better as more people hear about them and build on them.

Tip #4: Keep the enthusiasm flowing.

Nothing is more de-motivating to would-be innovators than a
mysterious “black box” process. Keep the process simple, clear, and transparent. Let innovators know who has the decision rights for moving ideas forward and clearly provide the decision criteria that are being used. Strive to keep politics out of the process. Once the flow of ideas begins to wane, start a new campaign. And don’t discount the benefits of public recognition for innovators.

Tip #5: Use all levers at your disposal.

Front-line innovation is a systemic challenge that requires a systemic solution. If you want your employees to act more innovatively, you’ll also have to work hard at creating the right combination of leadership, culture, organizational structure, incentive system, and key process changes; the kind that embolden experimentation and motivate people to achieve new results. Companies truly serious about creating a culture of innovation know fresh insights and ideas arise throughout their workforce when they are willing to create the structure and rewards to allow those ideas to succeed.

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