

KETS DE VRIES INSTITUTE

ORGANISATIONAL CULTURE TRANSFORMATION FRAMEWORK

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EXECUTIVE SUMMARY

“The prime challenge of organisational leadership is to create places to work that give people meaning, where they can feel truly alive and perform to their very best.”
—Manfred Kets de Vries

“Personal change can be the trigger for setting broader organisational change in motion.”
—Manfred Kets de Vries

KDVI's ambition is to develop reflective, emotionally intelligent, vibrant and self-renewing organisations, in which the orientation to change becomes a core value and capability. It does so through small targeted organisational change interventions such as leadership audit interviews and large scale organisational culture transformation programmes.

One of the greatest challenges in organisations today is to be able to adapt to ongoing change quickly and efficiently. Most change interventions fail as the human factor is often neglected. KDVI's approach to organisational change is based on three theoretical pillars: (1) the fundamental motivational needs, (2) the psychological processes through which individuals experience change and (3) the psychodynamic approach to individual, team and organisational behaviour.

This multifaceted approach allows us to identify and address challenges and issues at the business level, by focusing on real issues as well as underlying motivational factors, addressing conflict and unlocking organisational energy. As a result, our interventions are pragmatic and take a long-term view, focused on embedding meaningful and sustainable transformation of the organisation's culture.

Objectives of the green paper

The purpose of this green paper is to provide our clients with an understanding of our approach to organisational change and culture transformation. First, we describe the underlying challenges that organisations face, where change is the norm rather than the exception. We then propose that, by addressing both manifest and underlying factors, KDVI's interventions go beyond a simplistic quick fix. Next, we provide an overview of the theoretical foundations of KDVI's approach to organisational culture transformation, which lead to six concrete change principles that guide our work. We then map these principles into a general roadmap for a culture transformation programme in terms of phases and timelines. In the final section, we highlight the specific change levers that make KDVI's approach unique.

CHANGE IN THE WORLD OF WORK

The world of work is changing, and organisations need to adapt. Technological advances are expected to continue to disrupt business, global economy and broader society. Our current age, marked by technological innovation and automation, has resulted in work that is increasingly digital, global, diverse, automated and social media driven.¹ These changes have reshaped how we define the nature of work and organisations themselves.²

In order to stay competitive, high-value skills such as creativity, problem solving, emotional intelligence, agility and resilience are increasingly needed to identify unseen problems and opportunities, develop and implement solutions, and to continuously learn and adapt.³ This demand also creates increasing gaps between high and low skilled workers and organisations, between those who can move forward in the digital age to those who are left behind.

Beyond just reskilling or upskilling their workforce, organisations must also account for a more diverse workforce, in terms of generation, age, gender and ethnicity.⁴ Millennials, for example, have different expectations of work from previous generations.⁵ They are driven more by an alignment of values of the organisation to their own, a desire to learn and grow, engage in ongoing conversations, leveraging strengths, and seeing work and life as interconnected. Additionally, with the average life expectancy increasing, people cannot afford to retire at the age their parents did and must continue to keep working.⁶

While the nature of work has changed, organisations have been slow to adapt their structures, processes and values to create cultures that are tech savvy, networked, agile, innovative and engaged.⁷

Organisational structures do not fulfil fundamental motivational needs

The accelerating pace of change has undermined the fundamental needs of people, for example a sense of security, community and meaning. According to a recent Gallup Poll, 85% of employees worldwide were not engaged or are actively disengaged in their job,⁸ with a negative impact on customer engagement, productivity, retention, profitability and health outcomes.⁹

Many organisations cause stress for individuals with research showing that employees and organisations are “more overwhelmed than ever”.¹⁰ The pace of change and potential job obsolescence has a psychological impact. Professionals today are under the pressure of an ‘always on’ work culture, causing stress and sometimes burnout. Millennials experience more mental health issues than previous generations at work. Heavy social media presence is an

¹ World Economic Forum (2019). Education, Gender and Work.

<https://intelligence.weforum.org/topics/a1Gb00000038pqqEAA?tab=publications>; Deloitte (2019). The Big Shift.

<https://www2.deloitte.com/nl/nl/pages/center-for-the-edge/artikelen/the-big-shift.html>; Mehta, S (2018). Your frontline managers need these critical skills, CCL.; RAND (2004). The Future at Work - Trends & Implications, RAND Research Brief.

² Deloitte (2019). The Big Shift. <https://www2.deloitte.com/nl/nl/pages/center-for-the-edge/artikelen/the-big-shift.html>

³ Hagel, J. & Wooll, M. (2019). What is work? Deloitte Review, Issue 24.; Mehta, S (2018). Your frontline managers need these critical skills, CCL.

⁴ Deloitte (2019). The Big Shift. <https://www2.deloitte.com/nl/nl/pages/center-for-the-edge/artikelen/the-big-shift.html>

⁵ Mitchell, A. (2013). Rise of the Millennial workforce. Wired.

⁶ Gratton, L. and Scott, A. (2016). *The 100-Year Life: Living and Working in an Age of Longevity*. London: Bloomsbury Press.

⁷ Schwartz, J. et al. (2014). The overwhelmed employee: simplify the work environment. Deloitte University Press.

⁸ Gallup (2017). *State of the Global Workplace*. Gallup Press, NY.

⁹ Gallup (2017). *State of the Global Workplace*. Gallup Press, NY.

¹⁰ Schwartz J. et al (2014). The overwhelmed employee: simplify the work environment. Deloitte University Press.

additional cause amongst this generation, which leads to an increasing sense of isolation and loneliness.¹¹ By 2020 millennials are forecast to make up 35% of the workforce.¹²

For organisations to thrive, they should provide a stabilising influence. However, many modern workplaces magnify or reflect the insecurities and anxieties of the changing world.¹³

Change initiatives often ignore underlying dynamics

Organisational change occurs when an organisation transitions from its current state to a desired future state, in response to the need to develop and deal with new situations and demands. Managing organisational change is the planning and implementation of change in such a way as to minimise resistance and cost to the organisation, while maximising alignment and effectiveness of the change effort. In reality, change initiatives often do not live up to expectations.¹⁴ Change for change sake, and change that is not properly thought through, are costly to the organisation in terms of wasted resources, turnover and morale.¹⁵

Senior executives know that in order to carry out strategic initiatives, people at all levels of the organisation need to do their part. Getting people on the same page to work together effectively is not easy, even in situations of crisis when alignment on strategy implementation is critical to survival.

As experienced executives acknowledge, organisations are complex systems made up of people with diverse personalities, life experiences, strengths, desires, fears and challenges. Consequently, effective organisational interventions need to be forward thinking and invent new ways in which people can interface with one another and with the organisational system in which they work.

Overlooking the human-system dimension inhibits a deeper understanding of how to motivate and energise individuals and groups. To achieve meaningful change, it is essential to embrace and work with complexity. We can start by asking the right questions to reveal real business challenges and issues, and then link them to deeper sources of energy and motivational forces behind human actions in organisations. We can also look at the possibilities of *what ifs*, rather than *what's wrong*: What else is possible? How can we adapt? And are we meeting new needs? This shift in orientation empowers and energises the ability of a group—from the senior executive team to line managers—to transform intent into action, and action into sustainable results.

¹¹ MacLellan, L. (2018) Millennials experience work-disrupting anxiety at twice the US average rate. Quartz.

¹² Caleford, T. (2018). The millennial moment in charts. Financial Times. <https://www.ft.com/content/f81ac17a-68ae-11e8-b6eb-4acfcfb08c11>

¹³ For further details on the future of work, see presentation in the Resource Library.

¹⁴ Kotter, J.P. (1995). Leading Change: Why transformation efforts fail. HBR, May-June Issue.

¹⁵ Hughes, M. (2011). Do 70 percent of all organizational change initiatives really fail? Journal of Change Management, 11, 451-464.

ORGANISATIONAL CULTURE TRANSFORMATION

At KDVI, we focus on change as transformation. Not remedial change (fixing existing aspects of system) or transitional change (introducing new products and technologies), but transformational change, which creates a fundamental shift in perspective, behaviours and ultimately, culture.

To do this, we enable organisations to transform their current culture into a healthy, high-performing one. A healthy, high-performance culture constantly reflects the best version of its people - a loyal, engaged community where people challenge one another, innovate, celebrate success and learn together. It is the bedrock on which organisations become effective and more able to respond to rapid change.

In order to create such cultures, organisations fulfil fundamental motivational needs while also nurturing high level skills of adaptability, learning and collaborative problem solving, which are needed in the future world of work.

In this section we describe three theoretical frameworks that guide KDVI's approach to achieving sustainable organisational culture transformation: 1) fundamental motivational needs framework, 2) five psychological processes of individual change, and 3) the psychodynamic approach to understanding and influencing behaviour.

Fundamental motivational needs of individuals

According to motivational and developmental psychologists, fully functioning individuals are those who operate at full potential and capacity.¹⁶ They have insight into their goals and motivations, are able to understand their strengths and weaknesses, embrace creativity, are open to experiences and challenges, and are constantly striving to achieve their best possible self. These behaviours are rooted in a fundamental needs system, which is the driving force that motivates people's decisions and actions.¹⁷ Within the workplace,¹⁸ these forces relate to a search for:

- **Meaning:** Work in which personal and organisational values are aligned.
- **Belonging:** A sense of community through being and feeling part of a team and organisation.
- **Control:** A degree of control over one's job/role and career through clarity and autonomy.
- **Exploration:** Being able to experiment with new ideas through receiving continuous feedback, learning and development opportunities.

Moving from a focus on the individual to the organisation

We believe that when these needs are met, they create an environment in which people are enabled and empowered to perform at full capacity (see figure 1).

¹⁶ Maslow, A.H. (1987). *Motivation and Personality*. (3rd ed.). New York, NY: Harper & Row; Rogers, C. (1951). *Client-centered therapy: Its current practice, implications and theory*. London: Constable.

¹⁷ Maslow, A.H. (1943). A Theory of Human Motivation. *Psychological Review*, 50, 370-396.

¹⁸ Kets de Vries (2006). Best Places to Work: Authentizotic organisations in *The Leadership Mystique: Leading behaviour in the human enterprise* (2nd edition), pp. 243-260. Harlow: Prentice Hall.

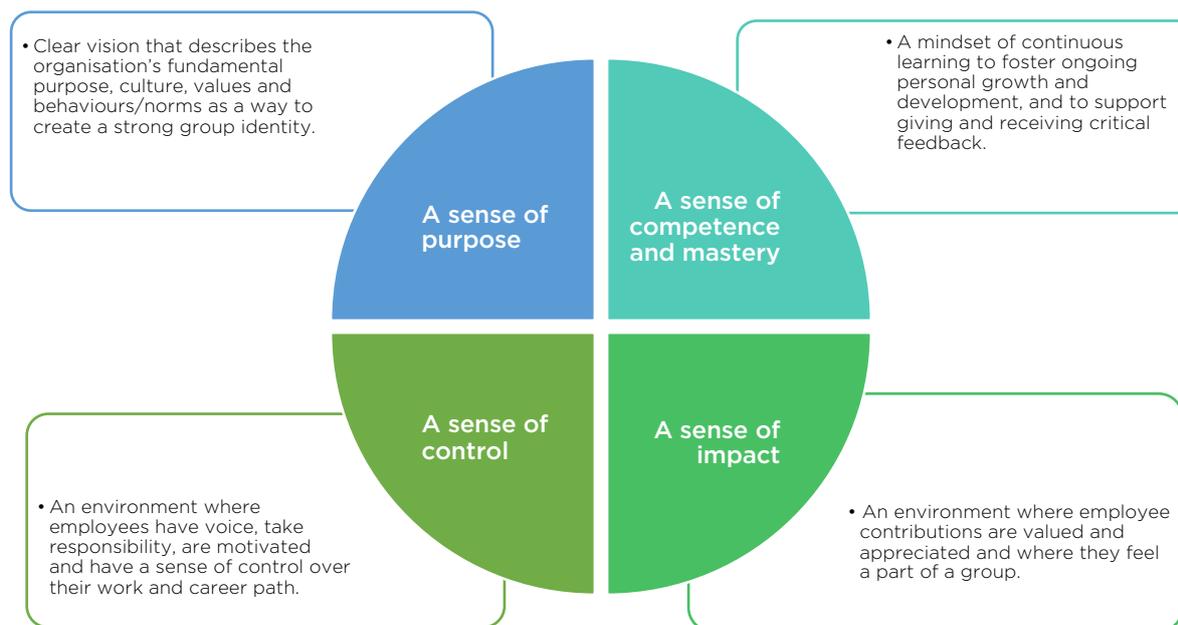


Figure 1. The characteristics of healthy, high-performing organisational cultures ¹⁹

Attending to fundamental needs is important during periods of disruptive change, where insecurities, fear and anxieties destabilise the individual and the organisation. These insecurities and anxieties can create resistance to change. Therefore, change interventions should provide a safe transitional space, where the fundamental needs are addressed.

By providing spaces where people feel connected with the organisation, where they have a voice, where their work is valued and where they have the ability to develop, organisations will have employees that feel truly alive and perform to their very best. This orientation creates a competitive advantage at a time when innovation, creativity, diversity and an ability to cope with constant change define the future workforce.

Phases of mindset and behaviour change

Change is not a simple process: unlearning previous ways of thinking and behaving is difficult and unsettling. The reasons why people find it hard to change are multiple and hard to determine due to both conscious and unconscious barriers to change. Individuals go through several, sometimes long lasting, psychological phases as they undergo the process of mindset and behaviour change. ²⁰

1. **Concern:** People must experience a sense of concern about their current situation in order to have an imperative to change.
2. **Confrontation:** People must experience a key event that creates a sense of threat to their well-being or must observe important negative consequences for themselves or others of their current way of thinking or behaving.
3. **Clarification:** Based on the insight that change is needed, people typically then explore different alternatives and commit to a new goal, mindset or behaviour.
4. **Crystallisation:** People then experiment with new ways of thinking and behaving that they committed to and create new self-knowledge and skills.

¹⁹ Kets de Vries (2006). Best Places to Work: Authentizotic organisations in *The Leadership Mystique: Leading behaviour in the human enterprise* (2nd edition), pp. 243-260. Prentice Hall.

²⁰ Kets de Vries (2006). Achieving Personal and Organizational Change in *The Leadership Mystique: Leading behaviour in the human enterprise* (2nd edition), pp. 136-162. Prentice Hall.

5. **Change:** Finally, through the experimentation, people start to feel more comfortable with the new way of thinking and behaving and internalise those.

Moving from a focus on the individual to the organisation

Organisational transformation interventions follow a similar process of change, taking into account these five phases of individual change and address the related barriers in order to be effective. Organisational culture change processes should aim to trigger mindset and behaviour change first with key individuals and then with influential groups. These individuals and groups can subsequently role model and cascade the process of change within the broader organisation as a crucial means to embed a new culture (see figure 2).



Figure 2. The steps in organisational change ²¹

A psychodynamic approach to understanding mindsets and behaviours

The psychodynamic approach to organisational behaviour considers the human factor by drawing attention to the sources of energy and motivational forces that give impetus to, or create inertia against, human actions. It argues that seemingly irrational behaviour within and between individuals have an underlying rationale. If we can understand the reasons behind such behaviour, we will be better able to identify resistances and to unlock the potential for change and growth.

More specifically, the psychodynamic approach considers the following premises:

- There is often a logical explanation for behaviour, even if the behaviour seems strange or counterproductive.
- The way we behave may be influenced by our past experiences and people we have known.
- Our behaviour and the decisions we make are often affected by our emotions, even if we do not always realise this.
- Even the most 'rational' people have blind spots, and the 'best' people have a shadow side.
- Change is very difficult if the context (the 'system') is not taken into consideration.
- Change takes time.

Such an approach helps leaders develop an understanding of their own behaviour, and how it affects their teams and their organisation. When the link between present behaviour and past experience is explored, people are more likely to arrive at tipping points that fuel change and sustainable results.

²¹ Kets de Vries (2006). Achieving Personal and Organizational Change in *The Leadership Mystique: Leading behaviour in the human enterprise (2nd edition)*, pp. 136-162. Harlow: Prentice Hall.

Moving from a focus on the individual to the organisation

At an organisational level, this approach means taking into account the context—individuals, teams and groups, as well as environment and legacy—in which an organisation's challenge or strategic objective is embedded. It also addresses the undercurrents of organisational life such as values and beliefs, shared assumptions, interpersonal communication, group processes, social defences, and organisation-wide neurosis and emotions. In order to gain meaningful insights and sustainable outcomes, organisational interventions should begin with a thorough diagnosis of both surface and deep issues anchored to real needs and objectives.

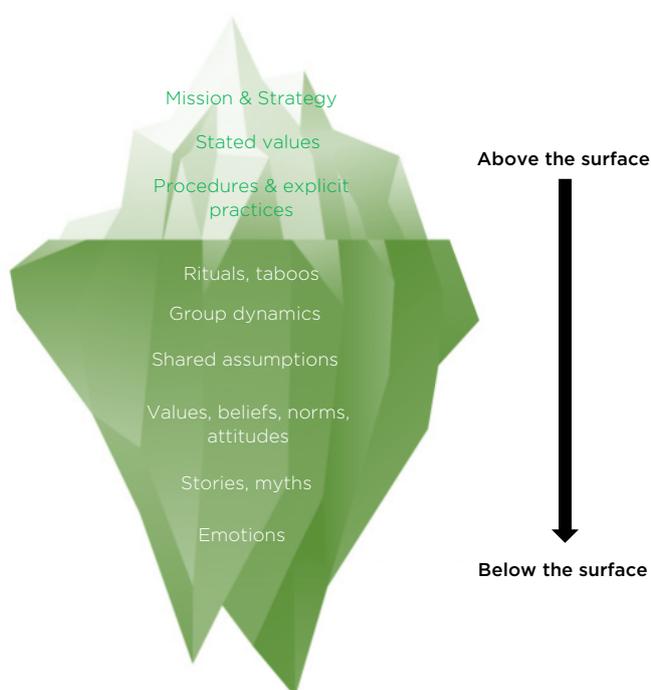


Figure 3. The organisational iceberg ²²

²² For a detailed outline of the principles of the psychodynamic approach, please refer to the KDVI White Paper in the Resource Library.

CHANGE PRINCIPLES

From the three described theoretical frameworks, we derived the following change principles to guide KDVI's work in organisational culture transformation. The interventions are designed and realised through a close partnership with our clients, based on a deep understanding of their needs, drawn from strong theoretical and management foundations, and focused on meaningful long-term change tied to business objectives.

1. **Change as shifting mindsets.** We enable individuals in organisations to generate a fundamental shift in perspective and create a new and attractive future that addresses the need for meaning and purpose for all organisational members. Change is not achieved through imposing desired behaviours into an existing system, but through ownership and engagement with new behaviours.
2. **Change above and below the surface.** We diagnose the real pain points of the organisation and address challenges and issues at the business level, as well as invisible or unconscious motivational forces against change.
3. **Change as collaborative.** We work closely with trusted organizational partners to design intervention strategies and re-evaluate impact at critical touch points. Our aim is to create a sense of control of and responsibility for the change process.
4. **Change as a safe transitional space.** We create safe transitional spaces to explore and confront work/life challenges, uncover blind spots, explore existing assumptions, apply new insights and experiment with new ways of thinking and behaving. In these safe transitional spaces, negative emotions that accompany change can be addressed and contained.
5. **Change as cascading.** We work with aligning key decision makers and influencers first, who in turn take ownership for the aspired culture to inspire and develop alignment, engagement and capability across all levels of the organisation.
6. **Change as iterative.** We embed the practice of continuous feedback and learning to ensure a sustainable, adaptive and agile approach to culture transformation.

Through these principles, we enable the organisation to build a healthy, high-performance culture in which people feel alive, work at their best and are prepared to make extraordinary efforts. These capabilities create a competitive advantage at a time when innovation, creativity and an ability to cope with constant change define the future top-performing organisation.

KDVI CHANGE FRAMEWORK IN ACTION

The following phases of cultural transformation bridge the theoretical underpinnings and the practical process of implementation. They provide a general timeline for any culture transformation roadmap. What happens during a particular client's journey is nuanced, and specific interventions in each phase are tailored to the organisation and its needs. In practice, we move back and forth between phases as culture change initiatives are dependent on individual awareness and behaviour change – and these processes take time and can have setbacks.

1. Diagnosis

The design of any intervention must be based on real needs and objectives, and not on a pre-packaged, one size-fits-all approach. KDVI interventions are carried out through a collaborative, emergent process of inquiry and delivery in partnership with clients. We always begin with a thorough diagnosis of the current situation, the context, and the people involved to understand the current organisational climate and readiness for change. This allows us to identify the tipping points that may become catalysts for change. Diagnosis, in the form of preliminary interviews with key stakeholders, focused on above and below the surface dynamics, allows us to design interventions that are relevant, challenging and ultimately sustainable. Our interventions are flexible and adaptable to the changing needs of the client, evaluated for effectiveness at regular intervals and revised, if necessary.

2. Strategic alignment

While the senior leadership team may feel a sense of urgency to take corrective action, there might be lack of clear shared commitment as a team to take the necessary steps. If this is so, the lack of alignment can derail or slow down the change process. In this context, we do not advise launching full leadership and culture change programmes at the outset. Rather, we recommend starting with top team dialogue to explore whether *they have a shared vision of the case for change and whether the team is prepared to change itself first?* KDVI works collaboratively with the top team to create a sense of group and purpose by sharing findings from exploratory diagnostic interviews and confirming team objectives. We also build peer support and trust to set the stage for courageous conversations.

3. Senior leadership role modelling

Fundamental to KDVI's approach is the understanding that culture change starts with building authentic leadership. When senior leadership buy into and role model the desired mindset and behaviours, change is cascaded throughout the organisation. The rest of the organisation will look to this group to see how they challenge each other, hold each other accountable and how aligned they are around a common purpose. By creating a transitional learning space, characterised by mutual trust and meaningful exchanges, leaders will feel able to bring their self into courageous conversations about leadership and organisational challenges. This effectively begins to influence followers and, thereby, the culture. This phase provides senior leaders the time and space to reflect on what they want to achieve and what leadership skills they need to take them there. Through group coaching and feedback, they engage in 'honest' conversations on the role of the collective as well as the individual in delivering change. Peer feedback raises self-awareness, individual and collective commitments for healthy leadership behaviours, and builds confidence and capability to model and create the right environment for development and change for the rest of the organisation.

4. Tiered development programmes

This phase involves tiered development interventions with leaders further down (e.g. N-1 and N-2). Senior leaders play an active role in co-facilitating leadership development, cultural alignment workshops and modelling desired behaviours. This role modelling by senior leaders

builds alignment and trust between key leaders and their teams in terms of the new vision and behaviours, as they will in turn serve as role models for N-1 and beyond. They further embed a coaching culture to align management behaviour with business practices, develop people's emotional intelligence, encourage continuous learning and practice giving and receiving constructive feedback. If applied systematically, it builds greater commitment and motivation to action through developing internal change agents across the organisation, to ensure that mindset and behaviour change gain momentum and are internalised throughout the whole organisation.

4. Sustaining change

This phase ensures that a change orientation is embedded and core values are practiced, consolidating the transformation process and ultimately creating a self-sustaining healthy and high-performing, organisational culture. Organisational development should have an integrated and sustained focus. For both individuals and groups, regular follow-up sessions help to support participants as they experiment with new behaviours and have proven to be the most important factor in anchoring long-term results. Setting up peer coaching groups and train the trainer programmes help embed a culture of engagement and courageous conversations that become self-perpetuating.

5. Evaluating change

Evaluation should occur in a continuous loop, with contributions and insights from participants as well as their observers and colleagues. Assessment may lead to a better clarification of needs and objectives and an adjustment of programme focus or scope.

KDVI'S KEY CHANGE LEVERS

Although we have multiple interventions and client propositions (see Intervention Toolkit in the Resource Library), there are a few key levers for change that we see as crucial to our work with clients.

Senior Level Global Associates

KDVI Associates are highly trained and experienced at top team and board level worldwide. They understand fundamental motivational needs and group dynamics. They are able to confront and challenge clients and know how to create safe environments where senior leaders can be completely open and experiment. Our Associates allow the process of organisational change interventions to be emergent and, as the problems present themselves, equip the organisation's leadership with the awareness and the capability to solve them.

Team and group coaching

KDVI provides one-to-one, team, and group coaching and supports peer coaching practices. The group/team coaching methodology provides a safe transitional space for development and transformation. It fosters courageous conversations that get to the heart of the organisation's challenges and harnesses the wisdom of the group by instilling a culture of constructive feedback and support. When continued into the workplace, team coaching creates alignment, trust and open communication among team members so they may become more effective in implementing organisational strategy. The ultimate goal of the coaching methodology is to transform the cultural fabric of the entire organisation. Developing a coaching culture where learning and the give and take of feedback is integrated into a leader's interactions, helps to create an environment for innovation and successfully navigating change. It also creates sustainable learning communities in the organisation that continue to work after our intervention ends.

360-degree feedback

In order to facilitate change, individuals need to be aware of their current behaviours and strengths and weaknesses in relation to the new desired mindset and behaviours. In order to set honest self-evaluation and changes in behaviour into motion, multi-party feedback provides a good source for personal insight as self-awareness can be limited. 360-degree feedback allows individuals to compare their own self-perceptions with the observations of colleagues or others who work with them. Discussing the feedback in one-to-one or group coaching sessions helps executives link feedback to their own personal experiences, thus creating 'ah-ha'-moments that motivate them to reassess their own behaviour. These sessions can provide the catalyst to motivate people to step out of their comfort zone, whether this means developing a hidden or undervalued strength, such as sharing great ideas more visibly, or reducing a pattern of behaviour, such as micromanagement, that causes conflict.

CONCLUSIONS

In this age of discontinuity, the organisations that last will be those that can respond effectively to the changing demands of their environment. How can leaders proactively shift mindsets and behaviour and drive the process of on-going change? How can teams adapt seamlessly to external and internal pressures? And, how can the organisation continuously renew itself towards sustainable growth? These questions are critical now that change has become the rule rather than the exception for those seeking survival and success.

Our aspiration is to inspire the hearts and minds of leaders to transform their organisations into places of work that give people meaning, where they can feel truly alive and perform to their very best. Through our interventions, our hope is that leaders will create an effective team, are honest and open with one another and be able to reflect and adapt to challenges as a unit. They will have the self-awareness and tools needed to align their individual motivations with evolving organisational goals to build a healthy, high-performance culture.



The Ouroboros (Greek for tail-devouring snake) is an ancient symbol depicting a snake swallowing its own tail. It represents self-reflection, and growth cycles that build upon earlier experiences.

In an organisational context, this metaphor illustrates the ability of a group of people to continuously reflect and experiment forward - key indicators of the ability to change and sustain growth.