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11

Organizational Culture – Preparing for Future Strategic Practices

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Future-oriented organizations need to make sure their culture fits their goals and vice versa before implementing long term strategy. All the foresight in the world will not help strategy implementation if the culture is inadequate. To prevail in today's more volatile and informed market environment calls for a shift from the traditional organizational style of 'command and control' towards a 'knowledge and learning' culture through progressive cultural alignment. Futurists have a huge stake in this – because the viability of futurists' work is only as good as the viability of the underlying organization.

The CEO of a large North American bank recently said the bank sees "a future in which our success is not constrained by resources or opportunity". This bank has talented staff, a strong brand, and loyal customers – so these should get the bank off to a good start in assessing opportunities and acquiring resources.

No doubt, the bank will be drawing on futurists for help on the future market environment – such as clarifying global trends, presenting plausible scenarios for the future, and even highlighting market opportunities and risks suggested by the scenarios. For example, demographic-based trend projections can help the bank decide to pursue one opportunity over another.

However, this will only provide a context, not the strategy. The bank will still have to marry environmental projections to strategic choices and short term imperatives in order to build an actual strategy. And, it will still need the right capabilities to execute on the future strategy. This implies that futurists have a large stake in strategic underpinnings for their work to take root. The bank will have to depend heavily on its culture – the way that staff, brand and customers are bound together by a compatible vision

– to carry it towards a bright future. Without the right cultural underpinnings, the strategy will never connect with results.

Get the Culture Right First

Business leaders must survive the requisite variety of day to day events in order to get to the long term. The point is that before strategy comes the right culture to execute successfully. It is on these two points, culture and execution, that most strategic failures begin. A misaligned culture and inability to execute will surely always negate the work of futurists.

A cultural balance must be struck between short term capabilities and future strategic practices. In effect, the present is a critical resource to fund the future. Before trying to make the "right" long term decisions, it is essential to make sure that the "right" organizational culture is in place, suitable to adapt, crystallize and execute on strategy as the future becomes progressively clearer.

A relatively few organizations are actively working on this balance, although in the past year many more have started to think about it. Those that can be categorized as early adopters can be found spread across the world economy, for example in the technology industry with providers of collaboration technology, in banking aimed at mid-range consumers and cottage industries, and in high end consumer and business services.

The Innovation Culture Continuum

Historically, organizations have been organized predominantly on principles of command and control. In the information age, a hierarchical approach is tending to deliver less effective results than in the past. It tends to reinforce a rigid, 'business as usual' mentality and inhibit strategic responses to rapid change. This phenomenon more easily affects organizations where people's intellectual knowledge and the organization's intellectual property produce a higher investment return than the organization's physical assets. And, because most companies must rely on these softer, intangible assets to deliver what

See Practices, continued on page 12

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**IF THE CULTURE
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Practices

continued from page 11

their customers want there is a distinctive shift away from hierarchical control.

The Innovation Continuum concept of moving beyond 'command and control' is described in an *Ivey Business Journal* article, "Putting an Innovation Culture into Practice" by Robert Angel.¹ Developed by the author over several years, the Continuum's origins are in behavioral approaches to understanding customers in large service industries. Its essence is that the organization should move itself progressively across the Continuum to higher levels of effectiveness, lifting enterprise performance at each level.

Three levels of culture are depicted: "foundation," "advanced" and "breakthrough", but "breakthrough is not the end goal because an even higher continuum level should develop over time".

The *Ivey Business Journal* article visualized the Innovation Continuum as follows:

The "foundation" level is characterized as a hierarchical and risk-focused organization that typically concentrates on transactions. It directs its people to sell more products and services and keep costs in check.

Foundation organizations often try to improve performance by working harder, developing sales skills and targeting selected customers more systematically.

They often let go staff who fall short of performance goals set for the organization regardless of the cause, which tends to dampen enthusiasm in the rest of the organization.

This approach can work, at least for a while – many foundation organizations report steadily improving financial and operating results for extended periods. However, it also builds up considerable stress at all levels in the organization and raises serious long-term questions about both business purpose and sustainability.

The majority of North American organizations, many larger European companies, and selected Asian international companies are in the "foundation" level, or else in transit to "advanced". In less developed economies, many organizations tend to be "pre-foundation", characterized by autocratic management and deferential employee culture.

An "advanced" level organization is typically integrating organizational silos, so that individual departments can work with each other for productivity improvements and greater flexibility of response. More operating decisions are pushed down to the front line. Higher-profit-contributing customer groups are identified and given special treatment. Selected operating metrics are measured, but the ability to use the data to fine-tune business decisions may lag the ability to generate the data.

Major service organizations are making this transition in various degrees. For example, banks, insurance companies, government, airlines and some retailers are improving the granularity and use of customer data to customize offerings, and are rationalizing and outsourcing non-core processes to hold down costs. Companies, offering a range of products and services from resource exploration to consumer products, are famous for the collaborative R&D approaches they have used. Others have made considerable headway in streamlining supply chains – integrating them internally, backwards to suppliers and forwards to customers – and implementing quality and lean processes.

Early adopters have found that the "advanced" level will only take them so far. Aspiring to a higher level of accomplishment, they seek an adaptive, knowledge and learning culture in which performance improvement not only cascades down but is also self-directed, and innovation becomes the driving force.

The High Performance Culture – the "Breakthrough" level on the Continuum

"Breakthrough" performance extends strategy alignment to goal alignment through adapting to 'Knowledge and Learning' approaches of collaborative work and information sharing. The desired payoff is a competitive advantage that is self-sustaining as the environment changes. There needs to be a coming to terms with what 'adapting' really means – being able to move the organization on from the previous hard-wired state of a hierarchical and siloed mindset, to a culture centered on information-sharing and people. In practice, organizations tend to move progressively across the continuum, with some elements moving faster than others and priorities adapting gradually towards Knowledge and Learning. It means constructing a strategic competitive advantage, often around complexity, because that is more difficult for competitors to imitate. 'Adapting' does not

See Practices, continued on page 13

Foundation	Advanced	Breakthrough	
Hierarchical Command and Control	Departmental Silos	Self-directed Virtual Teams	Management
Transactional and Aggregated	Integration across the Enterprise	Learning & Service Delivery Architecture	Information
Cost and Risk Reduction	Productivity Improvement	Collaborative Improvement	Operations
Product	Segmented but still Product Based	Customers' Individual Needs and Value	Customers
Growth	Growth and Performance	Innovation	Strategy

Practices

continued from page 12

mean continuing to make frequent changes in direction because that would turn strategy into tactics, but it does mean paying attention to future disruptive innovators and being ready to reinvent strategy again in the future.

Enhanced leadership abilities; development of front-line supervisory skills to improve employee engagement and retention; co-operative and creative business capabilities and practices; organization-wide self-actualization – these all lead to a shared knowledge and learning organization. A recurring theme is also managing overwhelming workloads so that important issues are addressed promptly, rather than deferred because people are too busy.

“Breakthrough” also calls for robust data management, especially data collection and analysis on a suitable platform that can link *detailed* activity and results measurement to strategic and tactical decision making, supported by a proper business case. There are still only a handful of organizations making headway towards breakthrough, but signs indicate that many more will be starting along this road in the coming year.

Conclusion – Towards the Knowledge and Learning Organization

For a global, interdependent business increasingly reliant on intangible assets, the culture that works best is usually one of Knowledge and Learning. In my consulting practice, I have seen how cultural underpinnings really do help correct the enterprise performance management conundrum – that so much effort is being put into performance but there seems to be relatively little to show for it – in part a consequence of defending against change that is both rapid and hard to predict.

As an example, the marketing department of a consumer services company has been leading the rest of the organization into Knowledge and Learning by tapping the collected wis-

dom of its staff. It is formulating marketing plans using internal surveys and workshops, gathering the knowledge of the marketing staff in dealing with partners and customers, both internal and external. In this case, top-down corporate strategy is still a major input to the plans. The group is now better placed not only to execute strategy in the current year but also to



Angel

reconsider future trends and opportunities. In the bank example, cited at the top of the article, a cultural facelift, accomplished by moving the organization across the

continuum, would help ready the bank for some very hard strategic choices in the next few years. This would give the bank’s futurists a much better basis for their work, and in turn provide more value to the bank in building out its strategy. In summary, whatever strategic prescriptions are put forward, success comes only when the culture supports it. Here can be no right answers without the appropriate culture in place. The point is that the right culture is a prerequisite for making the long term strategic decisions that take an organization successfully into the future. This is just the starting point of a complex refining and, hopefully, progressively more manageable process as the passage of time brings the future ever closer.

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POINTS FOR THE CLASSROOM
(send comments to forum@futuretakes.org):

- Peter Senge’s seminal work on the Learning Organization highlights the need for organizational culture to effectively adapt and learn from its environment, and successfully reinvent itself on a regular basis. In what additional ways can a “teaming organization” outlook foster an organizational culture that would be proactive toward the future?
- Angel indicates that “the traditional style of ‘command and control’ does not work as well as it used to ...” He further states that “In the information age, a hierarchical approach is tending to deliver less effective results than in the past... and inhibit strategic responses to rapid change.” How will military forces be impacted by this, given their hierarchical nature?
- To what extent will a knowledge and learning organization accommodate ideas that are long-term creative but short-term disruptive?
- Angel describes the shift away from hierarchical control in the context of intellectual property vs. currency-based assets. At various times, wealth has been land, then capital, and now information and intellectual property. What will wealth be in 2025?
- The author states that “foundation organizations often try to improve performance by working harder... They often let go staff who fall short of performance goals set for the organization...” He goes on to say that “This approach... also builds up considerable stress at all levels in the organization...” Will an evolution to the “advanced” and “breakthrough” levels lead to lifestyles that are less stressful (considering also the increasing interaction between the European and US business cultures) – and away from “Theory X” management styles? Will there be more focus on “the important” and correspondingly less on “the urgent”? Conversely, will the “do more with less” modus operandi prevail, with all of its implications?
- In some parts of the world, the S-curve describes the maturing process of a corporation or other business enterprise. In terms of this model, a company may be founded on a “wild idea,” but as it matures, it becomes risk-averse (i.e., “Don’t bet

See Practices, continued on page 18

INSIDE THIS ISSUE

Global Agriculture 2020 <i>Tim Mack</i>	2
Syria – an Inside Look <i>Wendy Keslick</i>	4
Organizational Culture – Preparing for Future Strategic Practices <i>Robert Angel</i>	11
Accommodating The Flow of People <i>Stephen Aguilar-Millan</i>	14
Leading Social Adaptation (LSA) – An Empirical Approach <i>David Day</i>	19
South Africa's Youth Bulge: Risk or Opportunity? <i>Itha Taljaard</i>	24
Contributions of Different Cultural- Religious Traditions to Different Aspects of Peace – Leading to a Holistic, Integrative View of Peace for a 21 st Century Interdependent World <i>Linda Groff</i>	27
Corporate World, Caliphate, or Gaia Peace? Awakening to A Transformed Future <i>Sohail Inayatullah</i>	38
Group Discussion and Images of the Future: a Pilot Study of a Classroom Setting <i>Simone Amakti</i>	44
BOOK DISCUSSION SYNOPSES – A Double-Header! <i>Why Europe Will Run the</i> <i>21st Century</i> <i>and</i> <i>The Last Days of Europe</i>	35

Practices*continued from page 13*

the company on a wild idea.”). Various mature companies have been known to shift their focus away from innovation and toward acquisitions and mergers, speculative investment, and the regulatory environment. Does Angel’s innovative culture continuum represent a shift away from the S-curve model?

- *As European, Asian, North American, and other business cultures interact at an increasing rate, what are the implications for the S-curve model and the risk-aversion culture, Angel’s innovation continuum model, and other possible models?*

¹ Robert Angel, “Putting an Innovation Culture into Practice”, Ivey Business Journal Volume 70, Number 3, January/February 2006.