

## **Towards a Culture of Innovation: How Agile and Organizational Change Management Contribute to the Success of Culture Change**<sup>1, 2</sup>

Katharina Kettner

*It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change. (Charles Darwin)*

Same goes for organizations in the jungles, swamps, and rough seas of the global economy, dealing with the constant need to adapt to technological and economic changes. Even – and especially – industries and regions on the periphery of change now feel the pressure to innovate to respond to markets, industry regulations, and customer demands.<sup>3</sup> So how does one achieve that goal?

As a young consultant I was approached by the newly appointed VP of Innovation and Creativity for a large tech company to discuss a concept for some changes he wanted to make. He explained to me that it was high time for the company to become more creative and innovative, and that he couldn't understand how the employees, who were so creative in their cottages, clubs, and allotments, were "withholding creativity and innovative spirit from the company".

That was around the turn of the century and two decades later I am still puzzled by this leader's perspective. This company's employees were – and still are – recruited for superior technological and engineering skills, for exact analysis, and precise measurement. Moving an organization with 10000+ employees worldwide towards a culture of creativity is not an easy feat.

Fast forward into the 21<sup>st</sup> century and I am doing an impact analysis on a project. In OCM (Organizational Change Management) stakeholder impact analyses often start with the primary source of information (key stakeholder, business lead, SME) stating "not much of a change really, we're just introducing a few new standards and procedures". In this case, with some careful question technique it turned out that this change will affect hundreds of employees working in operations and require them to assess risks autonomously and in cross-functional teams across deeply ingrained silos. The mutual conclusion at the end of the interview is that the change of mindsets and behaviors is actually quite large.

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<sup>1</sup> Second Editions are previously published papers that have continued relevance in today's project management world, or which were originally published in conference proceedings or in a language other than English. Original publication acknowledged; authors retain copyright. This paper was originally presented at the 12th [Annual University of Texas at Dallas Project Management Symposium](#) in May 2018. It is republished here with permission of the author and conference organizers.

<sup>2</sup> How to cite this paper: Kettner, K. (2018). Towards a Culture of Innovation: How Agile and Organizational Change Management Contribute to the Success of Culture Change; presented at the 12<sup>th</sup> Annual UT Dallas Project Management Symposium, Richardson, Texas, USA in May 2018; published in the *PM World Journal*, Vol. VII, Issue VIII - August.

<sup>3</sup> One example for this phenomenon is the insurance industry, where the term Insuretech has been coined, <https://www.techopedia.com/definition/33220/insuretech>. Several large consultancies have explicitly included this industry in their strategies to cater for the wave of innovation & technology and its current needs & trends, i.e. speed to market, deep innovation, micro innovation etc., large conferences are devoted to the topic: <http://insuretechconnect.com>

Far beyond initiatives that introduce bean bags and bright colors to common rooms, this is what Culture Change looks like. It's quite technical on the surface, but is actually about touching mindsets and changing the way an organization has been working for decades, sometimes longer.

Culture is the answer to the question “how we do things around here” and all its underpinning mindsets. Culture is an iceberg<sup>4</sup>: Behaviors, artifacts, policies, industry standards, logos, the way of dressing etc. are visible and above the water line. Values, beliefs, informal communication (water cooler talks, rumours etc.) are below and can only be reached via behaviors. Norms are around the water line: Dress code is a good example, it may be “unwritten law” or stated explicitly.

To the members of a culture, the invisible factors are deeply rooted, often they are not consciously aware of them<sup>5</sup>. Without holistic Organizational Change Management, based on experience and including factors such as stakeholder engagement and organizational culture, many of the “invisibles” will go unnoticed in organizations, leaving leaders wondering why nothing is moving forward.

Despite the fact that executives and business consultants tend to avoid the word culture, awareness for Organizational Culture *is* in fact on the rise. Surveys and research show that executives, managers, and co-workers place a great deal of importance on their organizational culture, even if it may not be readily admitted in everyday life.

84%	...agree that their organization’s culture is critical to business success
60%	...say culture is more important than strategy or operating model
45%	...do not feel their culture is being effectively managed
47%	...do not feel culture is an important part of the leadership team’s agenda
51%	...think their organization’s culture is in need of a major overhaul
44%	...say culture change should take less than one year
48%	...think, other than communications and leadership alignment, they do not have the capabilities to effectively deliver change
#1	...barrier respondents said prevents sustainable change is there are too many competing priorities, creating change fatigue
#1	...reason respondents resist change is they are skeptical due to past failed change efforts
#2	...reason respondents resist change is they do not feel involved in the change process

Figure 1: [http://www.strategyand.pwc.com/media/file/Strategyand\\_Cultures-Role-in-Enabling-Organizational-Change.pdf](http://www.strategyand.pwc.com/media/file/Strategyand_Cultures-Role-in-Enabling-Organizational-Change.pdf)<sup>6</sup>

A useful model to categorize company culture is the grid of Trompenaars/Hampton-Turner<sup>7</sup> (see diagram). It characterizes organizational culture without going into too much detail:

<sup>4</sup> Often cited, one of the earliest mentions in: Edward T. Hall *Beyond Culture* by Anchor Books, 1977

<sup>5</sup> Trompenaars

<sup>6</sup> Strategy& (formerly Booz & Company), *Culture's role in enabling organizational change*, November 2013, accessed on April 10, 2018. Respondents' organizational level: 12% C-suite 17% Director 24% Manager 47% Other.



Figure 2: Organizational culture model, adapted from Fons Trompenaars, in: <http://www.selwyn.org/selwyn/node/27>

*“Some companies, including stereotypical Silicon Valley organizations are commonly referred to as being an incubator type of company culture. Engineering firms that focus on specific projects and tasks are known as guided missile culture. The business of running the US armed forces with specific hierarchies, rules and procedures is the Eiffel tower type of culture. Finally, companies where power is concentrated in specific leaders, and the leader has deep concern for all employees, is thought of as a family culture.”<sup>89</sup>*

Given the emphasis on effectiveness, market-agility, and accountability as strategic goals, the recommended future-state culture is Guided Missile (see characteristics/indicators), for more emphasis on creativity, the Incubator would be more suitable, however, more difficult to realize in large companies, due to the importance of individual commitment and recognition.<sup>10</sup>

One extremely common example of the type of culture that hinders success is the problem of silos in organizations, an issue that can be tackled by OCM, with support from strategic frameworks and organizational structure, as well as hands-on measures within projects, and overall Leadership and Organizational Development.

Having created an atmosphere of urgency for change and innovation – which is the right thing to do at the beginning of a large change (Kotter) – people will want to contribute. If that happens in still existing silos and the new ideas grow independently from each other, it will lead to frustration and confusion. Badly managed attempts at change have devastating impacts on stakeholders and can be worse than making no attempts at all.

<sup>7</sup> Trompenaars Seven Dimensions of Culture  
<https://sevendimensionsofculture.wikispaces.com/Trompenaars%27+Seven+Dimensions+of+Culture>

For more info watch [https://www.youtube.com/watch?v=aS1K\\_rl8PrQ&feature=player\\_embedded](https://www.youtube.com/watch?v=aS1K_rl8PrQ&feature=player_embedded)

<sup>8</sup> <http://www.selwyn.org/selwyn/node/27>

<sup>9</sup> For examples, see [http://changingminds.org/explanations/culture/trompenaars\\_four\\_cultures.htm](http://changingminds.org/explanations/culture/trompenaars_four_cultures.htm)

<sup>10</sup> Steve Jobs himself described Apple as “the world’s largest startup” in an interview (quote).

In order to prevent this effect from backfiring, it is important to make sure these intentions are channeled and facilitated to identify the steps ahead in collaboration. This is normally a risk that Enterprise Change Management can mitigate.

In summary, organizational culture is strategically important for corporations in order to move towards innovation. It overrides other influence factors in organizational success, in other words: Culture Eats Strategy for Breakfast.<sup>11</sup>

### **Innovation & Creativity**

With today's increasing mindset of instant gratification, it is important to note that the implementation of innovation in a company cannot be achieved by simply flipping a switch. The nature of innovation, and creativity for that matter, are not simply black/white, on/off.

When moving towards innovation, companies need to determine what definition of innovation is relevant to them.

Departing from a definition of innovation as invention, but more relevantly product and service development, the implementation of new technologies and / or the use of new processes and methods, we associate innovation with a work environment that is creative, open-minded, and flexible. More recently agility comes into play as a keyword and serves as the description of the desired mindset.

While phases of innovation historically often occur under external pressure (economic pressures of all kinds, industrial revolution, wars, or post-war situations), creativity equally needs a culture that is founded in trust, as well as structures and leadership that ensure the realization of new ideas.

### **Leadership**

Because many change initiatives concur with a change or adjustment of behaviors and thinking patterns, corporate communication needs to be managed, adjusted, and fostered accordingly. Leadership is of vital importance for each and every change process, and already in the pre-conception or inception phase it needs to be crystal clear who the sponsors and drivers are. Objectives and stakeholder impacts and intentions need to be communicated explicitly, timely, and credibly. In this way management can create leverage to overcome protracted phases of demotivation, for example by employing appropriate communication techniques. On one hand this will ignite the commitment of the organization or project team, on the other hand it will create a basis for a common understanding of the project's intentions.

Leaders, particularly project leads, have the task to communicate vision, mission, and objectives - which they have appropriated as their own - to their teams, in order to get everyone in the same boat and rowing in the same direction, and thus demonstrate leadership qualities.

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<sup>11</sup> Attributed to Peter Drucker (in: Business Strategy: An Introduction by David Campbell, David Edgar, George Stonehouse, Third Edition, Quote Page 263, Palgrave Macmillan, London 2011), who, along with Edgar H. Schein, "Organizational Culture and Leadership" (1985), was among the first to state the fact. Yet, the provenience of the exact wording is unclear <https://quoteinvestigator.com/2017/05/23/culture-eats/> .

A striking statement from an empirical study<sup>12</sup> conducted with PM and academic colleagues stated that in everyday practice, leadership communication measures are used superficially to inform team members and impacted employees top-down. However, the results also showed that the sending of information alone cannot cope with the complexity and dynamics of change processes. Instead, employees as well as opinion leaders need to be involved in the communication process in the right phases of a project, and information has to be worked out and communicated in dialogue. This is a decisive lever for the successful design and rollout of change processes.

Dialogue, exchange, networking, and feedback become important steering elements in complex social systems because they enable increased attention, feedback, and better interlinking and mobilization of employees. Unfortunately, as the evaluation of our studies showed, these requirements are not yet met in companies.

What is essential for a participative approach is an integrated use of management and communication tools to allow the communication of appropriate information to different levels. Dialogue oriented communication tools must be included at the right place and time, in the right phases. “Go and See” – a visit at the workplace of impacted employees – is one example of highly effective tools. The feedback given by impacted employees needs to be worked into the next steps of the change initiative, so that integrating, engaging, and mobilizing employees can be achieved better.

In summary, the kind of leadership that helps foster a culture of innovation and change are:

- Participative (or participatory) leadership style, combined with transformational leadership style<sup>13</sup>
- Top-down AND bottom-up communication – which leads to:
  - o Engagement, a severely underused discipline of organizational change management
- Understand how (differently) people can react to change, acknowledge the foundations of organizational behavior in psychology and neuroscience<sup>14</sup> SCARF<sup>15</sup>

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<sup>12</sup> Becker, Lutz / Feldmüller, Dorothee / Helbig, Veronika / Kettner, Katharina / Müller, Johannes / Mütter, Jan (2012): Strategischer Wandel durch IT: Kultur und Kommunikation als Erfolgsfaktoren im IT-Projektmanagement (*Strategic Transformation through IT: Culture and Communication as success factors in IT project management – Change Management Survey and best practices on effective change leadership*) (gpm-ipma German Project Management Association in collaboration with Karlsruhochschule - University of Karlsruhe). GPM, Nürnberg. [http://www.gpm-ipma.de/know\\_how/lightbox\\_seiten/strategischer\\_wandel\\_durch\\_it.html](http://www.gpm-ipma.de/know_how/lightbox_seiten/strategischer_wandel_durch_it.html)

<sup>13</sup> Whereas we previously favoured Participative Leadership (in: Becker / Feldmüller / Helbig / Kettner / Müller / Mütter (2012)), modifications have to be considered due to constraints: Recent studies have shown when this style works best and suggested the combination to mitigate the risks of situations or constellations where effectiveness is impaired (“Leadership and Organizational Tenure Diversity as Determinants of Project Team Effectiveness”, Frouke M. de Poel, Janka I. Stoker, Karen I. Van der Zee, in: *Group & Organization Management*, vol. 39, 5: pp. 532-560. First Published September 19, 2014. <http://journals.sagepub.com/doi/full/10.1177/1059601114550711#>

<sup>14</sup> <https://www.duxinaroe.com/blog>

<sup>15</sup> The SCARF® model stands for Status, Certainty, Autonomy, Relatedness and Fairness. <https://members.neuroleadership.com/portfolio-items/scarf-in-2012-updating-the-social-neuroscience-of-collaborating-with-others-vol-4/>

## The role of projects in the strategic move towards innovation

Projects are a good vehicle to make this change happen, because projects are defined regarding duration, scope, resources, and “a specific set of operations designed to accomplish a singular goal.”<sup>16</sup> That tends to make defined proceeding more attainable, such as systematic change management, as well as measuring and monitoring changes.

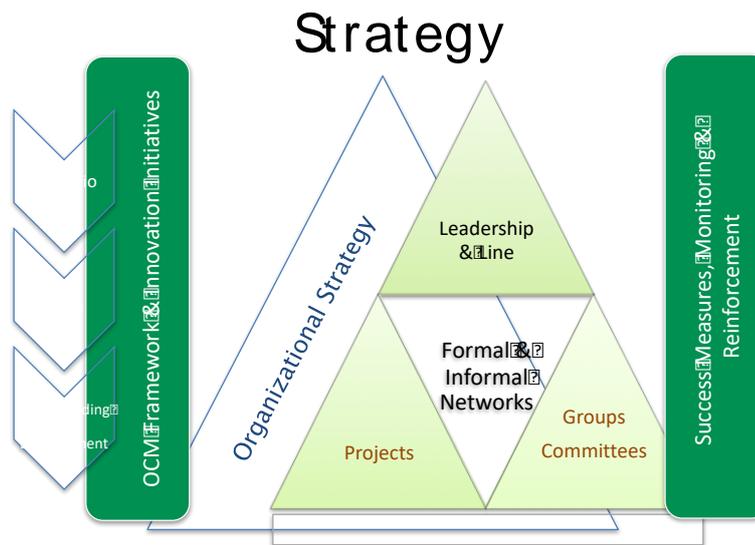


Figure 3: Leveraging organizational structure

This is especially true of organizations who want to go agile; a successful approach is to seed the new approach through an increasing number of BUs. To some extent, this way of implementing leaves it open to whether the intention is to implement agile as a methodology or as a mindset, it also helps prevent an open discussion of the word ‘culture’ – whether that is a good thing or not. By the time agile maturity has grown, it will already be part of the culture – and the strengths and weaknesses of agile have been experienced to an extent that allows leaders to judge when and how to use it in the line.

The strategic piece to such an approach is setting up organizational frameworks – OCM tools and monitoring mechanisms, governance etc., and from an Organizational Change Management perspective, cascade the approach through to Organizational & Leadership Development: Team Building, Training, Leadership Coaching, etc.

Because change takes longer and is less visible in large structures, successes that have been achieved in projects can encourage employees towards organizational change.

In summary, implementing agile systematically is especially suited because:

- Agile is a methodology originally developed for projects
- Using it in defined project spaces demonstrates the outcomes more clearly
- Agile is stakeholder oriented

<sup>16</sup> <https://www.pmi.org/about/learn-about-pmi/what-is-project-management>

- Agile requires (an emphasis on) more awareness for communication, as well as more and better communication
- Communication and facilitation in Agile are clear-cut - they promote:
  - o Openness
  - o Participative approach
  - o Step by step iterations that include reflections on lessons learned
  - o Detection of issues earlier and how to deal with them

Not surprisingly, Agile and Change Management share these attributes, and whereas Agile focuses more on delivering visible results in defined entities, Organizational Change Management caters to the invisible aspects of the to-be culture of innovation and its values and beliefs, and is effective in projects and as Enterprise Change Management

## Recommendations

Changing the way we work together in organizations is a large culture undertaking and should eventually be integrated throughout all Organizational Change Management activities for all implementations. Because companies are already dealing with a lot of change projects, an individual project dedicated to culture may prove to be extremely disruptive, marginalized, and may not be understood by all.

It will be more productive to:

- Envision the type of innovation the organization is heading to
- Define the culture that goes along with that vision
- Identify the delta and the strategy and tactics that get you there, for example:
  - o Seed innovation in projects to gain traction
  - o Focus on the tasks at hand
  - o Keep the number of models and approaches being used, i.e. for Change & Project Management, Leadership Development etc. at a minimum<sup>17</sup>
  - o Invest the effort and energy to ensure that they are being implemented optimally
- Use a holistic approach and easy handling:
  - o Use OCM strategically to mitigate the risk of 'dipping in the delta' and losing too much productivity
  - o Set strategic frameworks in which innovation can happen
  - o Establish appropriate milestones, gates, and measures to monitor Corporate Culture
  - o Use measures, KPIs, surveys etc. (some may already be in place - modify them as needed)
  - o Attach "the culture lens" to all aspects of current change initiatives, with a pervasive, pragmatic tool set
  - o Strategy execution: coordinate and orchestrate

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<sup>17</sup> Using too many models and approaches lead to frustration and confusion. The implementation of company-wide models need to be channeled and facilitated to ensure collaboration.

- “Do” culture, not “talk about” culture
- Avoid a culture of bureaucracy<sup>18</sup>
- Using Enterprise OCM mitigates the risk of Change collisions and change fatigue / saturation

## **Executive summary**

To successfully manage and master a large transformation, like the move towards innovation, it is imperative to take a look at corporate culture, to assess the role leadership and agility play in Organizational Change, as well as in a Culture of Innovation, and to conduct the change systematically by strategically planting the seeds within the corporate structure. Individual projects are more than suited to be the ideal starting points.

Why is culture of crucial strategic importance in order to move towards Innovation?

- Culture is the answer to the question “how we do things around here” and all its underpinning mindsets.
- Awareness for Organizational Culture is on the rise. Surveys and research show that executives, managers, and co-workers place a great deal of importance on their organizational culture, even if it may not be readily admitted in everyday life.
- Culture overrides other influence factors of organizational success, in other words:

## ***Culture Eats Strategy for Breakfast.***

Moving an organization towards innovation requires a team atmosphere that is founded on trust, as well as structures and leadership that ensure the benefit realization of new ideas.

Common denominators of a supporting leadership style, change management, and agile are:

- An understanding of how (differently) people can react to change, acknowledge the foundations of organizational behavior in psychology and neuroscience
- Participative approach
  - Participative (or participatory) leadership style, combined with Transformational leadership style
- Emphasis on communication
  - Top-down AND bottom-up communication
- Collaborating and engaging with stakeholders
  - Step by step iterations that include reflections on lessons learned

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<sup>18</sup> Because the majority of culture elements are “invisible” and can be scary, organizational culture change frequently instills the urge to over-document and over-formalize processes. This is likely not the type of culture you want to go for when aiming for more innovation.

- Detection of issues earlier and how to deal with them

Projects are a good vehicle on the road to innovation, because ideally projects are defined entities following systematic methodologies in which outcomes are measurable, so wins can be defined and communicated.

Seeding agile and OCM in projects - supported by a wider organizational framework utilizing OCM that can make (a culture of) innovation happen - is an approach that will generate relatively quick wins as well as enough stability that the people will want to stay on the journey towards innovation.

## About the Author



**Katharina Kettner, PhD**

Canada / USA



As an innovative Sr. Organizational Change Manager with over 25 years of experience in designing and implementing programs for corporate clients in Europe and Canada, Katharina Kettner has been involved in large transformations (IT, M&A, reorg), including enterprise & portfolio CM and strategic planning. She also worked with start-ups, artists and in patent projects. Katharina is well-versed in waterfall & agile, a strong facilitator, and an expert in organizational culture & leadership development. She holds a PhD in Communication & Media, a certificate in Economy & Business Studies (Strategic Management & Leadership), and certifications in PRINCE2, Scrum, PROSCI ADKAR, and Business Process Management. She has published articles and a book on OCM Best Practices in IT projects published by gpm-ipma and is active in professional networks.

Dr. Kettner can be contacted at [kkettner@obsglobal.com](mailto:kkettner@obsglobal.com).