

Is Your Organization Changing As Fast As Your Business Is Changing?

It's no secret that over the last ten years or so virtually every business and every working person has been buffeted by constant and relentless transitional — and, at times, even transformational — forces. However, the key to competitive advantage in these tumultuous times is still not broadly acknowledged.

AT&T thought they had it nailed as a result of their enormous size and extraordinary brand. **IBM** was certain that it, too, had achieved sustainable competitive advantage as a result of its awesome installed base. **Apple** did, as well, because they had the coolest technology ever. **Kodak** is scuffling to remain significant in a world of digitized photography. **DEC** has just lost its fight to remain independent, as a result of distributed computing. **Sears** has been battling to overcome the superior logistics and service culture of Wal-Mart. And, so it goes.

Microsoft has created more wealth using under \$6 billion of capital than Exxon has using \$88 billion. Ditto **Cisco Systems** with under \$3 billion than DuPont has with over \$35 billion. Likewise **Dell** with a little over \$400 million than Burlington Northern has with over \$20 billion.

What's the deal? In the Information Age infotech is rarely the source of a truly sustainable competitive advantage — it's cheap, so everybody can acquire it and IT innovations are not typically difficult to replicate. IT innovations are certainly necessary, even mission critical, but not very often are they an effective barrier-to-entry.

During the Agrarian Age competitive advantage was all about land and natural resources. During the Industrial Age it was about natural resources and capital. But, in the Information Age managing a company's ideas and leading its people are the premiere and differentiating resources — although, note that now a "resource" is not a *thing* (land or coal or money) but rather it is a set of *capabilities* (like optimizing learning or human motivation).

In 1990 it took six years to develop a new model car. Currently, it takes 24 months.

A generation ago there were 50,000 computers in the entire world. There are that many being installed today, as you read this.

In another two years there will be a billion people surfing the Web.

"The minute you think you've got it made, disaster is just around the corner."

- Joe Paterno

All of a sudden *strategic business drivers* include culture, intellectual capital, knowledge management, and character. A recent study out of Wharton analyzes the impact in 3,200 companies of capital invested in IT assets (i.e., hardware and software) vs. money invested in training IT workers. Wharton researchers found that capital investments “may be a strategic necessity to stay even with the competition,” but the investments in the workers netted much greater returns. One of the study’s authors concluded: “Machines can’t give you a competitive advantage. It’s all about people.”

Or, listen to Rosabeth Moss Kanter’s view of this Era’s strategic business drivers: “To compete effectively in (the information economy), physical assets, so important in (the industrial economy), matter less than intangible intellectual assets. World-class companies need an abundant stock of three resources: **concepts** — the best and latest ideas and technologies, which means investing in constant innovation; **competence** — the ability to execute flawlessly to world-quality standards while offering extra services to customers, which means investing in workforce skill and learning; and **connections** — the best partners to extend the company’s reach and leverage its offerings, which means investing in collaboration. These assets rely on human capabilities: creativity and imagination, teaching and learning, trust and respect.” *Again, the message here is one part technology and many parts human performance.*

It Ain’t Rocket Science

If it were rocket science, not so many companies (more than half) would have failed at their major change initiatives! If it were *merely* complex, American business would sail through, because American business is *really* smart. Unfortunately, though, executing a major change initiative is not so much cognitively complex, as it is psychologically complex. Think about it. Most of the critical success factors that underlie organizational change are, in essence, psychological. Among them:

- | | |
|-------------------|-------------------|
| ⊗ Motivation | ⊗ Trust |
| ⊗ Commitment | ⊗ Attitude change |
| ⊗ Behavior change | ⊗ Vision |
| ⊗ Values | ⊗ Character |
| ⊗ Tenacity | ⊗ Self-discipline |

“Remember, at the end of the day, the ability to learn faster than our competitors may be our only sustaining competitive advantage. Everybody else in the world is doing the same things we are. We’re going to get there faster with better prepared people.”

- Larry Bossidy, CEO
Allied Signal

“Fifteen years ago I couldn’t use the word ‘culture.’ It was too soft. Now everyone wants to know how to change it.”

- Vincent DiBianca, SVP
CSC Index

"The hardest part about being a fast-growth infotech company is maintaining your organizational identity. Our true core competency is our culture. That's what attracts people and keeps them here. It also helps sell customers. Customers want to work with companies that are competent, trustworthy, and fun."

- **Dave Duffield**
Pres/CEO/Chrmn
PeopleSoft

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."

- **Charles Darwin**

And, most of the obstacles that block organizational change are also psychological in origin. Among these are:

- | | | | |
|---|-----------------------------|---|---------------------|
| ⊖ | <i>Resistance to change</i> | ⊖ | Mistrust |
| ⊖ | Conflict aversion | ⊖ | <i>Apprehension</i> |
| ⊖ | <i>Impatience</i> | ⊖ | Inertia |
| ⊖ | Cynicism | ⊖ | <i>Over control</i> |
| ⊖ | <i>Rumors</i> | ⊖ | Egocentricity |

⊖ And, the difficulty that most members of our species have in coping with the *non-linear, experimental, and ambiguous* nature of any truly valid change process.

So, yes, transforming a human system — a company — is a soft and squishy undertaking. If done right, organizational change involves such non-analytical processes as inspiring people, getting them to believe in themselves and one another, coping with non-rational behavior, and walking your talk about vision, values, and strategy. Our approach at *TGCP to building the high-performance organization that is both value- and values-driven* incorporates the critical techniques required to address the fundamental psychological challenges that dog the change initiative every step of the way. Remember, it's only by taking control of your culture that you'll be able to achieve a truly sustainable competitive advantage.

Also remember that it is not extraordinary people that build great enterprises — there's simply not enough of them around. Rather, it's large numbers of ordinary people that do. The good news is that most people in an organization want to have faith in the leadership team. The challenge though, if an ambitious organizational initiative is to be successful, is for the leadership team to develop an equal level of faith in the people — in their abilities and their potential for achieving great things.