

White Paper

Transforming Organisational Culture

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There is a radical transformation taking place in the public's relationship to the organisations from whom they purchase products and services. As trust levels between the public and large institutions like Government continue to decrease, private sector businesses are being called on to fill the resulting gaps in social responsibility.

In Deloitte's [2018 Global Human Capital Trends Report](#), they make it abundantly clear that organisations are no longer assessed solely on traditional metrics such as financial performance, or the quality of their products or services. Rather, organisations today are increasingly judged on the basis of their relationships with their workers, their customers, and their communities, as well as their impact on society at large, transforming them from business enterprises into social enterprises.

Forecasts indicate that this trend will continue to grow and that business would do well to take heed, take stock, and ensure that going forward, there are strategies in place to make the transition to being a social enterprise.

The HR best practice of tomorrow will include a greater focus on building organisations that operate as holistic social enterprises. What that really means is that in order to survive, many businesses will be required to undergo radical culture change and internal transformation. This White Paper outlines on possible culture change methodology – the McKinsey 7-S Framework. A framework with historically proven validity and a reliable foundation from which to transform culture.

What Is Organisational Culture?

Organisational culture is one of the biggest determinants of how employees behave and is a key driver of organisational success. Strong cultures have two common elements:

1. High level of agreement about what is valued, and
2. High level of intensity with regard to those values.

It is important for these to be clearly identified and understood by both management and employees.

Creating a positive organisational culture comes from the underlying assumptions about the values and beliefs. Culture can be described as the “environment or atmosphere” prevailing in the organisation. It is the ‘personality’ of the organisation.

“You need to know what your organisational culture is before start on the journey of improving it or changing it.” - *John French, Director of Subscribe-HR*



How To Identify Your Current Organisational Culture

- Organisational culture can be described in many ways, here are a few:
- Innovative Culture - where innovation is encouraged and supported.
- Team Culture - where team work is the center of everything that happens in the organization.
- Market Orientated Culture - the focus is on profitability and market share.
- Employee Focused Culture - employee well-being and environment is highly valued.
- Result Orientated Culture - driven by outcomes not processes.
- Tribal Culture – insular, narrow and non-inclusive.

Whether you feel as though your organisation fits into any of the above categories or not, the same principle applies you need to know what you are and what you are not. Here are 3 ways in which you can define the culture of your organization:

- Workshops – conduct a series of workshops that brainstorm values, strengths and weaknesses, opportunities.
- Surveys – to determine the pulse of collective thinking on the way the organisation operates in anonymity.
- Internal focus groups – presenting different options and gauge the reactions and preferences.

Why is Consciously Creating Organisational Culture Important?

Culture is vital to your organisation because it shapes your corporate identity and therefore your growth. It paves the way for success and a lasting legacy. When you have a clear and concise foundation built on your unique culture, you can build on your team's commitment to move forward and achieve your company's goals. Culture is the enabler that drives teamwork creates the opportunities and leads to improved profitability of the organisation.



How Can Culture Be Transformed?

There is no single approach to improving or maintaining organisational culture. It depends on your organisations structure, style and where you are in the business cycle. Running a start-up company is very different to managing a mature business going through a consolidation phase.

What is important in all cases is to engage all employees to participate in building culture willingly, since imposition generally does not work. Nit-picking and micromanaging staff (just to name a few) will lower their potential to perform and ultimately impact negatively on organisational performance in some organisations whilst, 'laissez-faire' will have a similar effect on others.

Key The McKinsey 7-S Framework

We have chosen the McKinsey 7-S framework to use as an example of a reliable culture change model.

The model was developed by McKinsey Consulting in the 1980s and it is still relevant today.

At first glance this model can look complicated, don't stress, there is a simple 6 step-by-step guide to using it and implementing into your organisation. The model assumes that organisations prosper when shared values are supported by the other elements (planet) in the organisations universe.

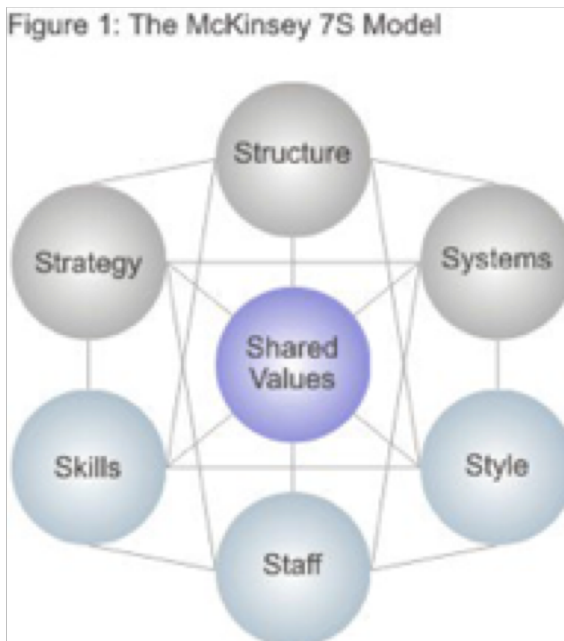


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Here's how McKinsey defines each of these seven elements:

- **Shared Values:** called "superordinate goals" when the model was first developed. These are the core values of the company that are evidenced in the corporate culture and the general work ethic.
- **Strategy:** the plan devised to maintain and build competitive advantage over the competition.
- **Structure:** the way the organisation is structured and who reports to whom.
- **Systems:** the daily activities and procedures that staff members engage in to get the job done and service customers. It is important that these are effectively maintained and not changed on a whim or without proper explanation, implementation or discussion.
- **Style:** the style of leadership adopted.
- **Staff:** the quality of the employees and their general capabilities.
- **Skills:** the actual skills and competencies of the employees working for the company.

Applying the McKinsey Model

Now you know what the model covers, how can you use it? The model is based on the theory that, for an organisation to perform well, these seven elements need to be aligned and mutually reinforcing based on the determined shared values. The model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment during other types of organisational change and improvements.

McKinsey's 6 Step Solution

Step 1: Map the Process

- Once you've decided which process you want to improve, document each step using a flowchart. These tools show the steps in the process visually. It's important to explore each phase in detail, as some processes may contain sub-steps that you're not aware of.



Step 2: Analyse the process you are trying to change

- Use your flow chart or swim lane diagram to investigate the problems within the process. Consider the following questions: where do team members or customers get frustrated?, where do costs go up and/or quality go down? and which of these steps requires the most time, or causes the most delays?. Using a Roost Cause Analysis, Cause and effect analysis, or The 5 why's to trace the origin of the consistent problem.

Step 3: Redesign the Process

- You're now going to redesign the process to eliminate the problems you have identified.
- It's best to work with the people who are directly involved in the process. Their ideas may reveal new approaches, and, also, they're more likely to buy into change if they've been involved at an early stage. Make sure that everyone understands what the process is meant to do.

Step 4: Acquire Resources

- You now need to secure the resources you need to implement the new process. List everything that you'll need to do this. This could include guidance from senior managers or from colleagues in other departments, such as IT or HR. Communicate with each of these groups, and make sure that they understand how this new process will benefit the organisation as a whole. You may need to prepare a business case to demonstrate this.

Step 5: Implement and Communicate Change

- It's likely that improving your business process will involve changing existing systems, teams, or processes. For example, you may need to acquire new software, hire a new team member, or organise training for colleagues. The implementation phase is the most important and requires the most amount of focus, so communication is key!

Step 6: Review the Process and adjust if needed

- Very few things work perfectly, right from the start. After you roll out the new process, closely monitor how things are going in the weeks and months that follow, to ensure that the process is performing to expectations. This monitoring will also allow you to fix problems as they occur. Make it a priority to ask the people involved with the new process how it's working, and what – if any – frustrations they're experiencing.



Case Study: Putting One of the 7s to Work

A medium-sized Australian based IT company servicing the non-for-profit market implemented the McKinsey 7-S framework in order to improve their organisational culture. One of their **shared values** is efficiency. Staff identified that there was an issue with their process of on-boarding new customers.

The issues identified included:

- Too many people were involved,
- There was little logic in who did what and there was no collective agreement on how the process actually worked.

In order to fix the problem for the long term, management used the 6-step process to define the problem and find a solution.

The end result was an updated more efficient process which had the support and commitment of the employees involved. The organisation conducted a customer survey a little while after the new process had been implemented. It showed an improved customer satisfaction rating.

In summary, whilst reviewing processes and improving organisational culture can be time consuming and put a strain on resources, the outcome can have a significantly positive impact on the performance, culture and customers of the organisation.

An Opportunity for Business

Deloitte's 2018 Global Human Capital Trends report, as well as the information disclosed by investigations like the Financial Services Royal Commission, sound a very loud and abundantly clear wake-up call for organisations. Facilitating the rise of the social enterprise will necessitate a determined focus on building social capital.

Deloitte's report outlines that this can be achieved by:

- Engaging with diverse stakeholders,
- Accounting for external trends,
- Creating a sense of mission and purpose throughout the organisation, and
- Devising strategies that manage new societal expectations.

Building social capital is only possible when built on a solid foundation of culture. The McKinsey 7-S Framework provides a roadmap that your organisation can use to transform culture and implement change.



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