

Five challenges in organizational transformation *and our reflections*



The change managers of the interim management network of Highberg spoke with fifteen leaders and managers from large, leading organizations. All companies that are undergoing significant changes or are on the verge of doing so. The topic of discussion was organizational transformation and strategy execution. The goal: to learn from each other about the challenges and successes surrounding organizational transformation. This whitepaper addresses five challenges related to organizational transformation that emerged from the discussions and our reflections on them.

Strategy Execution vs. Transformation

Where does strategy execution end and transformation begin? Is one part of the other, or do these two concepts overlap? And should you differentiate between the execution of strategy and the management of transformation?

"Transformation management is the entire change story. It starts with thinking about why and ends with strategy execution. You gradually shift from organizational design to implementation."

"Renewing and improving existing processes, in my opinion, is not transformation. For me, transformation is a paradigm shift. With new business models and new stakeholders. A metamorphosis."

"Strategy execution deals with the significant topics in the organization. Such fundamental topics that almost every strategy execution leads to transformation."

"Transformation and strategy execution overlap. You can see transformation as the part where your organization changes with radical elements. If at least a third of the company is going to do something completely different. Transformation has become a bit of a buzzword."

Our Vision on Strategy Execution

Realizing a strategy is not easy. Often, the focus is on formulating that strategy and the organization's mission and vision, with the idea that a good plan will fulfill itself. However, practice teaches us otherwise. For a successful strategy and transformation, the implementation phase is just as essential as the development phase. Implementation requires change management, performance management, and leadership.

Changemanagement

An effective strategy is not measured by the quality of its content but by the sustainable change achieved from the boardroom to the shop floor. Successful strategy execution, in particular, requires focused insights into change management as a guide for how to get people moving and how to make co-creation part of the transition.

Performancemanagement

Strategy begins with a clear direction, clear goals, and various change initiatives. It is essential to translate these throughout all levels of the organization, with accompanying communication structures and influence capabilities at every level. It involves attention to self-management and the learning capacity of each individual and team.

Leadership

Successful strategy execution requires time and attention to leadership. In typical strategy processes, the management effectively spends 20 hours on strategy, while the shop floor only spends 20 minutes. Therefore, management must make the strategic storyline relevant to all teams and consistently link it to the bigger picture.

Our Vision on Organizational Transformation

As an organization, you want to be relevant to your customers and make an impact on the world around you. Digitization, new technology, and the availability of more data offer ample opportunities. Think of developing new products and services that align with what the world needs today and tomorrow, sustainable revenue models that go beyond shareholder value, and new ways of working that positively contribute to achieving ESG objectives. We call this transformation.

The most significant difference between strategy execution and organizational transformation is that in the case of transformation, it genuinely involves a fundamental change in the organization's DNA. It is irreversible and affects the entire organization, from strategy and structure to operations and culture.

1. Challenge 1: How do you balance 'run and change'?

Change is necessary for an organization to remain relevant and competitive in the long term. At the same time, organizations must be profitable in the short term and achieve their goals to ensure their viability. How do you distinguish between daily operations ('run') and significant change processes ('change')? And can you make too much of a distinction?

What Managers Say

"We have quantitative and qualitative objectives for running the business. The quantitative goals are fixed for four or five years. The most important one is our absolute margin: that's how we ensure our continuity. The time we have left, we spend on change and innovation."

"Run and change sometimes seem like two parallel worlds. Keeping those two tracks together has not been well organized yet. The directors responsible for running the business are too little involved with the team leading the change."

"At our organization, run and change are not assigned to different people or teams. The department that develops commercial programs is involved in both. Cultural change programs, such as those related to leadership and behavior, have a sponsor in the board and are carried out from there."

"We work with three horizons. The first encompasses operational improvements in the present. The second involves significant changes, but still within the existing business. The third horizon includes more radical innovations, often with an unknown business model. We manage this last category in a short-cycle manner for the long term."



"You need to think in terms of product platforms where run and change come together. You don't want to distinguish between run and change because it leads to a compartmentalized organization and confusion among employees and customers."

Our vision on 'run en change'

Change is the only constant. Necessary changes follow one another more quickly because technological, economic, and societal developments accelerate exponentially. For organizations, it's a given that 'run and change' intersect. It's a complex balancing act between daily operations and significant change processes. The organization's agility determines how successfully it navigates this tension.

2. Challenge 2: Which Governance Model Do You Choose?

Do you use existing governance models for transformation, or does change require different models? Which governance method do you choose, and how do you ensure that new models align with the familiar ones? How do you ensure that models prove their value not only on paper but also in practice?

What Mangers Say

"We start with strategic choices, which we translate into goals. Each management level manages those goals in the PDCA cycle. All cycles further refine the plan. The most significant change for us is in digitization. Making technical choices is easy; embedding new technological processes and managing them requires the most energy."

"We've undergone many transformations, reorganizations, and cultural changes. The change we're facing now requires a different governance model that goes further, and it can't be the sole responsibility of the CTO."

"For control and management, Lean Six Sigma and Agile work well for us. For transformation, direct involvement of senior management is essential. They need to organize change alongside existing business to prevent conflicts and make people owners of bite-sized changes."

"Tribes work well for us as a model for both run and change. All managers find alignment with daily business and changes in that model. What we notice is that some processes and systems are functionally designed, while customer journeys are very different. We can organize that better."

"I've developed my approach with elements from Lean, Xerox, and GE. This makes the new strategy and operational plans manageable for the entire organization. You need different messages internally to get everyone on board."

Our Vision on Organizing Transformation

Of course, there is no 'one size fits all' for how you organize transformation. The primary basis for choosing an appropriate model is the consideration between, on the one hand, control versus stimulation, and on the other hand, consolidation versus innovation. Knowing where your organization stands or wants to stand on these two scales makes the choice of an effective governance model easier. In the four quadrants of this consideration, different models exist, each with its own characteristics and applicabilities.

Control vs. Stimulation

This consideration is related to the dominance level in leadership style. In control, there is central goal setting and a top-down approach. Experts design processes and systems, and the organization executes, with management taking a leading or controlling role. In stimulation, a bottom-up



approach is embraced, where employees themselves design processes and systems and set their goals decentrally. In this approach, management provides support.

Consolidation vs Innovation.

The choice between consolidation and innovation revolves around the two tasks that a company often has simultaneously. On one hand, there is the need to maintain and stabilize existing successful activities to ensure continuity and sustainability. On the other hand, there is the search for and development of new products, new services, or new organizational forms to remain relevant, efficient, and successful in a changing market and society."

3. Challenge 3: How to Prevent the Battle for Resources

Daily business operations require people and resources. Every transformation also places a significant demand on these resources. The risk exists that a battle for resources arises, hindering both processes, and the corporate culture doesn't help. How do you deploy people and resources in a way that optimally serves all goals?

What Mangers Say

"The battle for resources is a significant challenge. There is a tendency to say 'yes' to everything. There is always friction between the people and resources needed to achieve the annual plan and what is required for longer-term plans."

"We determined our strategy through a lengthy process of alignment with each other and with stakeholders. For it to be executable, all strategic pillars must be compatible. If you go through the process of strategy formation properly, execution is the least difficult part."

"Examine your organization's capacity for change carefully. Look not only at what you want to achieve but also at what is possible with the people and resources you have."

"Transformation must be embraced throughout the entire organization. Therefore, let people engage in discussions about what changes mean. What doesn't help is when people take on someone else's burden."

"Assess in advance how quickly you can proceed. What the internal organization can handle and what external stakeholders can handle. You often go too fast for one and too slow for another. You can't prevent people from dropping out at the pace of change you choose."

Our view on resources

Bringing change in an organization is always a human endeavor. It is crucial that everyone can contribute to that change. Employees should have a role in conceiving and implementing necessary changes across the organization. To assume this role, there must be time and space. This often creates a tension because daily business operations often demand significant attention.

Utilizing external consultants or interim managers can be a solution for this. Especially when they are tasked with analyzing, reflecting, or driving change, as there is usually insufficient attention given to these aspects due to the focus on daily business operations. The guiding principle of external involvement should be to enable internal personnel to contribute to changes continuously. This way, the organization doesn't become dependent on external assistance. What helps in this regard is clear contracting, well-defined stewardship, and the use of "blended teams" in which internal and external forces collaborate closely

4. Challenge 4: How to Get the Entire Organization on Board?

A transformation can only succeed if it is widely embraced, and everyone plays their role in it. Often, there are hurdles in the way, such as natural resistance to change, ingrained patterns, and the



challenge of giving up or acquiring autonomy. How do you involve the entire organization in a transformation?

What Managers Say

"The risk is that everyone sees the change but remains passive. You must give people space and place them in their new roles. Empower them so they can embrace a new way of working. It's important that managers see what employees need to change."

"In transformation, it's not about having enough people but having the right people. Just as companies and products have an S-curve, so do people. What employees can do must align with your change goals. Only then will you reach the finish line."

"Make your transformation as tangible as possible. Tell the story, explain why the change is important, and make it tangible."

"When looking at the ADKAR model in transformation, Desire and Ability are the biggest hurdles. Ensuring that people want and can change is the key to a successful change process."

"Employees possess a lot of knowledge and experience that you can leverage. Engaging people is not a tactical trick; it is necessary to determine whether your change is feasible and executable. Your employees largely define who you are as an organization or can be."

Our Vision on Widely Embraced Change

Around seventy percent of all organizational changes fail, mostly because they have a one-sided focus on the factual and visible aspects. Changes are only sustainable and impactful when underlying motivations change, and the change is widely embraced. That's why in the process, attention should be given to both the change and the transition, where the change encompasses tangible aspects, and the transition involves the less tangible. Highberg has developed the change and transition model for this purpose.

Vision and Bandwidth

The vision clearly indicates the direction in which the organization is moving. The vision encompasses the urgency or ambition that provides the energy to take action, captured in a change story with a promising perspective. This vision gradually narrows into a narrower bandwidth of concrete behavior and visible results. The bandwidth becomes narrower because the goal becomes clearer over time, and evaluations and experiments yield insights.

Leader and Change Agent

The leader is at the center of the change process and serves as a role model for employees, the face of the organization, and the antenna for the outside world. The leader tells the change story, makes difficult choices, sets boundaries, and provides support. The change agent is primarily curious and looks at undesired behavior and persistent patterns from an external perspective. The change agent recognizes them and attempts to reverse them so that they do not obstruct the change and transition.

5. Challenge 5: What Do You Do In-House and What Do You Outsource?

Change management is a specialized field. Not every organization has the people, knowledge, and experience in-house to handle it. At what point should an organization consider external support for a transformation? How do you choose the right external partner, and what are the critical success factors for such a collaboration?



What Managers Say

"We often still think that we have the knowledge and skills in-house. However, an external perspective is valuable in the change process. It can be frustrating when external analysis or advice is accurate, but internal implementation falters."

"We primarily involve external parties when it's a sensitive matter: outsourcing or selling business units, for example. Or simply when we are too busy with larger changes. In such cases, we seek partners for whom change is their core business."

"We limit the use of external support by better mobilizing the knowledge and experience within our organization. We invest a lot of time in this. We gather ambassadors around themes who can also lead changes within that theme."

"Organizations simply need external support, especially when it comes to the knowledge and skills related to change processes and experience in that area. External parties can also more easily bring up issues based on facts rather than opinions."

"When engaging external parties, you must stand shoulder to shoulder for success. For example, with joint result responsibility, based on which the fee is determined. Holding each other accountable for measurable results works."

In Discussion About Organizational Transformation?

Highberg guides impactful organizational transformations with a focus on agility, digitization, and sustainability. Are you looking for a transformation partner for your organization? Contact one of our experts now!

About the interimmanagers of Highberg

Interim managers from Highberg are independent professionals who temporarily support an organization in further development. For example, in implementing complex changes, setting a new course, or driving a cultural shift. In such situations, an interim manager, working alongside the management team, can effectively strengthen the organization from within and make it self-sustainable in the long run.

About the interimmanagers



Roderik van Geel



Mariëlle Companjen

