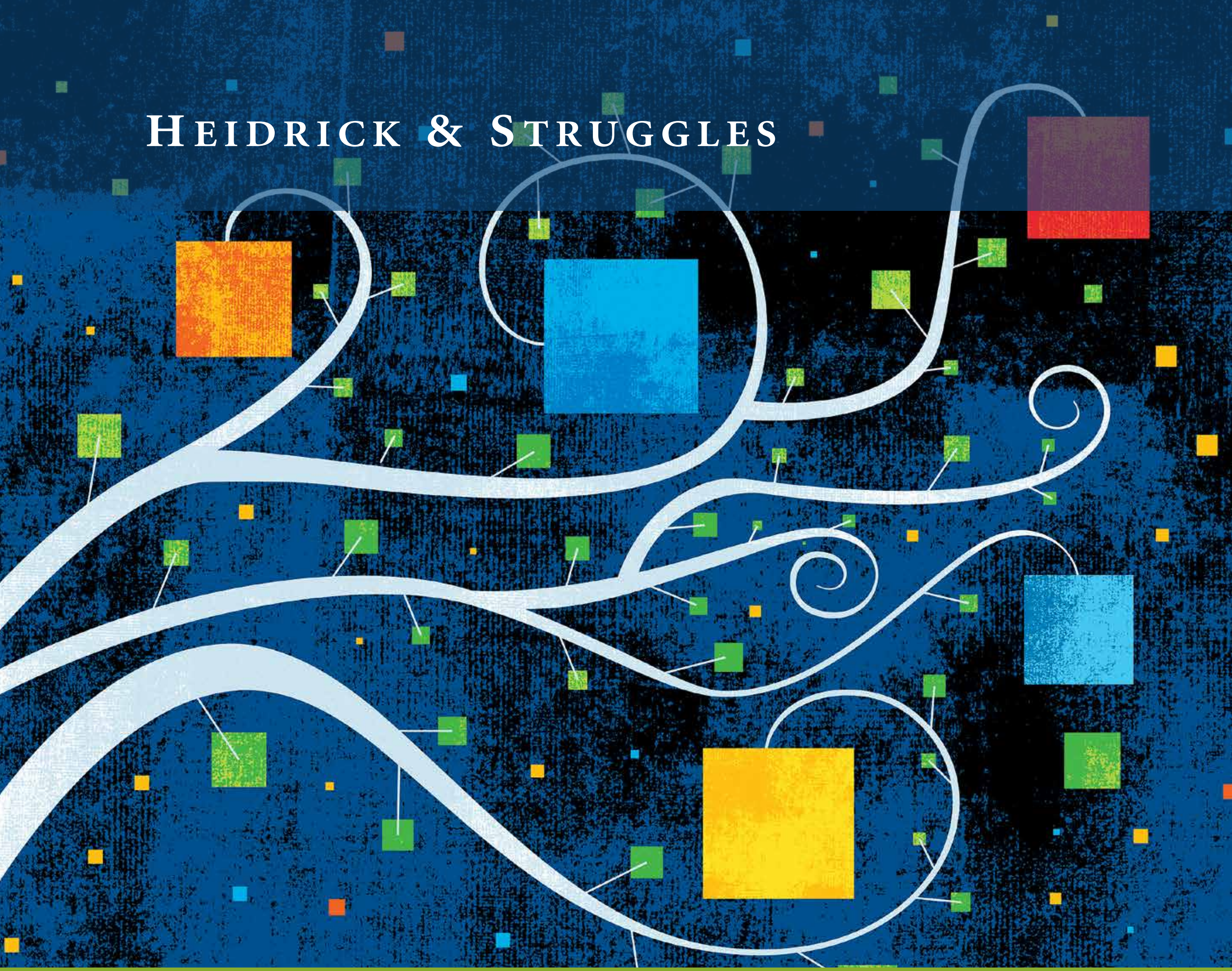


Heidrick & Struggles

THE ORGANIZATION

Shaping the agile organization

These articles are drawn from "The transformation mandate: Leadership imperatives for a hyperconnected world," which is available here.

Leading transformation: Five imperatives for CEOs

The transformative CEO in a hyperconnected world defends the core market *and* plays offense as a disruptor.

As we enter the Fourth Industrial Revolution, *hyperconnectivity* is emerging as the defining characteristic of the era — with profound implications for CEOs, senior leadership teams, and entire organizations. In a hyperconnected world, incremental improvement is not enough to stay ahead of disruptive competitors. Winning requires continual transformation.

Technology that has enabled the always-connected consumer is generating massive economic opportunity for nimble, asset-light organizations. Uber, Alibaba, and Airbnb now have a combined implied valuation exceeding $300 billion. Each of these innovators has been able to quickly achieve scale with platform business models that efficiently match supply and demand to create value for all parties. The result has been major disruption to established brands in formerly capital-intensive industries that seemed impervious to rapid change because of high barriers to entry. CEOs around the world are now asking, "Can that happen in our industry?" or, more pointedly, "How can we disrupt our own industry or create a new one?"

The technological catalysts for transformation in the Fourth Industrial Revolution are already emerging. "Pervasive computing" exists in a world where the cloud, sensors, and mobile devices all intersect, enabling an Internet of Everything that makes machines smarter and people more capable. Driverless cars, 3-D printing, smart homes, smart factories, and smart cities demonstrate the range of possibilities ahead. Clearly, the hyperconnected world is ripe with opportunity. It is also fraught with risk. Competitive risks associated with disruption can quickly leave a market leader irrelevant. Risks of a malevolent nature, such as identity theft on a massive scale, cyber-piracy, and cyber-terrorism, can cripple an organization and threaten stakeholder trust.

Five imperatives for CEOs driving transformation

Make no mistake: transformation can be more difficult than disruption. Disrupters are often entrepreneurial upstarts, playing offense all the time. By contrast, transformation of an established enterprise with a substantial asset base and ongoing capital requirements calls for a strong defense as well as an aggressive offense.

From our work as a trusted talent and leadership advisor to CEOs and boards at many of the world's most successful and influential organizations, we offer the following five imperatives for transformative CEOs today. The first three specifically address our hyperconnected world; the final two have stood the test of time but have additional urgency in an era of constant change.

1. ***Strengthen the core* and *embrace disruptive change.*** The transformative CEO in a hyperconnected world defends the core market *and* plays offense as a disruptor. The CEO must work diligently to continuously improve the competitiveness of the core business beyond

incremental improvements to quality and cost, while simultaneously pursuing a strategy to reinvent the business. A healthy and growing core operation provides a stable platform (and necessary cash flow) to launch disruptive ventures with value-creating potential.

2. ***Invest with courage in both the short and long term.*** Winning CEOs move fast to act decisively on pressing priorities while maintaining progress on longer-term initiatives vital to sustainable success. Long-term investments can put pressure on current margins. Activist shareholders ratchet up the pressure for immediate returns on their investment. The forward-looking CEO thinks like an activist investor without being prompted, demonstrating a compelling case to clients, investors, and other stakeholders on the promise of value to be realized down the road.

3. ***Accept that the life cycle of a winning strategy is shrinking.*** Gone are the days of strategies defined in years. In today's economy, it is no longer solely what one knows but what one is prepared to learn. Agility is now as important as strategy because the playing field is continually shifting. Strategic plans must be adapted to seize opportunities when fresh information points to emerging trends — as well as to defend against heightened risks. Winning CEOs embed a culture of innovation and a low resistance to change into the organization.

4. ***Define an enduring purpose as your compass.*** We all want to be connected to something meaningful. A well-articulated purpose serves not as strategy but provides a sense of "true north," guiding the CEO — and the entire organization — through ambiguity and rapid change. Constancy of purpose provides a bedrock for the organization that would otherwise be unsettled by the constant change inherent in transformation.

5. ***Attract outstanding talent.*** The difference between good and great talent is orders of magnitude. The winning CEO's passion, energy, drive, and vision serve as a talent magnet, attracting top talent from various backgrounds and geographies. Humbled by the scale and scope of hidden opportunities and unseen risks, the winning CEO draws strength from a truly diverse senior team, comprised of talented individuals who each bring a unique line of sight to the challenges ahead.

The successful CEO in a hyperconnected world will demonstrate, model, and cultivate each of these imperatives across three dimensions: the leader personally, the senior leadership team, and the entire organization.

The third of these dimensions — the organization — forms the structure for the insights that follow. (For the full compendium from which these insights are drawn, click here.) We hope that our perspective informs and inspires your own thinking, sparks candid and productive conversations among your teams, and encourages your organization to both embrace and fulfill its purpose, bringing positive change to the world. ■

Tracy R. Wolstencroft
President and CEO, Heidrick & Struggles

Leading change: Five CEOs on the power of culture transformation

Smart leaders shape their company's culture — instead of allowing the culture to shape the company.

Culture has become one of the most important words in C-suites and corporate boardrooms, yet when it comes to shaping an organization's culture to achieve enduring advantage, many companies fall woefully short.[1] As global organizations navigate the "Fourth Industrial Revolution" they are grappling with the need for urgent, dramatic, and fast-moving changes in strategies for leadership, talent, and organizational performance. Culture is the catalyst for achieving these goals, but it is too often overlooked.

Through a combination of purposeful leadership, broad engagement, and focused sustainability, smart leaders help shape their company's culture — instead of allowing the culture to shape the company. Creating a healthy, high-performing, and agile organizational culture provides companies with a measurable, lasting source of competitive advantage.

Following are excerpts from interviews with five CEOs who have focused on creating organizational cultures built on a foundation of agility, helping their companies outperform the competition and stay ahead of the curve.

Gary Shorb, CEO of Methodist Le Bonheur Healthcare

Dominique Leroy, CEO of Proximus

Basil Scarsella, CEO of UK Power Networks

Bryan Jordan, CEO of First Horizon National Corporation

Joe Robles, former CEO of USAA

[1] Deloitte's *Global Human Capital Trends 2015* report, for example, finds that "culture and engagement" is the most important issue that companies face around the world, yet only 12% of executives believe their organizations are excellent at effectively driving the desired culture.

Gary Shorb, CEO of Methodist Le Bonheur Healthcare

"Be ready to be open to changing your own style and reassessing how you lead."

Memphis-based healthcare system Methodist Le Bonheur (MLH) focused on creating and embedding a "Power of One" culture throughout its eight hospitals — including 12,500 leaders, clinical staff, and frontline employees — to help it become one of the best in the nation.

CEO Gary Shorb knew culture would be a competitive advantage and the key to realizing several goals, including achieving outstanding financial results; attaining top quartile scores in clinical quality and patient satisfaction; improving employee engagement scores; and creating a consistent, patient-centered experience across all hospitals and systems.

"All organizations have culture; it's a matter of you shaping it or it shaping you," says Shorb. "You can have all the best talent, the best plans, and you can have the best strategy, objectives, and goals. But without the culture piece being absolutely right, we were not going to achieve the kind of results we needed to achieve. It is the magic that makes everything else work."

Today, the Power of One culture serves as the touchstone for Methodist Le Bonheur's patient- and family-centered culture of compassion. At the heart of Power of One are MLH's values: service, quality, integrity, teamwork, and innovation. The values are continually reinforced to help people understand how to work together to serve patients, their families, and the community.

Shorb says the results have been outstanding: "We have seen improvement on every front. We are now in the top 5% in the nation in associate satisfaction. In clinical quality, almost every one of our quality scores is in the top quartile. We have gone from a BBB bond rating to an A+ bond rating. Our customer satisfaction — our patient satisfaction scores — also are achieving top quartile."

Shorb's advice to other leaders and CEOs on leading a culture change: "Be ready to be open to changing your own style and reassessing how you lead. The CEO, as well as his or her direct reports, needs to be totally committed. That commitment level has got to be what really sustains the effort and gets you along the journey and gets you the results that you need."

Shorb emphasizes that for a culture transformation to really take hold and become part of the company's DNA, it requires leaders at the top being fully committed and aligned and casting the right "shadow of the leader." "It is all about leadership," he notes. "We have 1,200 leaders in the organization. Getting the culture improvement fully implemented throughout the whole organization takes all 1,200 of them being aligned. The 'shadow of the leader' concept is something that you have to be constantly aware of. If you send signals that are inconsistent with the values, then you can derail the entire effort."

Dominique Leroy, CEO of Proximus

"Translate the culture you are shaping into business successes, because that's the way most of the people will then start following you."

Proximus (formerly Belgacom) — the majority state-owned telecommunications, IT, and media company operating in Belgium and international markets — had become overly complex and slow in an industry marked by increased competition. In addition, a period of leadership turmoil and market saturation resulted in years of zero growth and lost market share. The CEO and leadership team were seeking to transform the business and restore it to healthy growth and profitability by becoming more agile to stay competitive and relevant to customers.

Getting there, however, would require a transformation of company culture, as agility and a growth mind-set were not part of the organization's DNA. Notes CEO Dominique Leroy: "We had not been growing for 10 years, neither top nor bottom line. The main driver for me was to get our company back to growth by changing the environment from having silos, a bit of fear and risk avoidance, to a much more collaborative and transparent culture. I thought if we could only unleash the power of all this talent in a consistent way, with one vision and a good collaborative spirit, we could get much better results out of the company."

Leroy says that leading the company's "Good to Gold" culture for the past few years has been crucial in helping to right the financial ship. Strong financials throughout 2014 and the first quarter of 2015 continued to demonstrate positive revenue performance, a growing customer base, and good progress in cost reduction. "What made the difference was the culture," says Leroy. "This was the glue that enabled us to bring all these transformational elements together and give people an appealing goal. Having a culture with the values of collaboration, agility, and accountability — together with a clear purpose — helps people to make the right trade-offs on a collective basis. You really see the dynamic changing in the company because the learning and growth become concrete, anchored in the success of the company."

Leroy's advice to other leaders and CEOs on leading a culture change: "It's very important that you can translate the culture you are shaping into business successes, because that's the way most of the people will then start following you. It is important to engage the whole leadership team and the extended leadership team. We had to make sure that they understood where we wanted to go as a business, why we needed to shift the culture, and what their role was in the whole culture-shaping process."

She adds that culture is not a project but a journey and that "you have to continue to invest in it and make sure that, as the leadership team, you are role models to keep the new culture alive in the company."

"In the end, we are not doing things that are very different from our competitors," says Leroy. "We're investing, we're transforming, and we're cutting costs. But why are we successful so far while others are not? I think it's about the soft issues. It's about changing the mind-set of the people. What made the difference was the culture. This was the glue that enabled us to bring all these transformational elements together."

Basil Scarsella, CEO of UK Power Networks

"You can't just give lip service to engagement."

UK Power Networks (UKPN) is a power distribution company formed in 2011 when Cheung Kong Infrastructure Holdings (CKI) acquired three electricity networks in London and in the southeast and east of England. UKPN delivers electricity to a quarter of Britain's population — about 20 million people and 8 million households.

CEO Basil Scarsella decided to shape the culture at the newly formed company, which has 5,000 employees, to help enable it to fulfill its goals of delivering a first-class network as measured by reliability, customer service, cost efficiency, and safety — all while becoming an employer of choice and respected corporate citizen.

Among the awards UKPN has earned: 2012 Utility of the Year; 2013 Best Business Award for Best Customer Focus; 2014 gold award from Investors in People for the way it leads and develops its workforce to constantly improve service; 2014–15 national annual award from The Job Crowd — voted by graduates among the Top 100 companies to work for; and 2014 Utility Star Awards for Customer Service, Team of the Year (operational), Team of the Year (customer facing), and joint winner for the Long Service Award.

"The best thing we have seen is a significant improvement in performance in just about every area," says Scarsella. "Engagement from the employees between 2011 and 2012, for example, improved by something like 25%. The reliability of the network has improved by 40%. Ultimately, getting judged to be utility of the year, I think, is a reflection of everything we've done and, importantly, the commitment that the management team and the employees have put in."

Scarsella's advice to other leaders and CEOs on leading a culture change: "You can't just give lip service to engagement. You've actually got to do things that deliver the message to the employees that you care about what they think about the organization. The other important thing from one year to the next is to listen to what the employees are telling you and actually do something about it."

> *"You've actually got to do things that deliver the message to the employees that you care about what they think about the organization."*

Bryan Jordan, CEO of First Horizon National Corporation

"Your greatest strength . . . and your greatest weakness . . . can be your culture."

Bryan Jordan became president and CEO of First Horizon National Corporation on September 1, 2008. Within months, the economic crisis struck the financial services industry with a fury. As a result, there was a near-complete turnover of the executive management, followed by two years of painful downsizing — to fewer than 5,000 full-time employees, from more than 13,000 — and a winding down of the company's national mortgage lending and commercial real estate businesses. Jordan understood that to rebuild and shift strategic focus for the future, the company's leaders needed to immediately alter the long-established "Firstpower" culture to respond to an environment that was rapidly changing internally as well as externally.

"Your greatest strength can be your culture, and your greatest weakness at times can be your culture if it's not aligned to the changing circumstances," says Jordan. "In 2008–2009, we believed at the time — and I still believe today — that the financial services industry was going to go through one of the greatest periods of change because you had just such a tremendous number of external influences that were driving it: the financial crisis, consolidation, regulation, the changing economy. We felt that taking that strong culture and adding the flexibility for the future was vitally important to us."

By shifting the long-established "Firstpower" culture to one that is more flexible, nimble, and accountable, a stronger and more formidable organization emerged. As a result, First Horizon has returned to profitability and improved performance and is better prepared for significant industry changes ahead.

"We're having better conversations about the important things," says Jordan. "We're getting to the heart of issues, and we're tackling them much more aggressively than I think we otherwise would have. The culture has been one of the hallmark strengths of First Horizon and First Tennessee,[2] and I think our team was able to maintain that strength in a period of significant change. Our core companies have done very well. They've been strong and getting stronger. That shows up in our customer satisfaction data, both our internal and our external surveying, and it shows up in the anecdotes that we get, the experiences around the organization."

Jordan's advice to other leaders and CEOs on leading a culture change: "The culture of the organization and the environment that come from not only the CEO but also its leadership in totality are critical to making an organization successful. I think the pace of change and the culture need to be very much aligned, and so I don't intend to let up at all."

[2] A regional bank owned by First Horizon.

Joe Robles,
former CEO of USAA

"I am, by definition, the chief culture officer."

While many companies struggled during the recent recession, USAA, the financial services company serving military families, experienced some of the best success in its 88-year history. The company is basking in robust growth, top ratings for financial strength, and accolades for customer service from the likes of *Bloomberg Businessweek* and others.

When General Joe Robles took over as president and CEO in 2007, he wanted to take the company to even higher levels of excellence to fulfill its mission. There was a need to shift the strategy from siloed lines of business individually serving members to an entire enterprise serving the members with a committed focus on the culture of going above and beyond — and doing the right thing because it's the right thing to do.

Robles took the role of leading the culture to heart and called himself the "chief culture officer." He led the creation of six cultural principles called "My Commitment to Service" that were established to engage, align, and focus individuals on USAA's mission, customers, and fellow employees. Robles, who retired as CEO in 2015, attributes a big part of USAA's success to these six cultural pillars: "People ask me all the time what is USAA's secret sauce? I keep telling them that a big piece of it is the culture of this company, and it has given us a huge business advantage. You can see the improvement in customer satisfaction. You can see the business results and how we outperformed a lot of our competitors over the past three to four years."

Under Robles's leadership, USAA grew 53% in members, 45% in revenues, and 59% in assets owned and managed — all during one of the worst economic downturns in recent history. During that same period, which included some of the costliest catastrophe insurance years in USAA history, the company returned $7.3 billion to members and customers through dividends, distributions, bank rebates, and rewards and remained among just a handful of companies to earn the highest ratings for financial strength from

"We believe that improving and strengthening our culture are paramount. Culture is not a gimmick, a promotion, or a one-time event."

Moody's, A.M. Best, and Standard & Poor's. USAA also consistently receives awards and high ratings for member service, employee well-being, and financial strength.

"We believe that improving and strengthening our culture are paramount. Culture is not a gimmick, a promotion, or a one-time event," says Robles. "People think you can take a strong culture and build it up and then just move on to something else and then it's going to sustain itself. Unfortunately, that's not the way the world works."

Robles's advice to other leaders and CEOs on leading a culture change: "People ask me all the time if I think it's important for the CEO to own the culture or whether I should have a chief culture officer on my staff. I am the person most accountable to the board of directors for the results of this company and the culture of this company, so I am, by definition, the chief culture officer. One of the things that I will pass on to my successor will be a strong and vibrant culture that is focused on our customers, that is focused on our employees, and that continues our history of service and strong financial results. If I can do that, then I will have done my job as a CEO."

To watch videos of the full interviews, or to watch or read additional interviews with CEOs and other business leaders, visit senndelaney.com.

Winning the race

The divergent experiences of two banks illustrate the importance of organizational agility and serve as a cautionary reminder that, whatever the industry, pace decides the winners.

How does an organization outpace its rivals? By being quicker to spot and capitalize on new opportunities, adjusting its strategy and its execution of that strategy accordingly, and, if necessary, accelerating rapidly from a standing start. What role does talent and organizational development have to play in this process? Quite possibly the most important role of all.

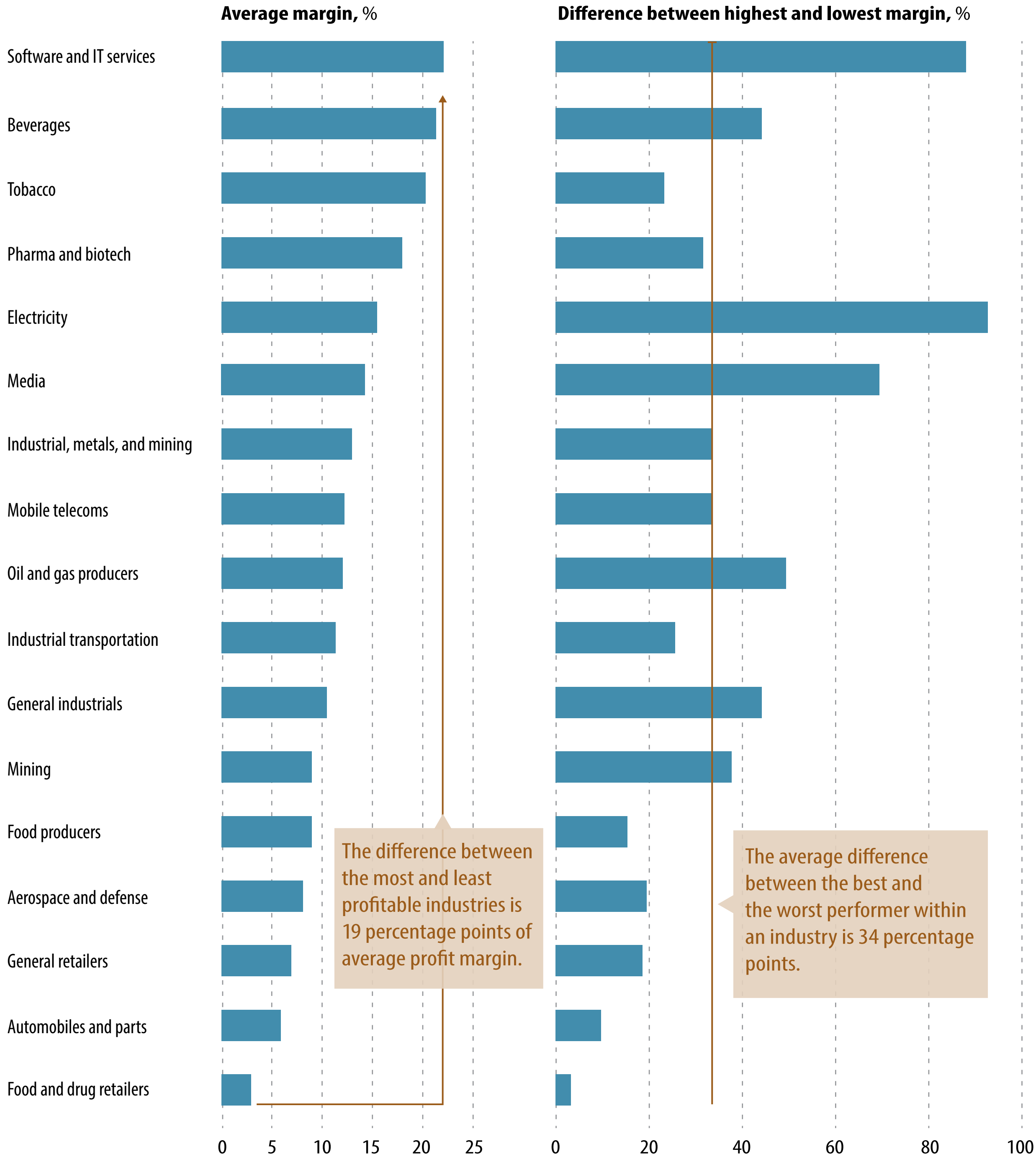
Consider two well-known, Europe-based global banks. Both have extensive investment banking, wealth management, asset management, and retail operations. Both are rocked by gross errors, from LIBOR fixing and foreign exchange rigging to rogue traders. The first acts decisively. It replaces 40% of its top 100 leaders, downsizes its complex investment banking operations, focuses on its core wealth management franchise, launches top-to-bottom culture-change efforts, and invests massively in both new processes and digital enablement as well as in the skills of its people at all levels. The second bank recognizes the same needs but decides to ride out the storm.

Fast-forward two years. The first bank has moved into less risky and more sustainable businesses, improving its overall profitability; the capital markets have rewarded the moves with an improved earnings multiple. The first bank's share price also far outstrips that of the second bank. The second bank, meanwhile, is playing catch-up, losing its best people and at risk of becoming an also-ran.

Whatever the industry, pace decides the winners. Nokia didn't lose to Apple because of an inferior strategy that overlooked the appeal of smartphones. It was just slower in spotting and exploiting changes in technology and consumer habits. Blockbuster, Kodak, Borders, and many others were similarly slow off the mark. All competitive companies are in a race, and for the winners it is never-ending; slow down and you lose. Indeed, the ability to change faster than your competitors is more important than the sector in which you choose to play (see figure). Our research finds that the difference between the least and most profitable sectors among 500 global companies was 19 percentage points of average profit margin. However, the average difference between the most and least profitable company within an industry was 34 percentage points. So while "grand strategy" choices of which profit pool to play in certainly matter, an organization's ability to outperform in its chosen profit pool matters more.

If the need for pace is driven mostly by external competitive pressures, the ability for pace is driven mostly by internal factors. Ultimately, it's a question of behavior — nothing changes unless behavior changes. The board needs to hold the executive team accountable for driving execution at pace and not just pontificate on strategy. The organization must commit to change at pace without becoming disengaged. The top team needs to put aside divisional agendas and optimize the whole. Talent

Figure: **Strategy matters, but not as much as pace**



Source: Heidrick & Struggles

must be developed, and the very best people retained. And most important of all, talent must be matched to opportunities. What does that mean? Think of your organization as a clearinghouse for the application of talent to opportunities. You have a wide set of opportunities, markets to address, customer segments to penetrate, and tech plays to make. You spot, acquire, develop, and, eventually, exit these value opportunities. And HR spots, acquires, develops, and, eventually, exits talent. The best organizations match their best talent with the best opportunities. Failure to do this well results in silos, bureaucracy, fiefdoms, stalled projects, poor collaboration, and, ultimately, market failure. Winning the race for competitive success lies in this matching.

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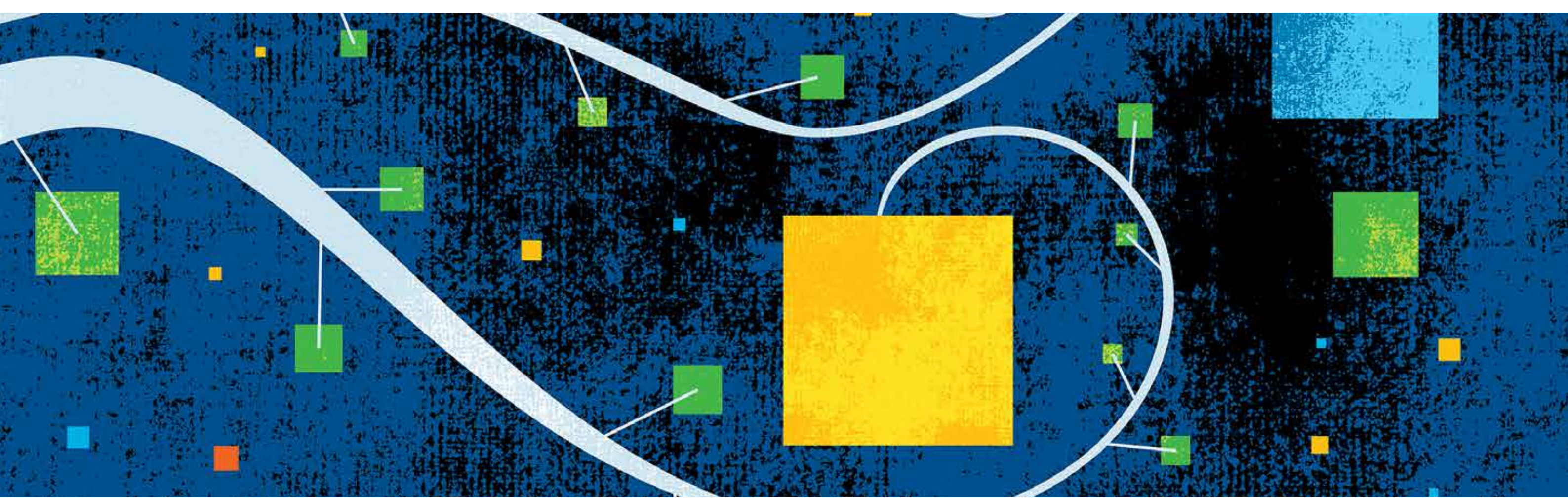

The importance of a growth mind-set in a digital world

Companies that chase digital opportunities without first understanding whether their people have the requisite mind-sets to seize them will likely fail.

Over the past decade, digital technologies have become a crucial part of global business. And for good reason: digital technology has connected the world to an unprecedented degree, giving companies the ability to reach customers in new ways, automate customer interactions, and aggregate a previously unimaginable volume of information to better understand — and influence — individual consumer behavior. Moreover, digital technology has accelerated the pace of change in business, encouraging disruptive business models that quickly create new markets, and just as quickly threaten others.

Unsurprisingly, the digital dynamic has left many senior executives struggling to ensure that their organizations are as agile, responsive, and open-minded as they need to be to survive — let alone thrive — in this environment. Put simply, the cultures of many organizations aren't prepared to change, or change fast enough, to seize the opportunities (or avoid the threats) that digital affords.

The divergent fortunes of Blockbuster and Netflix bring the value of an agile culture into sharp relief. Their story is one of two companies that essentially occupied the same DVD rental niche and ended up taking different digital paths — leading to very different results. In 2007 Netflix made the bold move to introduce video streaming, first as a complement to its DVD rentals and then as a core offering. The move was met with some resistance, particularly by longtime customers; however, Netflix's executives understood that viewer habits enabled by digital technology (notably big data and mobile platforms) were evolving. Meanwhile, Blockbuster lacked the vision to foresee the impact of emerging technologies or a culture agile enough to change gears quickly.

In 2005 Blockbuster's board blocked a proposed acquisition of Netflix for $50 million. Just five years later, Blockbuster filed for bankruptcy after losing roughly $1 billion. By contrast, Netflix now has more than 60 million subscribers in 50 countries and a market cap of $50 billion. Further, it has continued to innovate, investing in content production and reaching new customers and markets with critically acclaimed original programming (and along the way disrupting yet another industry).

Digital will continue to open up new business vistas, yet harnessing its potential requires more than an understanding of technology. In short, companies that chase the technological trappings of digital without first understanding whether their people have the requisite mind-sets to embrace the opportunities for change and reinvention that digital brings will likely fail.

By contrast, executives who look to shape the cultures of their organizations to react quickly to emerging trends and to be open to new ways of working and thinking will be more innovative and better able to spot market shifts and thus become more profitable and disruptive competitors. That translates into new, ahead-of-the-curve products, a thriving workforce, and new industry-altering business models that can outpace the competition.

How can organizational leaders embed a culture that promotes the agility required to support digital transformations? They must first recognize the characteristics of agile organizations and then seek and support leaders who model these values. From healthcare to retail to telecommunications, we have observed companies successfully nurture an agile culture to capture a range of benefits.

Recognizing the characteristics of agile organizations

Agile companies are optimistic in the face of challenge, never rest on their success, and regularly seek to improve even when they are successful. While this culture is a boon for any business, it is particularly vital for companies seeking to reap the full benefits of investments in digital technologies. We have identified five fundamental characteristics of an agile organization:

Responsiveness to strategic opportunities and shifts. Agile organizations create an environment of trust and individual empowerment that enables and rewards innovation and risk-taking.

Shorter decision, production, and review cycles. By streamlining internal processes, companies can move more quickly to pursue opportunities and adapt to changing market conditions.

A focus on individual and organizational growth mind-sets. The entire company, from the C-suite to the front line, must adopt a mind-set of continual growth and learning.

An emphasis on the voice of the customer. Creating a customer-centric mind-set helps organizations to identify and respond quickly to consumer choices and behaviors rather than playing catch-up.

Interdisciplinary, collaborative project teams. By eliminating siloed thinking and fostering collaboration both within teams and across functions, companies are able to build fruitful networks across the enterprise and also extend collaboration outward to communities as well as external stakeholders.

Collectively, these attributes give organizations the edge when it comes to integrating the kinds of digital technologies that advance strategy. Of course, embedding a high-performance culture and environment of agility doesn't happen instantly. Instead, it requires hard work and a coordinated effort from the entire organization, led by the CEO and senior executive team, over a sustained period of time. Companies should concentrate their energy and resources in four areas that together represent the principles for successful culture change.

Purposeful leadership from the top down

Senior executives cast long and influential shadows, so they must set the tone by putting the key drivers of the desired culture in place and in use. In this respect, the CEO must own, lead, and mirror the change; delegating this responsibility to others undermines the entire effort. Since becoming an agile organization is essentially an organizational change effort, clear and consistent communication and examples are critical to explain both why a new direction is required and what the organizational benefits of the new ways of working will be.

Personal change

Since true organizational agility relies on the actions of multiple employees working together in a coordinated manner, individuals need to assess their existing habits and alter their personal behavior to support the organization's digital goals. People rarely change their thinking and behaviors because they are told to do so. Employees need to understand the reason their culture is changing, the "from" and "to" of the journey, and how their individual performance can support the company's goals.

The companies with the most digital savvy recognize that excelling in the digital space is an organizational journey and a way of thinking, not simply a destination.

Broad engagement with energy, momentum, and mass

Measurably shaping a culture, particularly in large organizations, requires much more than disparate leadership development and change management processes rolled out over time. The companies with the most digital savvy recognize that excelling in the digital space is an organizational journey and a way of thinking, not simply a destination. This is true of organizational change too — leading a culture transformation is a journey, not an event or series of events. Culture change needs to be treated as a strategy and the company's culture viewed as a potential source of competitive advantage. Because cultures often resist what they need the most, the faster people are engaged in the process, the higher the probability the culture will shift positively.

Alignment of institutional practices

Shifting behaviors and mind-sets requires aligning people around the desired culture with a set of clearly articulated values and a strong organizational purpose. This in turn requires processes (and HR practices) to reinforce the principles, apply the lessons, and measure change. Even aspects such as the physical layout of office space can play a role in ensuring the new behaviors take root.

Agility's impact

When companies approach digital initiatives with a "culture first" mentality, good results tend to follow. Indeed, a number of companies in industries as varied as healthcare, retail, and telecommunications have successfully navigated the digital business landscape by emphasizing organizational change around agility. A closer look at their experiences offers lessons for other organizations looking to get more from their digital investments.

Healthcare: Miami Children's Hospital

Over the next decade, US hospitals will spend billions of dollars to upgrade their IT systems in alignment with new regulations on electronic health records and data coding. Miami Children's Hospital, with 650 affiliated physicians and a staff of nearly 3,000 clinical staff and frontline employees, stood to reduce costs, increase efficiencies, and continuously improve patient care by implementing numerous digital improvements and processes. However, CEO Dr. Narendra Kini also understood that a foundational step was needed before embarking on the major strategic and business initiatives that would harness these technologies.

The result was "The MCH Way," the institution's defined culture of values and guiding behaviors. One of Dr. Kini's primary goals in transforming the culture was to quickly introduce employees at all levels of Miami Children's to the cultural values — starting with the senior leadership team. Within 18 months, 70% of the hospital staff and leaders had participated in the initial MCH Way culture-shaping program. Just as quickly, positive results were being seen in a number of critical areas, including patient, employee, and physician satisfaction and clinical outcomes.

According to Dr. Kini, "Right after we rolled out The MCH Way, I introduced the lean process improvement methodology. One of the things that became obvious was that in order for lean, which really changes the way you work, to be introduced, it was important for people to accept that change was necessary. The culture transformation and shifting mind-set was one part of the puzzle and lean another. Together they are powerful."

Retail: Starbucks

In 2008 Starbucks was struggling: its share price had been nearly halved over the previous two years, the result of a company that had lost its innovative spirit by growing so rapidly. When Howard Schultz rejoined the company as CEO that year, he sought to instill a sense of urgency, agility, and risk-taking into the culture. The strategy focused on strengthening the connection with customers by creating a "Starbucks experience," and digital technology figured prominently in supporting the company's plans.

The challenge involved getting 150,000 employees to change their mind-sets. According to Schultz, Starbucks did this by going "back to start-up mode, hand-to-hand combat every day."[1]

Starbucks hired Adam Brotman in 2009 to head up its digital ventures, and his focus was to transition an organization that had earned its reputation for excellent service and a personal connection with consumers to one that embraced social media and other digital technologies to engage its customers.

Brotman, who became chief digital officer in 2012, noted, "Everything we are doing in digital is about enhancing and strengthening those connections (with our customers) in only the way that digital can and only the way that Starbucks can."[2]

According to Starbucks company data, the company's deep cultural understanding of how digital technology could reinforce the company's brand and customer experience helped lead to 94% of Facebook users being either a Starbucks "fan" or a friend of someone who is. In addition, the company reported that as of December 2014 it had more than 13 million mobile payment system users in the United States who now make more than 8 million mobile payments per week. More important, these efforts have translated to the bottom line: Starbucks saw its revenues increase from $10.7 billion in 2010 to $16.4 billion in 2014.[3]

Telecommunications: Proximus

Rising competition in the European telecommunications industry brought on by widespread digital disruption is pressuring companies across the sector. At Proximus (formerly Belgacom), leaders were seeking ways to restore the telecommunications firm to profitability, regain lost market share, and stay competitive and relevant to customers. To achieve this goal, executives developed a strategy that would change the company's focus from basic technology offerings to the full customer experience.

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[1] Claire Cain Miller, "Now at Starbucks: A rebound," *New York Times*, January 20, 2010.

[2] Starbucks 2013 Annual Meeting of Shareholders Conference.
[3] Starbucks Fiscal 2014 Annual Report.

However, such a journey required employees to adopt a new growth mind-set that was open to new ways of thinking and doing business. Proximus developed "Good to Gold," a culture-shaping process that defined a common vision, purpose, and strategy to align the company.[1]

Three key values — agility, collaboration, and accountability — became its guiding principles, and by instilling them deeply into the organization, Proximus began generating more openness and trust across the business, breaking down silos, and creating the "one company" growth mind-set necessary to meet its strategic and digital goals.

The potential of digital technologies is seemingly limitless, and companies of all stripes are racing to figure out how to use these tools to boost performance and reach customers. Yet the technology itself is only one part of the equation.

Before embarking on transformative strategic changes tied to digital technologies, senior executives should take steps to create a solid cultural foundation of organizational agility. Companies that do so are better prepared — at all levels of the organization — to approach the changing digital landscape not as a disruptive force but as a path to innovation and improved performance. When they do, they improve their ability to spot, and seize, game-changing digital opportunities.

[1] For more about this company's experience, see the interview with Proximus CEO Dominique Leroy on page 6.

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These articles are drawn from "The transformation mandate: Leadership imperatives for a hyperconnected world," which is available here.