Accelerating Organizational Transformation

An Article By

Salto Dee Fe
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About this article:

This article is our perspective on organizational transformation that helps businesses drive long-term success. It outlines the accelerators in the journey- the dimensions that can make or break the process. The oft-quoted McKinsey statistic [i] that 70% of transformation projects fail leads us to reflect and clarify aspects that push us toward success. While there are hardware components i.e. technology, structure, and process, these go hand in hand with software e.g. mindset, capabilities, and empowerment.

Finally there are a set of accelerators that propel the vision forward. These are psycho-social and motivational levers in the realm of behavioural economics that create a collective shift of behaviors towards a common goal. Our endeavor in this article is to provide leaders, managers, and practitioners with a perspective from our experience across a cross-section of industries and organizational contexts both in India and overseas.

About the authors:

Rajan Kalia

Rajan Kalia, Co-Founder and CEO of Salto Dee Fe Consulting (saltodeefe.com) has 32 years of experience solving complex people problems for organizations, focusing on leadership development, talent management, organizational transformation, and sales effectiveness. He developed the One Minute Feedback app, Karma Notes, and collaborates with global finstitutes like Harvard Business Press and Stanford Seed.

Over 13 years, he's guided 180+ clients, including Fortune 100 companies, aligning leadership teams and transforming organizations. Rajan has created the "New World People Leader" framework (www.newworldpeopleleader.com).

Joyoti Banerji

Joyoti Banerji, Founder of Culture Credo (culturecredo.com) is an organizational Development leader and an HR Entrepreneur. Her firm Culture Credo focuses on the design and implementation of talent strategies, culture journeys and change management programs.

Joyoti's experience as a management consultant and practioner is across multiple industries with a global footprint that includes India, the United States and engagements in countries in Europe, Middle East and Latin America.

Some of her prior roles have been Co-Owner and Partner Great Place to Work (India), Vice President at ICICI Group across ICICI Prudential Life Insurance and ICICI Venture.

Introduction

We live in a world that requires continuous learning and adaptability. We have moved from what was described as a VUCA world (Volatile, Uncertain, Complex, and Ambiguous) to what is now being called a BANI[ii] World (Brittle, Anxious, Nonlinear, and Incomprehensible). BANI is a framework first mentioned by Jamais Cascio to articulate the increasingly commonplace situations in which simple volatility or complexity are insufficient lenses to describe our realities. Where situations aren't simply unstable, they're chaotic. Outcomes aren't just hard to foresee, they're completely unpredictable. The need to survive and thrive in this world requires us to address the subject of organizational transformation.

In this environment, organizations grapple with continuous and multiple change agendas to compete in the marketplace and survive. Changing product mixes, evolving consumer preferences, responding to the growth requirements of investors, assimilating different generations into the workforce, implementing new technology in the organization, and finding ways to monetize the value of AI, the list is endless.

A distinctive feature is the continuous non-linear flow of change where each wave builds on another and all processes/functions continuously shift to cater to customer and market needs.

Artificial Intelligence (AI), digitization, demographic shifts, global marketplaces, complex supply chains amidst geo-political volatility, and sustainability are some of the key forces that are driving transformation in organizations.

This in turn is leading organizations to continuously reinvent themselves to respond to customers, optimize internal processes, curtail costs, drive margins, and engage talent.

Managing this change agenda lies at the heart of organizational transformation. It involves working with employees (and often customers and other stakeholders) to inspire commitment, create clarity, and align processes and systems for sustainable impact. This article seeks to explain some of the nuances that we have experienced as practitioners and consultants. It outlines a framework that can help organizations navigate this journey.

Framework for Organizational Transformation
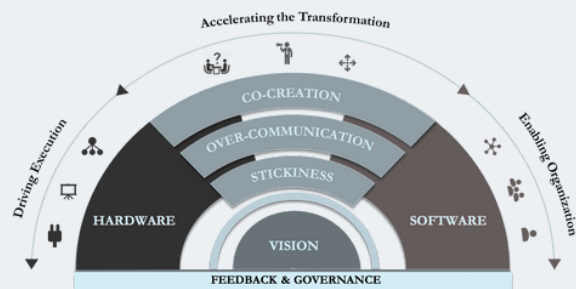
Vision of the Transformation

Organizations and leaders who can articulate a purpose and an energizing vision get off to a promising start. Patagonia is a wonderful example of a strong vision that supports the transformation agenda of the business.

Closer home, Bandhan Bank[iii] is an example of a company that has grown with a vision that is deeply entrenched in its dedication to transforming lives and communities to build a financially inclusive India. When people rally around a central cause, usually larger than themselves, it creates a foundation for transformation.

The larger purpose makes us feel part of a whole greater than ours and keeps us propelling forward even in the presence of insurmountable circumstances.

Armies across the world have propagated the cause of 'homeland' for the ultimate sacrifice of oneself. The glory of sacrificing oneself for a larger cause gives us the strength to give up our lives for the sake of others.

In a world of myriad options, and in the workplace where we spend so many waking hours of our life, transformation journeys that can inspire meaning and purpose in authentic ways, have a significantly higher chance of success. The purpose laid out well helps rally large organizations together and keeps employees glued to their workstations, offices, and campuses

Once identified and co-created this purpose leads us forward continuously, e.g.

- Amazon – To be the most customer-centric company on earth
- Sony - "fill the world with emotion, through the power of creativity and technology". Sony's mission is to inspire and fulfill curiosity.

Many organizations have an inspiring purpose. The question one can start with when transforming is, 'What propels organizations to successfully transform this purpose into reality continuously?'

Co-Creating Vision- Key Questions

1. What will the organization look like post-transformation?
2. How can we represent it through a visual?
3. How can we move beyond incremental growth to a multiplier effect?
4. What will prevent this from happening?

There are four dimensions that act as critical levers to accelerate transformation.

1. Co-Creation and Organizational Alignment

Who owns the purpose, vision, and strategy, and how it is formulated are key considerations for success.

In our experience, the purpose, vision, and strategy have to be co-created by the leadership team and board.

The next step involves aligning the entire organization on this journey. Alignment includes both a rational side of the change and an emotional side i.e. thought alignment and emotional alignment. Let us consider the issue of understanding and promoting AI to drive customer operations. It has a psycho-emotional side.

E.g. Endorsing layoffs as a result of increased automation may cause distress. To address it, we put in effort to help laid-off employees find new jobs or give them generous severance packages. There is also an action-accountability side. E.g. one can agree rationally and emotionally, but not be personally committed to taking action. One can understand that people have to be laid off but avoid acting on it.

Successful alignment programs carry all these components in them, appreciating the rationale for change, emotional acceptance to deal with doubts and fears, and finally a personal commitment to action.

We use a tool for transformation - a Large-Scale Interactive Process (LSIP)[v] that makes this come to life. LSIP is a whole system transformation process that helps build shared understanding and ownership for change across organizations in a 100-day burst.

Large Scale Interactive Process (LSIP) creates positive change energy lifting the moribund and passive constituents of the organization. It is a unique methodology for simultaneously involving large or very large groups to have impactful conversations, aligning them to the need for change, and leading to transformational changes.

It embraces 'Whole Systems Thinking' and is a game-changing methodology for harnessing the views of cross sections of multiple stakeholders in a participatory and inclusive manner.

What is LSIP?

LSIP[v] is a powerful methodology pioneered by Kathleen Dannemiller and designed to achieve organizational objectives by engaging a large number of participants. It accelerates change and enhances ownership by bringing together all stakeholders at the same time, providing them with the same information and ensuring equal opportunities for participation and contribution.

Systemic thinking, collaborative problem-solving, and real-time decision-making are some of the hallmarks of this process.

Some of the approaches to change management that use LSIP are Real Time Strategic Change, Future Search ,and Open Space.

What makes the Alignment Process Successful?

a. It starts with deep listening. This involves understanding the views of different groups of stakeholders who have a stake in the success of the company, i.e. key customers, employees, partners, board of directors, etc. An unbiased platform for dialogue and engagement creates an environment for open conversation.

b. Identifying and nurturing early adopters. The innovation diffusion curve[vi] has demonstrated that between innovators and early adopters if about 16% can start to feel positively inclined towards a change, the needle starts moving.

c. Consciously involving the cynics and skeptics. In any transformation environment, there are cynics and skeptics. Making them front and center in the transformation journey can be an important way for doubts and questions to be confronted early on in the journey. Vociferous skeptics can turn into equally vociferous allies.

Innovation Diffusion Curve
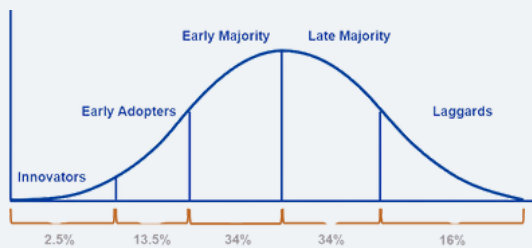
Diffusion of innovation is a theory that seeks to explain how, why and and at what rate ideas and new technology spread in an organization. The theory was popularised by Everett Rogers in his book 'Diffusion of Innovations'

d. The comprehensiveness of the alignment process e.g. the depth and breadth of coverage impacts the degree of success. Some of the questions may be, 'Are frontline employees being heard adequately?', 'Are only the "happy customers" being interviewed? or ' Are we listening to the indifferent customers?'

2. Architecting Shifts in Behavior – Overcommunication

Articulating Mindset shifts, Capabilities and Behaviours

Steps
- Assessing current mindsets and articulating needed shifts.
- Calibrating capabilities to mindset shifts.
- Identifying key behaviors through small group deliberations and stakeholder dialogues to clarify granular actions. Identifying contra-behaviors and often dilemmas and conflicts provide depth to the process.

Methodology
- Appreciative Inquiry is a powerful strengths-based methodology that enables this process. It follows the steps of Define, Discover, Dream, Design, and Deliver.
- Focus groups, surveys, interviews, along skill gap assessments are key to execution.

Every change needs a story. A story of hope, success, and being better than where we are. A leader's job is to tell that story. People intuitively

sense if the story is true or not. All stories need reinforcement and retelling, Despite retellings, we only remember what we want to.

Let us understand this through an example. We all go to watch a movie. We are in a dark hall, without distractions and we have our cell phones tucked away. When we come out of the movie hall, all of us remember different parts of the movie, different scenes have appealed to us and we often have heated debates about the meaning of a scene.

Since we wear different mindsets as our lenses, we see the same movie differently. We are ingrained in our realities. It is the same in organizations. We are ingrained in our own reality of our function or role.

A leader creates an environment that makes us rise and transcend our reality. The leader tells us the story of hope and betterment. He/she shows us the whole organization, a vision far bigger than ours making it exciting and worth our while. Overcommunicating that story is essential for any transformation to succeed.

Over-communication treats employees as consumers. It recognizes the need to build an internal campaign for change. It is akin to selling a product to the customer. It includes building collaterals, point of sale material, campaigns, polls, and other marketing tools to make sure that we capture the imagination of employees and also help mold their opinions around the new vision and reality. Over-communication does not rest till it has met the objectives of the new vision. It keeps on changing its shape and morphing through the course of the journey.

Overcommunication puts the need for change and the tools to be used for it, right in front of employees. It shares a progress dashboard prominently and frequently to keep everyone on track.

As the organization co-creates the vision and aligns people to it, a few granular and sharp mindset shifts must be articulated.

These mindsets should be articulated as behavior changes and showcased by leaders. These become the fulcrum of overcommunication and ensure that people can emulate these shifts.

These collective shifts towards a shared goal are possible through ownership of the change agenda. This is in great measure because of the effort the leadership makes to create ownership and belief in what is possible. In addition, there has to be an effort to learn how it has happened in other organizations i.e. getting an outside perspective. Lastly investing in marketing/communication as a strategic function is of utmost importance.

3. Stickiness – Crafting Recognition and Reward Programs

"I myself am made entirely of flaws, stitched together with good intentions." — Augusten Burroughs

Behavioral economics offers profound insights into fostering "stickiness" for any desired change. Seminal works like 'Nudge Theory' by

Thaler and 'Thinking, Fast and Slow' by Kahneman demonstrate that altering behaviors is closely tied to economic incentives. While human behavior is difficult to change, it is also highly malleable. Social recognition and financial incentives are two powerful catalysts for efficient and effective behavioral change.

For example, under Satya Nadella's [vii] leadership, Microsoft underwent a significant cultural and strategic transformation focused on cloud computing and AI. To align employees with this new direction, Microsoft shifted its rewards structure to emphasize stock-based compensation and bonuses tied to the success of cloud computing initiatives (e.g., the growth of Azure).

This incentivized employees to focus on the long-term success of new strategies, contributing to Microsoft's success as a cloud and AI leader, with its market cap exceeding $2 trillion in 2021.

Tools for Building Stickiness:

1. Social Recognition Platforms:

Develop platforms that recognize and reward new behaviors. Provide branded merchandise and encourage sharing of achievements

2. Rewards and Recognition:

Implement various rewards and recognition platforms. Effective nudges include automatic enrolment in new policies, introducing big changes all at once, and breaking down large goals into smaller, manageable ones. Use leaderboards and visual progress indicators.

3. Co-Creating Processes:

Involve employees in creating new processes. For instance, one of our client organizations stopped hiring, redeployed manpower, and automated processes with

input from unit heads, HR teams, and managers. This co-creation ensured that the disruption, heart burn, and rumour mills were reduced to a minimum. Another global client when changing from a traditional sales structure to a key account management structure used mini 'Large-Scale Interactive Processes' (LSIP) over Zoom to clarify roles, enhance employee skills, and build new routines globally. These processes helped them improve their net promoter scores by 50% in a span of 6 months.

By leveraging these tools and principles, organizations can create lasting behavioral changes that support their transformation efforts.

4. Feedback and Governance

Feedback is an essential element of performance and growth. Feedback loops are an integral part of any transformation endeavor that helps to keep the plan on course and importantly make tactical changes when necessary. It is a well-understood fact that feedback loops have to be frequent, iterative, and agile. Fail fast, fail forward is a truism.

Apart from keeping a plan on course, if a particular plan is not achieving results, it allows for the opportunity to find other innovative solutions. One of our client organizations faced tough market conditions when one of its competitors launched a path-breaking product and its sales employees started leaving to join the competition. The organization had to pivot quickly to focus on capability shifts in their people managers to improve retention and link managerial performance to team retention.

The organization also made changes in their sales compensation model, to make it attractive and long-term in nature to stem attrition. This was while compensating employees with short-term performance-based rewards. The organization was quick to respond to the external environment. The constant feedback loop ensured quick wins that bridged capability gaps, created the right team resourcing, and, provided budgets for market-facing tactics. A strong feedback process manages performance and drives transformation.

For change to succeed, feedback and governance need to be integrated and mutually reinforce each other. Feedback mechanisms provide real-time data that governance bodies can use to make informed decisions. Good governance in turn ensures that feedback leads to desired actions. It has the power to create a culture where feedback is encouraged and valued.

Summary and Thoughts for the Future

While structure, technology, processes, and capability building need to be addressed, these four dimensions outlined in the article accelerate the transformation process in an organization.

- Co-creation and organizational alignment
- Over-communication to drive behavior shifts
- Stickiness through rewards and recognition
- Effective feedback and strong governance mechanisms

they can make the difference between success and failure.

While executing a transformation agenda there are a few things to watch out for. Change fatigue can set in if change efforts are not paced well with sufficient support. There can be leadership challenges unless there is a strong emphasis on both technical and adaptive components of change. Ron Heifetz talks about this in his book Adaptive Leadership.[viii] Leaders should watch out for the tendency to focus on short-term wins while overlooking the need to have medium to long-term measurement criteria.

The future of organizational transformation in the BANI world will be shaped by a clear vision, human-centered approaches, and effective governance. Co-creation, stakeholder alignment, stickiness, behavior shifts, and effective feedback/governance hold the key to ensuring that an organization's transformation agenda is successful. At the heart of it, a human-centered approach can shape organizations for success.

What can you do to get started?

- Co-create a clear vision for your transformation journey by defining the shift from the current state ("From") to the desired future state ("To").
- Build a proposition for your allies/sponsors on the journey and start conversations
- Think through the necessary changes or overhauls in hardware elements such as processes, technology, capital, and supply chain.
- Articulate the new mindset, behaviour and capabilities needed in the team
- Strengthen the communication methods to convey the transformation
- Build the right nudges through recognition, reward and feedback loops to enable transformation.

Continue the Conversation. Connect with the Authors:

rajankalia@saltodeefe.com and joyoti@culturecredo.com

Endnotes

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