

## **Culture Is The Big Impediment to Adapting to Technology Driven Change**

**By: Gregg Smith, CEO of Proximiti Communications**

In my prior article, we covered the ground shaking impact on many industries of recent changes in technology from inexpensive and powerful computing to always on high bandwidth networks. Distribution models are changing rapidly in many industries, remaking existing markets, and creating new ones. Financial services has felt the impact but may well see more rapid change in the next three years. We identified two primary impediments to adapting to these changes: (a) internal and cultural resistance; and (b) inadequate understanding of the economics of technology integration and how to partner with the right companies to meet the challenges and seize the opportunities.

The first challenge for any existing successful business is cultural. It's so important that almost nothing else matters. A huge checkbook can't offset a rigid business culture that repels change even faced with new economics that shatter existing business models.

An employee benefits firm was likely built by having talented and aggressive sales people that built a Rolodex of C-Level executives and are excellent at proposal generation, benefit acquisition, fitting benefits into an overall budget, and managing initial and annual rollouts. The market isn't really the individual employee in this model: instead, it is the executive team at the client company that selects the programs and pays the bills.

This model has worked for over 40 years and is only now starting to see signs of change. A wholesale model changing to retail or at least seeing strong retail type processes deployed as part of the process seems inevitable. I suspect 100% of the readers of this article would agree with this general description of the future---but there the agreement may well stop. What this means to their firm and how to get there might yield many different answers.

I would not underestimate the challenge of getting your entire organization committed to whatever changes you believe are necessary to succeed.

Most executives of employee benefit firms I interact with recognize that a transition in how they do business is coming but generally believe it's not here just yet. When you ask them "where do you see things in three years?" their answers suggest major changes in their current business model are arriving reasonably fast. If you ask, however, what they are doing about it internally, the real answer is not much. The focus remains on day to day blocking and tackling and managing regulatory changes. 40 years of success is a long time---and success is an impediment to change no matter how clear the challenges are on the horizon.

Culturally, technology companies are highly conditioned to rapid change. Many companies start and are closed or sold within ten years. Breakeven analyses are measured in months. Technology company employees have lost jobs because of a failure by their employer to keep up with the marketplace----so instead of being inhibitors to change, technology employees are often pushing for them. Costs have relentlessly declined. Computing hardware is often less than \$300 for a robust server. Software development costs are 50% less expensive than five years ago. Communications costs have dropped to pennies. So change happens fast. Adapt or get run over.

Most industries have the other model: top executives see changes coming and try to rally the troops around them to both see and act on the changes needed but often fail.

Doing business as usual is a strong cultural component of many companies----and for good reasons too. It avoids mistakes. Not to mention training costs, customers need for certainty, and relationships with suppliers and professionals.

I will leave it to the reader to determine when and how they make changes how best to do so organizationally----technology companies often adopt flatter organization charts than other industries and often use an "existing" and

smaller “new” team structure with one team looking at running the existing business and then a small team building a prototype of the “new model” until the teams are merged and old and new systems are thoughtfully integrated. A proven key: don’t worry too much about the exact mechanics or other process management techniques, instead, get the economics and attitudes right, and necessary adjustments will flow as part of the process. It’s more important to get started than it is to have a perfect lift off.

#### **ABOUT PROXIMITI**

Proximiti Communications is a Tampa, Florida software developer and communications service provider that offers integrated products and services to small and medium business customers, large insurance companies including Humana, and over 400,000 users access their services each day. Services range from custom apps for smart phones and tablets to phone systems and VOIP. More information can be found at [www.proximiti.com](http://www.proximiti.com).

#### **ABOUT GREGG SMITH**

Gregg Smith is a co-founder and CEO of Proximiti Communications. Smith founded two public companies prior to starting Proximiti and has raised over \$600MM in capital over 20 years for his firms. His companies have always focused on leveraging advances in computing capabilities and software with advanced communications networks and currently focus on the growth of IP communications (voice, text, e-mail, apps, web sites) with business processes. Communications now includes real time, dynamic, and static components and integrating with business processes offers compelling economics addressing real challenges for many companies.