CHANGING CULTURE—PATIENCE IS NOT A VIRTUE

Robert Bruce Shaw and Mark Ronald

There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things.

—Niccolo Machiavelli

Business as usual is now highly unusual. Leaders are constantly adjusting their firm’s strategies to meet the challenges of increasingly competitive markets. In turn, their organizations are forced to change, sometimes incrementally and sometimes dramatically, to support these new strategies. Take, for example, a pharmaceutical firm that is entering the generic drug market in search of new revenue. The benefits of expanding into this segment are clear, but the firm has no experience in the generic marketplace—which requires an operating model and associated cultural attributes very different from a traditional “big pharma” approach. The common wisdom is that the organizational changes required to support strategic shifts take years to achieve, and then only incrementally if at all. Some describe the process as “turning a battleship” to underscore the slow progression of one corporate culture to another.

We believe, in contrast, that culture change can occur quickly—and that the best leaders are able to identify which actions, in which order, are needed to produce rapid shifts. Several aspects of culture are important to understand for those seeking to accelerate change:

• Culture influences the way people view their business environment, determining what they see as important and how they go about their day-to-day work. Often these cultural attributes are taken for granted by those within a company. A common parable, slightly modified, applies to corporate culture:

Two young fish are swimming along and happen to meet a scuba diver, who greets them and says “How’s the water?” The two fish swim on, when one eventually turns to the other and says “What the hell is water?”

• What defines a good culture is relative to what a firm needs to compete in a particular market, as opposed to the set of absolute cultural attributes that would apply to any firm (such as customer focus and teamwork). The right cultural attributes propel an organization forward, creating virtuous cycles of progress and learning in relation to competitive necessities. In contrast, the wrong attributes reinforce outdated approaches and become obstacles to the effective implementation of a new strategy.
Culture typically embodies what worked in the past for a particular firm or industry. In some cases, core cultural values can go back decades and even to the founding of a company. For example, a firm that believes that financial management is more important than the quality of its products will have difficulty changing, even with eroding market share, because this assumption was likely evident during the years of the firm’s growth. Thus culture is not an irrational set of beliefs but instead the embodiment of past beliefs and practices that have become institutionalized as a result of past success (which, of course, may not fit current or future needs).

Culture is less about what people say (for example, “We believe quality is important”) than about what they do (for example, regularly ship products that don’t meet their quality standards). Those seeking to understand a firm’s culture must look beyond what is espoused by leaders and organization members to what is actually occurring within a firm. Exposing and discussing these inconsistencies is a productive exercise and can become the platform for determining what needs to change.

Organizations almost always have multiple cultures, or variations around a core culture. For example, one division in a company may have characteristics very different from another division’s. Leaders need to understand which cultural dimensions are shared across a firm and which vary across groups or levels. Leaders seeking to promote culture change need to understand and take advantage of these differences, mapping out how close various groups are to what is needed for the firm to successfully compete.

The following principles, based on our experience with a range of organizations and leaders, will help leaders accelerate culture change in their organizations.

**Assess What You Have—the Good with the Bad**

Leaders who have spent years in an organization may have a good sense of the answers to the following questions but need to be careful that their own assumptions don’t skew the assessment. We suggest that a senior leader answer the following questions and then, with an open mind, go out and see if those assumptions turn out to be accurate.

- What motivates or drives people within the firm?
- What are the truly important performance measures?
- Which groups are the most powerful within the firm and why?
- Are there things that we do that don’t make sense? Why do we do them?
- Are there areas in which we say one thing but do another?
- What behaviors will get you into trouble with management?
- What would critical customers say about us? Any truth to those views?
- What skills and behaviors are rewarded in the firm? Who gets ahead here?

Culture change can occur quickly.

In soliciting input on these questions, a leader wants to pay particular attention to frequently repeated stories; they often express deeper cultural values. For instance, we worked with a consumer products company that had a demanding (some would say punishing) performance culture, believing that it resulted in better decisions and a strong work ethic. A prevalent story in this company, often told by veteran employees to newcomers, was that a mythical silver bullet was fired when someone came into the firm. The bullet had the new person’s name engraved on it—the job of newcomers was to avoid their bullets for as long as possible.
Determine What Must Change to Drive Your Strategy

Culture change, detached from a strategy, risks being focused on what the leaders or others like rather than on what is needed to deliver long-term growth. While this is an obvious statement, many change efforts consist of hazy generalizations that are only loosely connected to a firm’s competitive strategies. Specifically, the leader needs to determine how the firm’s current culture impacts the ability of the business to perform in relation to a specific strategic plan. This is not to suggest that culture is the only factor needed to deliver on a strategy—only that culture should be explicitly assessed against what is needed for a particular strategy to succeed. Table 1 presents some examples.

A leader will then want to assess the factors that keep the current culture in place and make change less likely, as well as those that promote it, as shown in Table 2. These are the formal and informal mechanisms that maintain or oppose the status quo and become obstacles or enablers in efforts to change it.

Develop a Compelling Storyline

After assessing the current culture and the areas requiring change, each leader will need to develop a compelling case for the new approach. This should be part of a larger storyline about where the company has been, where it is today, and where it is going. The senior leader will want to outline a brief narrative on change that addresses the following questions:

- Where have we been and what are our historical strengths?
- What are the challenges and threats we will face moving forward?
- What strategies will we deploy to meet these challenges?
- What aspects of our current approach will remain? What will change?
- How will people benefit from the changes we are making?

The answers to these questions become the basis for a storyline for change that is reinforced with vivid examples whenever possible. A leader will want to use data to confirm the need for change to the current model (reduced growth rates, declining market share . . . ) and to underscore the promise moving forward (growth in groups embracing the new model . . . ).

In addition, it is important to express the key cultural expectations in a memorable manner. Most corporate value statements are bland homilies that cover a range of aspirations. Leaders need a set of concrete operating principles that illustrate what the culture change looks like in action. For example, a leader may want to emphasize the need for people at all levels to take ownership for results (moving away from the current culture where accountability is lacking). One firm used the tag line, “Set Targets, Keep Score, Win” to emphasize this point. (Note that we are not suggesting that accelerating culture change is an exercise in sloganeering. But the message does need to be clear and credible and have qualities that enable it to stick within a company.)

<table>
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<tr>
<th>Examples of Strategic Imperatives</th>
<th>Strengths of Current Culture in Relation to the Strategy</th>
<th>Weaknesses of Current Culture in Relation to the Strategy</th>
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<td>Accelerate growth in emerging markets (India, Turkey . . . )</td>
<td>History of managing rapid growth in our U.S. market</td>
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<td>Business model based on mature markets</td>
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<td>Reward systems based on maximizing base business (instead of rapid growth)</td>
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<td>Rapid introduction of new technology to the firm</td>
<td>Solid R&amp;D capability in our core business</td>
<td>Inability to fully commercialize new ideas (risk-averse outlook, slow to market)</td>
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**TABLE 1. CHANGES IN CULTURE NEEDED TO EXECUTE STRATEGY**
Promote Those Who “Get It”

One of the most powerful actions a leader can take to move a culture forward is to reconfigure the top leadership group. Each change in team membership sends a message that the culture may be undergoing change. The goal is to populate the senior group with those who embody the desired attributes and are committed to the senior leader’s change agenda. This can mean that some people are removed from the senior team or from key positions, that others are promoted, and still others are moved laterally. Two specific types of staffing change are particularly powerful. The first involves the movement of leaders several levels below the senior team into higher-level roles (sometimes called “deep searches”). These moves can be used to signal that those who embody the new culture will be given an opportunity to make a difference even when they may have less experience than others. A second approach involves moving leaders into new roles that stretch them to behave differently. We know one leader who moved a well-respected but traditional executive into a new role that required him to demonstrate new skills and behaviors (consistent with the firm’s new strategy and desired culture). This executive was very successful in his new role, which sent a strong message to the organization that change was possible. In our experience, however, most leaders move too slowly in changing their teams because they are concerned about disruptions in the performance of the current business. The art in making these changes is to know...
“Set Targets, Keep Score, Win”

how many staffing changes are needed, in what sequence, and at what pace.

Leaders also need to make visible those who are models of the desired culture. This can occur through recognition at public events, write-ups in company communications, assignments to highly visible projects, or inclusion in various leadership groups. The goal is to make these individuals into heroes within the company and have them become symbols of the firm’s cultural ideals. The manager who advocated for the development of Post-it Notes at 3M is a well-known example of a cultural hero. He came to represent the firm’s emphasis on creative tenacity. At the other extreme, it is necessary to show that those who violate the new way of operating will suffer consequences. While there need not be a public hanging, a change effort will be undermined if no action is taken with those who are acting in a manner that undermines the new culture.

Focus Attention with Symbolic Acts and Real Wins

Symbolic behaviors have an important role in capturing people’s attention and changing habitual behavior. For example, Dave Thomas of Wendy’s was known early in his tenure for going into his restaurants and throwing away trays of food that were not prepared properly. He would ask those responsible in each restaurant to start over. A second example can be found in Lou Gerstner who, on becoming CEO of IBM, noted that the existing culture valued presentations over dialogue and shared decision making in meetings. He therefore limited the number of slides that could be presented in a meeting to five (with background material sent before the meeting as needed).

These acts can even take a dramatic turn. On being promoted, the leader of an engineering firm concluded that his new group had a firefighting mentality—waiting for a problem to become severe and then acting to resolve it with much fanfare. Those who put out the fires were the firm’s heroes. At his first large group meeting, the new leader walked onto the stage in a firefighter’s uniform and stood silent for a few minutes while people took in the unexpected sight of their new senior leader dressed as if he had just stepped off of a fire truck. He then explained his view of the culture as one where firefighting was the norm and why that needed to change moving forward. Fires did need to be put out, but the leaders he valued most were those who prevented fires.

A related technique for driving culture change is to make a few public commitments to change and then drive the organization to deliver on these commitments. These should be near-term wins that stretch people and in turn illustrate that a new way of operating is challenging but possible. For example, a leader may focus on reducing costs after an important acquisition. In the past, the firm did a relatively poor job of rationalizing costs and consequently failed to fully realize the benefits of such deals. A stretch target is set (for example, a cost savings number) and the organization then is driven to deliver on this commitment. The intent is to make a commitment that puts everyone, including the leader, on the hook for delivering results that reinforce the new culture.

Personally Embody the New Culture

Leadership is a spectator sport insofar as people are constantly observing and interpreting the behavior of their senior leader. People watch to see how the leader behaves, particularly during periods of stress or conflict. For instance, declining margins within a firm may seem to require a reduction in the R&D budget. The firm’s leader, however, has emphasized the need to invest for the future and people will watch to see what happens to the R&D budget in this situation, drawing conclusions about the authenticity of the
leader’s statements about innovation. This doesn’t mean that the R&D budget must not be touched, only that it will take on symbolic importance relative to what the leader has said is important. Or, a new leader comes into office stressing the importance of rewarding those who drive growth. At the same time, this leader appoints new members to his team who are part of the old guard and are viewed as working in ways that stifle innovation. If this occurs, the public pronouncements about the need for more innovation will be ignored or viewed with cynicism. At a less dramatic level, how leaders spend their own time also signals what is valued in the culture. Some leaders, for example, emphasize the need for global strategic planning but then devote their time to operational reviews in the firm’s home market.

After a change plan is put into action, a leader will want to assess the progress being made in building the new culture. It is important to celebrate the successes and note that real progress is being achieved. However, many leaders tend to be overly optimistic about how much change is occurring within their organizations (often because that is what members of their teams are telling them). Leaders should solicit ongoing feedback from a variety of sources, including both hard outcome measures and soft perceptual measures, to assess the degree of progress in changing the culture and the senior leaders’ own behavior in moving the company forward.

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