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Transforming corporate culture for better (strategy) execution

Executive management teams are increasingly driving their own strategy development without consultants with the underlying belief that in order to ensure execution and buy-in, the strategy development must be kept in their own hands. Strategy execution, however, goes even deeper than that – it is not only management buy-in that is needed, the entire corporation must be mobilized to achieve the results sought after.

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One might have a long debate about which comes first, strategy or culture. Some argue strategy should be built on the underlying culture and strengths, whereas others maintain that strategy must be responsive to the changes in the environment, and thus, a new strategy may require fundamental internal changes. Both sides have a point – on the one hand changing culture is a big task that takes years, whereas a new strategy can be developed in as little as 3-6 months. On the other hand, drastic changes in the environment may require a whole new way of thinking, inevitably forcing the corporation to change its culture in order to deploy a new strategy.

In the last year or so we have participated in several efforts where corporate culture has been one of the centerpieces. In this short article, we try to illuminate some of the findings that we have gathered along the way.

Corporate culture drives performance, development and retention

Anybody researching the topic of corporate culture will find a plethora of frameworks, articles and analyses in management literature. The topic has been reviewed by multiple authors, each one presenting their perspective on how to best address the issue of culture performance, development and transformation. However, quite often the frameworks appear either overly complicated and therefore not very useful, or overly simplistic and therefore self-evident. One thing is clear, however; corporate culture is a fuzzy topic, and should one attempt to change it, especially in a global corporation, one is in for a long and rocky road.

While corporate culture is indeed a tricky subject, it seems quite clear that a "good" culture is crucial when it comes to people performance, development and retention, and thus, also company performance. We use "good" in quotation marks to emphasize that one size does not fit all – there are multiple approaches that all can lead to success. An interesting example is recent research (see Michel et al., Administrative Science Quarterly, 52 2007: 507-557) on cognitive uncertainty. In this article the authors compared two investment banks, one which employed a culture of cognitive certainty (specialization, guidelines, clear roles and responsibilities, experts) and the other which employed the extreme of cognitive uncertainty (very little specialization, no guidelines, fuzzy and changing roles and responsibilities, generalists). The result was that although the cultures of these businesses were diametrically different, their performance was not. Granted, the pros and cons of each model differed, as thus did their strategy, but both companies were able to compete in the same marketplace quite successfully.

It seems, then, that a specific culture cannot be defined as "the best choice" for companies competing in a specific market. However, what does make a difference is how solid and generally deployed the culture is, or in other words how "honest" the culture is across the corporation. By this we refer to a culture where people across the company share the values, general ways of working, and goals, and where different people understand and respect the role and contribution of others. Such thinking is well known in military circles; Ernesto Che Guevara, who was a prolific writer about how to succeed in guerrilla warfare, emphasized in his books that a strong underlying culture and a shared set of values and purpose were the key for any military operation. With this, a small troop could upset an enemy that was far stronger in both number of soldiers and assets.

Discussing values is only a first step; a change in behavior is required across all layers

When senior management sees that the company culture needs to change, they typically start off with an exercise on values. Using modern tools such as social media and extensive workshops, an all-encompassing debate can be initiated and deployed over thousands of employees worldwide in a matter of months. The essence in this process is the dialogue that takes place both face-to-face in joint sessions (often mixing participants), as well as through interactive media reflecting on the synthesized results from various sessions. Some key ingredients in such a process are extensive management involvement and participation, as well as an (often fairly small) core group leading and guiding the effort.

Consider this disguised example that illustrates this type of "value definition exercise" and the steps that followed in a time-span of roughly 18 months: A large global industrial corporation felt that their environment and strategy had changed so much, that a redefinition of their corporate culture was needed. Initially they started with a kick-off at one of their international conferences, where employees and employee representatives were strongly present. This was followed by several tens of focus-group interviews assembled across and throughout the organization, where key themes for future success, from a corporate culture perspective, were explored. Each interview was on the order of 2-3 hours, with multiple participants in each session. The focus group sessions were followed by workshops across all regions and units of the organization, building on a simple three-step agenda: (1) What are your own values, (2) what ways of working are crucial, based on the corporation's new vision and strategy, and (3) comparing these two, what stands out as common denominators and what values can we distill from this. In parallel with these workshops, a global intranet site was operated, where results were synthesized and debated, and keywords were distilled. The process lead to a new set of values, which eventually were ratified and deployed. In parallel with the deployment, internal debate was focused on how the values should be reflected in everyday behavior, and in particular, in behavioral changes (structured along "what should we do more, what should we keep, what should we do less or discard"). The process has now evolved to the next phase, where the corporation is using a similar process to discuss and define what kind of leadership is needed to achieve an environment that fulfills the values and sought-after behavior in practice.

This example illustrates how the initial value definition exercise is merely a first step, and that the real substance of the process comes about when values are transformed into behavior and leadership models. By combining these into a coherent set of principles, widely deployed and accepted in the organization, a coherent – "honest" – culture can start to emerge. An illustration of how far this needs to be taken comes from another global industrial corporation: The CEO and now chairman has for years had a habit of writing and updating a booklet on the values of their corporation, and how they guide the behavior and decisions made in the daily work on different levels of the organization. This booklet gives straightforward practical images and guidelines on what the values and culture mean, when fully executed. By sharing such "stories", and following up that staff across all levels live up to the examples set, a strong culture has been built. A key ingredient is also that performance evaluation criteria and incentives reflect these principles, and that performance evaluation is conducted with a 360 view, including superiors, peers, subordinates and collaborators to obtain a complete assessment.

Culture transformation is a multi-year journey which must be systematically driven forward

Achieving a fundamental change is in culture in a multinational corporation is typically estimated to take five to seven years. However, already in 2-3 years change can be perceived, and its positive impact on execution becomes evident. In order to guide the process, it is therefore important that management both realizes that the journey will take significant time (and thus, rapid changes are not possible – the direction must be maintained

quite steady), but also that progress must be continuously monitored and measured, adjusting and intervening as needed. Culture, just like strategy, becomes then a dynamic thing which is developed based on a longer term vision while continuously adjusted and corrected to ensure best fit and impact.