A Perspective on Organizational Culture

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Culture matters—it can make or break your company

“There are three critical things core to my role as CEO that I can’t delegate: cheerleader telling the story, getting the culture right, and getting the people right.”

Steve Ballmer, Microsoft CEO

“If you get the culture right, most of the other stuff will just take care of itself.”

Tony Hsieh
Founder and CEO, Zappos.com

“No company can sell employees on a culture if it isn’t practiced – and believed in – from the very top down.”

Colleen Barrett
Former President, Southwest Airlines

“Fixing culture is the most critical – and most difficult – part of corporate transformation.”

Lou Gerstner
Retired CEO, IBM
So what is this fuzzy “culture” thing, really?

Booz & Company Definition of Culture

We Say an Organization’s Culture Is …

… its self-sustaining patterns of behaving, feeling, thinking, and believing
The existing culture can be a powerful source of energy for performance improvements

Key Considerations

- Always think first of culture as your source of strength
- Culture is usually a product of good intentions and is rarely “all bad”
- Understanding “the good” about an existing culture can accelerate change
If you don’t have to overhaul or replace a culture, don’t

Major culture overhauls are hard to do and often fail

It’s a long race — culture evolves slowly

Momentum is hard to sustain

Only attempt a major overhaul if it is really necessary
Start with changing behaviors, not mindsets

Common Temptation
- Blame the current culture
- Overlook key behaviors
- Attack the culture problem directly

Recommended Practice
- Study the existing culture
- Develop the culture aspiration
- Focus on behaviors
Pick your battles

“(Culture) is almost like having a teenager … you have to pick your battles”

Carol Bartz, Yahoo! CEO

* Carol Bartz in discussion at the University of Washington, July 2010 (vimeo.com/13136019).
Focus on changing only the few critical behaviors at different levels within key populations

Critical Behavior Categories

- Relationship Building
- Information Sharing
- Decision Making
- Leadership Effectiveness

Work
Spread the behavior changes virally

Multiple Mechanisms

Pride Builder Cells

Communities

Focused Networks
Case study: Bell Canada—behavior change at the front line

Situation

Need to transform from regulated utility to customer-centric mind-set

“Someone calling themselves a customer says they want something called service.”

© 2005 Ted Goff

Cultural Intervention

- Identified and mobilized “pride builder” managers
- Diffused critical behaviors virally through peer-to-peer story sharing, role modeling, and informal contacts
- Reinvigorated frontline pride with Pride Community of Practice
- Redesigned supporting tools and processes

Spread change from 14 top managers to 1,500+ people in 18 months
Appeal to rational \textit{and} emotional forces to reinforce the new behavior patterns and achieve lasting change
Case study: Aetna—using culture to catalyze a turnaround

**Situation**
- Company near bankruptcy
- Three CEOs tried and failed
- Programmatic change resisted by “nice” culture
- Relentless cost cutting discouraged employees

**Jack Rowe’s Cultural Intervention**

**Formal**
- **Realigned** strategy and organization
- Set clear **goals**: pushed accountability down
- Formed new **councils**
- Made employee satisfaction a key **metric**
- Launched **awards** program

**Informal**
- Developed leadership forums to strengthen informal networks
- Identified **critical behavior** changes
- Launched **pride-building** program
- **Fostered committed employees** across levels

Restored pride; stock price up 7-fold, 2000-2005
Three key takeaways

1. Work with the culture you have
2. Focus on behaviors
3. Balance the formal and informal
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- Contact us at katzenbach.center@booz.com

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