

strategy&

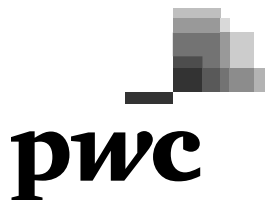
Formerly Booz & Company

March 31, 2015

*“Culture eats strategy
for breakfast”*

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Webinar



Our speakers today: Jon Katzenbach and Paul Leinwand



Jon Katzenbach, partner, New York

- Jon Katzenbach is a partner in Strategy&'s organization, change and leadership practice and leads the Katzenbach Center. Jon is an expert on culture and behavior change



Paul Leinwand, partner, Chicago

- Paul Leinwand is a partner in Strategy&'s global consumer, media, and retail practice. He is an expert on the topics of strategy and capability building

Culture eats strategy for breakfast¹⁾ ... what do we mean by this?



- In our client work we learn again and again that great strategies can be resisted by strong enterprise cultures. We call this “culture eats strategy for breakfast”
- A culture can be a powerful animal that counteracts and resists attempts to change, no matter how good the strategy is

This webinar will focus on what you can do to keep your culture from trumping your strategy ...

1) first articulated by Peter Drucker

There's a crisis in strategy – too many disparate approaches and a lack of confidence that most strategies will lead to success



Our recent survey of 2,400 senior executives identified the problem

- More than half of the respondents don't think that they have a winning strategy
- Two out of three companies admit that they don't have the capabilities needed to create value in the marketplace
- Only one in five are fully confident they have a right to win
- And, the vast majority agree that they're chasing far too many opportunities

The problem: Companies are not asking the right question

Often strategy exercises ask

- **“Where do we want to grow?”**
- **“What businesses should we be in?”**

Instead, strategy must address

“Who do we want to be?”

“What are we great at?”

“What will we be uniquely advantaged at doing?”

The solution: Identify what you're great at and focus on those market opportunities that leverage your distinctive capabilities

Capabilities-Driven Strategy starts from the inside and helps companies align what they do well with the right marketplace opportunities

Capable companies

- Make investments with a more strategic focus
- Are more efficient and not distracted by market pulls that are not competitively differentiating
- Follow a straighter course as everyone has a clear understanding of what is important

Capabilities are the interconnected people, knowledge, tools and processes that form systems to create differentiated value to customers

We believe capabilities are the core engine of value creation – with culture being critical to ensure the engine runs smoothly



Culture is the oil that makes the company's value creation engine turn frictionless

What do we mean by this fuzzy thing called “culture”?

We at Strategy& define an organization’s culture as ...

**... its self-sustaining patterns of
behaving,
feeling,
thinking and
believing**

In our experience there are four cultural imperatives



Work “with and within” your existing culture



Start changing a few critical behaviors, not mindsets



Use viral methods

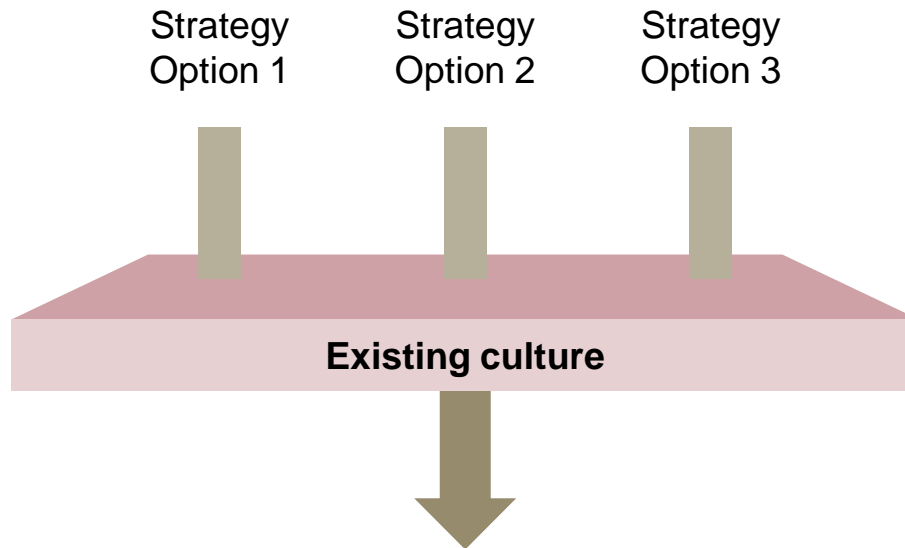


Mobilize both rational and emotional forces

1 Choose a strategy that fits your culture

The right strategic choice is one that fits your culture, one that is within reasonable reach from today's culture

Using culture as filter on strategic options



Strategy aligned with and informed by your culture

Key questions

- What is the cultural profile of your company?
- How significant are the cultural and behavioral changes required to implement the strategy options available to you?
- How big a cultural gap will your company be able to bridge?

Your culture is your “secret weapon” that you should use to accelerate your transformation journey

Working with and within the culture to accelerate the transformation journey

**Capitalize on
cultural strengths
early**

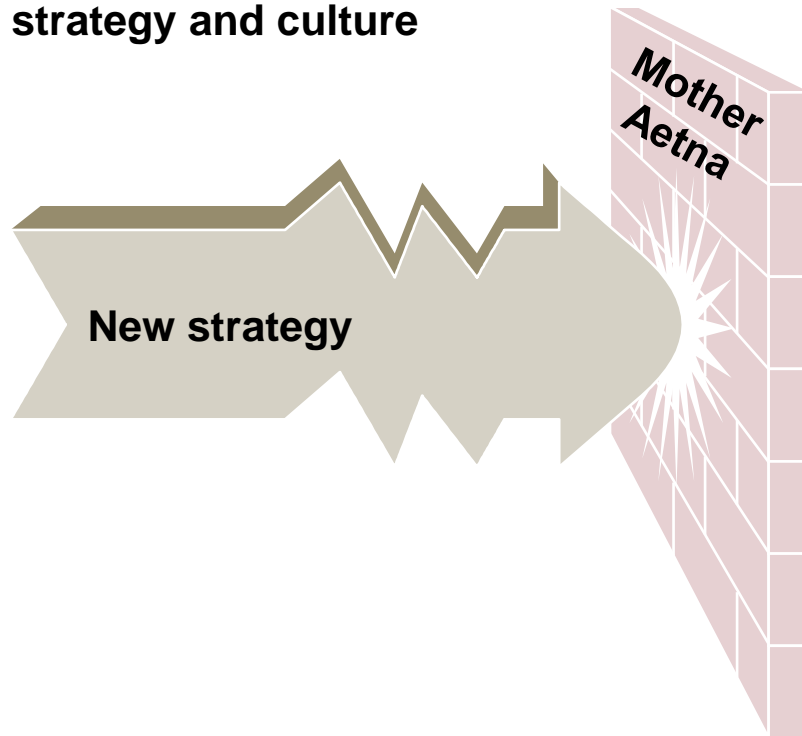
**Counter-balance
cultural
resistance**

**Foster system-wide
integration and
collaboration**

**Enlist support and
insights of first
movers**

At Aetna a new turnaround strategy in 1995 required an overhaul of “Mother Aetna” that nearly destroyed the company

Head on collision of new strategy and culture



Result

- New strategy was contrary to “Mother Aetna”
- Programmatic change resisted by “nice” culture
- Deep emotional attachment to divested business set informal elements against new strategy
- Failed integration of two companies led to open “cultural warfare”
- Aetna close to bankruptcy in 2001

At the brink of bankruptcy, the new CEO worked with and within the culture to implement his strategy

Jack Rowe's cultural interventions



 **Restored pride; stock price up 7-fold, 2000–2005**

The key takeaways



You can't do strategy without your culture

- You need to choose a strategy that fits your culture ...
- ... and you need to leverage your cultural strengths to enable and accelerate the transformation program and to counter-balance cultural weaknesses

For more information

- Visit us at www.strategyand.pwc.com/global/home/what-we-think/katzenbach-center



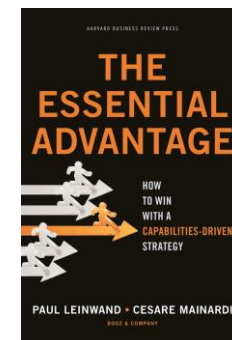
- Learn more about our latest thinking on culture
- Discover our perspective on leadership, organization and human capital issues
- Sign up to receive the publications of the Katzenbach Center

- Contact us at katzenbach.center@strategyand.pwc.com

- To learn more about Capabilities-Driven Strategy visit www.strategyand.pwc.com/global/home/what-we-think/cds_home

- For more information about The Essential Advantage, our book on Capabilities-Driven Strategy, visit

www.strategyand.pwc.com/global/home/what-we-think/books/essential_advantage



We appreciate your interest in the Katzenbach Center and Capabilities-Driven Strategy and warmly welcome your comments and questions