

# The Organizational “House of Culture”<sup>©</sup>

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In my consultation with clients I have often found the subject of organizational culture to be a difficult one to discuss and describe. Leaders facing the need for culture change often struggle with the apparent vagueness and scope of culture and what is required to shift it. However, when I first used the metaphor of a “house” for describing the scope of organizational culture “lights” (pun intended) seem to turn on, and I have successfully used this metaphor since that time. Some time ago however, one insightful person made the very good point that houses are often rigid structures which do not easily handle pressures, for example an earthquake or harsh weather. This was an important observation, because increasingly, organizations need to be much more adaptable, flexible and nimble in response to competitive threats. In debating this concept further, we landed on the reality that in recent years, construction of houses, indeed buildings in general and other structure such as bridges, are being engineered to withstand remarkably harsh environmental pressures such as large earthquakes and tornadoes. I live in the San Francisco Bay area and this is a very important issue for anyone living in this region. So, while many organizations historically were not very adaptable to external pressures, the twenty first century has ushered in an environment in which flexibility, agility and the ability to rapidly introduce new and innovative products and services and respond quickly to competitive threats is becoming a key to success and survival. Similarly, organizational cultures must be adaptable – the house of culture must be designed to quickly and effectively respond to competitive pressures and opportunities.

Shifting organizational culture is possibly the most challenging kind of change any organization can undertake. The reason is that most organizations are better at changing the “hard stuff” (work processes, structures and systems) and less effective changing people’s hearts, minds and behaviors. This is more true in cases where organizations have a long history of success, where business processes have been deeply entrenched and where culture and behaviors have become deeply ingrained over decades. In these cases historic success becomes the biggest obstacle to future success when business strategy needs to dramatically change. Often, organizations facing transformational change requiring a significant shift in culture adopt a fragmented approach – they focus on a few elements that they feel

are necessary to shift culture, but don't necessarily fully assess the link between the culture they have, their desired future culture needed to support and drive strategy execution, and all of the primary "building blocks" of their organization's culture. This essay introduces the concept of the "House of Culture" that describes the critical elements that influence organizational culture that are either enablers or obstacles to achieve strategy-culture alignment.

## A Definition of Culture

For mutual understanding, below is a generally recognized definition of organizational culture:

*Organizational culture is the collective behavior of humans that are part of an organization, it is also formed by the organization values, visions, norms, working language, systems, and symbols, and it includes beliefs and habits. It is also the pattern of such collective behaviors and assumptions that are taught to new organizational members as a way of perceiving, and even thinking and feeling. Organizational culture affects the way people and groups interact with each other, with clients, and with stakeholders.*

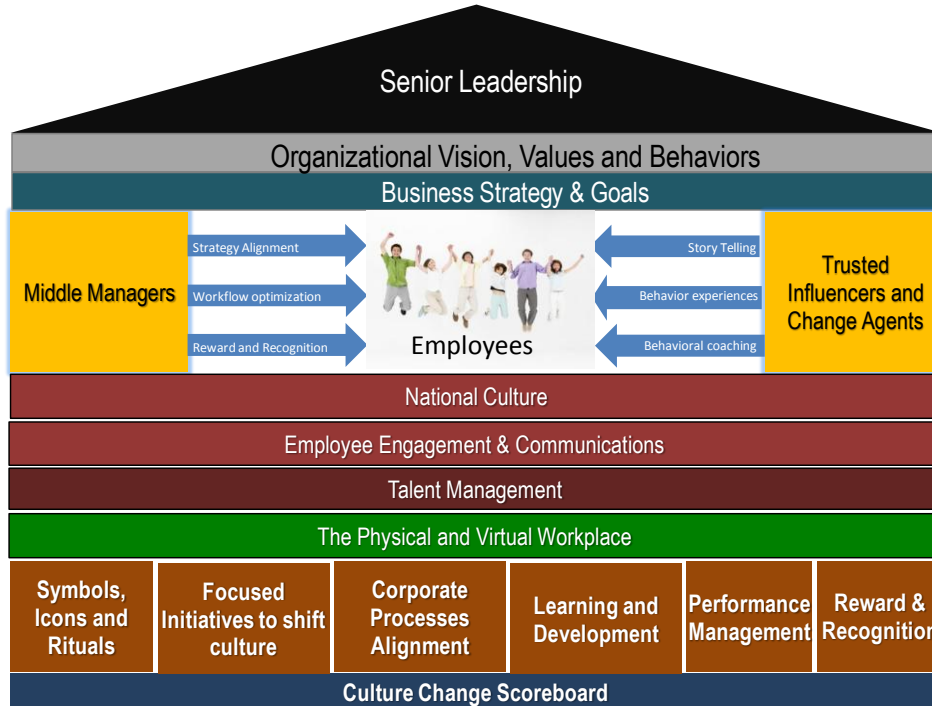
([http://en.wikipedia.org/wiki/Organizational\\_culture](http://en.wikipedia.org/wiki/Organizational_culture))

The primary theme in this definition is how people behave and act at work in order to enable and accelerate business success. If existing culture and business strategy are out of alignment, the quote "Culture trumps strategy every time" (HBR, March 2011) plays out.

## Building the "House of Culture"

No single intervention can shift a large, especially global organization's culture (Hammerich and Lewis 2013) and it can take years for strategy to cascade down to work practices and behaviors in the workplace. In the competitive environment of the 21<sup>st</sup> century where speed and agility is critical to strategic success, this process needs to be accelerated, and focusing on only a few elements that influence culture is usually not enough to make the shift. Senior leaders need to deeply understand the alignment – or misalignment - between strategy and culture, and decide which building blocks of culture are most impactful in making the shift and creating alignment.

# Building the “House of Culture”



## Senior Leadership

Connors and Smith (2011) state that *“either you manage your culture or it will manage you”*. I agree! Many corporate leaders are aware of their organization’s culture and its importance, but less aware of how to manage it. Too often it is considered the domain of human resources, and not that of the core business. This is a fatal mistake. Leaders and managers should understand organizational culture as it relates to required behaviors across the corporation or in their business functions as much as they understand other key performance issues such as their workflow and financial planning. Leaders, and in particular founding leaders, have more impact on corporate culture than any other single factor. For example, in a large retail banking group I worked with some years ago, smiling and appearing to be having fun was considered a career limiting behavior. On joining the organization, this was so evident that I investigated this more deeply as part of an effort to implement a customer focused strategy. I found that this was largely based on the story – told and retold – that the legendary Chairman had once told a photographer chartered to take his photograph for the annual report that *“banking is a serious business and we do not smile around here”* – so no one smiled -ever! My interaction many months later with this individual indicated a very different personality – he was deeply interested and concerned

about employees and customers. Without deep understanding of the impact senior leaders have on organization culture and day to day behavior, the misalignment of strategy execution and culture can be fatal to strategy execution and business success. Leaders need to develop specific skills for techniques such as storytelling and creating behavioral learning to shift behavior.

## **Organizational Vision, Values and Behaviors**

It is fascinating how many organizations I have worked with have powerful vision and values statements but do not leverage them effectively to shift or entrench culture and promote specific behaviors. In one utility I worked with, I was initially impressed with the visibility of vision and values statements in every conference or meeting room. But it was also interesting how seldom leaders and managers ever talked about these values. During my time on this project, this lack of attention to values visibly and impactfully played out in how this company engaged its customers at many levels. In contrast, leaders and managers in an energy company I worked with, with a very strong safety focus described within its vision and values, spoke about safety at every opportunity, including every presentation that the CEO gave, right down to every meeting. Short discussions on safety were held at every meeting held anywhere in the world (and I personally experienced this as far away as Kazakhstan). There was no question in this organization that the safety of employees was paramount. Many organizations also have a poor alignment between their articulation of organizational values and expected behaviors. Even when expected behaviors are clearly articulated, the alignment to organizational values is often vague which can result in employees being confused or simply dismissing these values as meaningless.

## **Business Strategy and Goals**

In the quote attributed to Peter Drucker, *“culture eats strategy for breakfast”* the most common interpretation of his quote is on the misalignment between culture and strategy – if a company’s culture does not align with its strategy, culture will win and strategy execution will struggle. While this is clearly true, there is also the opposite opportunity under certain circumstances – leveraging new and compelling strategy to motivate a change in behavior and culture. For example, in the energy corporation I mentioned previously, top leadership developed an aggressive new strategy to beat the competition, but needed a major shift in culture from being overly collegiate, good to work with but slow moving to being more decisive and much more responsive. Because this organization had outstanding engagement and commitment from employees around the world, this lack of alignment

between current culture and behavior was not a barrier - employees willingly responded to senior leadership's call to action because the new strategy was compelling and exciting. Although the new behaviors were a significant shift in culture, the initial signs that I experienced showed strong support from employees.

The influence of aspirational and challenging strategic goals is also a potent driver of culture and behavior change. In a retail banking initiative for which I was project manager some years ago, the challenge was to shift from an operationally based culture to a customer focused one. One approach we used was to develop organizational level as well as branch specific goals to create a powerfully motivational driver for employees to change mindsets, behaviors and workplace processes to become more customer focused. This bank moved from the worst performing bank on a set of customer service metrics to the best within a period of six years.

The punchline is that senior leaders must be very clear about not only the alignment (or misalignment) between strategy and culture, but also look for opportunities to use compelling strategies and goals as motivators to change behavior and shift culture.

## **Middle Management**

In many respects, middle managers can have a greater impact on organizational culture than senior leaders. Managers interact and influence employees more directly than anyone else. They have the ability – whether they are aware of it or not – to create their own sub-cultures and drive new behaviors. A close relationship between senior leaders and mid managers will maximize the ability to ensure that there is alignment between corporate level values and behaviors that may be cornerstones of overall corporate culture- like safety or ethical business practices – irrespective of local business unit needs and the work these units perform. Without close interaction with senior leaders, front-line managers can interpret local needs in a personal way that may be completely out of alignment with what the rest of the organization requires. For example, senior leaders in a large banking group may place ethical practices and behaviors at the center of their organizational culture, however a branch manager in a local branch of a third world country office may interpret ethics very differently based on local common practice and what he or she interprets as necessary to transact business at a local level. Culture change initiatives should place significant emphasis on the role that middle managers perform especially in global organizations.

## **A Network of Influencers or Change Agents**

In large global organizations with thousands of employees, leaders and managers can be limited in their impact on behavior and culture change – simply because there are sometimes not enough of them. An “army” of influencers or change agents who are passionate about company success and change can have a powerful impact on behavior change – often more so than managers and senior leaders largely because they are “one of us” – they are co-workers who are often trusted by their colleagues and can influence behavior moment by moment more effectively than anyone else. The role of trusted influencer is not grade or seniority specific. Leaders and managers should look for, and solicit, team members of any grade level and prepare them for a broader role in helping, coaching and nurturing behavior change with colleagues at all levels at every opportunity.

## **National Culture with Organizational Culture**

Hammerich and Lewis (2013) use a graphic metaphor for describing how culture, and specifically national culture, is invisible to most business leaders and managers – they call this myopia “Fish Can’t See Water”. The authors describe how little research has been done on the intersection of corporate and national cultures, and yet how profound this intersection can be if ignored and poorly managed. While Gert Hofstede’s work (2010) utilizing research of IBM’s international operations is most often quoted, Hammerich and Lewis provide an insightful and compelling discussion of how to manage this intersection and the risks involved in ignoring it. My own personal experience with a project in Kazakhstan, working alongside Kazaks, Russians, Australians and other contractors from various European countries as well as Americans, showed clearly that companies that are aware of and manage these intersections achieve significant benefits, and those that do not can struggle in their change efforts. Being South African born, and working in a large retail banking group during the transition South Africa made under the leadership of Nelson Mandela, I had the privilege of experiencing first-hand how national cultures can clash (or synergize) with organizational cultures under various conditions. There is little doubt in my mind that this is an area of organizational culture change that will become increasingly important in future years.

## **Employee Engagement and Communications**

A lot has been researched and written about employee engagement in recent years. The Corporate Leadership Council research (2004) often referenced show that employee engagement is at the lowest

levels in decades. A key aspect of employee engagement that plays a critical role in forming culture is employee's commitment to the purpose, vision and values of the organization – employees feel that the company does important work and makes a positive contribution to the world. If this emotional dimension of culture is strong, then the organization is much more capable of getting employees to shift strategic direction and change behavior – because they are committed to the future direction and purpose of the organization. I personally experienced the negative impact of low engagement in a utility some years ago where low engagement caused resistance to a new strategic initiative and where behaviors verged on what was tantamount to sabotage to undermine its success.

I often experience corporate communications efforts as being disconnected from employee engagement efforts – for example, not attempting to engage employees emotionally - and not performing a role in influencing culture. Employee communications potentially has a large role to play in communicating leader's expectations, new strategic direction and the critical role that employees can and should have in helping the organization change strategic direction, shift behavior and forge a new culture. Rather than a top down type communications approach, the bigger impact that corporate communications can have is to showcase employees exhibiting new behaviors – for example, employee blogging is a powerful influencer because it's the voice of the employee, versus corporate speak that can often be ignored or discounted.

## Talent Management

Intuitively there is a connection between organizational culture and the management of talent. Given the relative newness of talent management as a formal discipline, the impact of effective talent management based on the literature, is still somewhat vague. Cooke (2011) references the following source to provide some insight into the connection:

*The assessment of an organization's culture is a must-do activity prior to launching a set of talent initiatives; a strong talent culture sets the foundation for improving talent practices.*  
(Linda Sharkey, 2011)

Berger and Berger (2011) describe the connection between talent management and organizational culture in the following manner:

*"A talent management creed is composed of a widely publicized set of core principles, values, and mutual expectations that guide the behavior of an institution and its people. Collectively, the*

*stated principles depict the type of culture an organization strives to create to achieve its unique portrait of success. The principles of the creed are embedded into both its talent management strategy and in its talent management system by incorporating its doctrines into selection criteria, competency definitions, performance criteria, and internal selection and development processes”.*

While these quotes may not describe a consistent and clear linkage between talent management and culture, my previously described model for the “House of Culture” suggests that a well-developed talent management strategy and process can be a major driver of an organization’s culture, while a poorly constructed talent management strategy and system would conversely negatively impact an organization’s culture.

## **The Physical and Virtual Workplace**

Tapscott and Williams (2006) comment that *“The old notion that you have to attract and retain the best and brightest inside your corporate boundaries is becoming null. With the costs of collaboration falling precipitously, companies can increasingly source ideas, innovations and uniquely qualified minds from a vast global pool of talent”*. This description has huge implications to the notion of corporate culture. In one large technology company I was working with recently, I was participating in a working session on a future strategy to manage talent. One of the ideas I proposed to the group was the notion of flexible sourcing – instead of only considering talent management in the context of permanent employment, rather consider more flexible and agile talent sourcing in key areas of the business, in this case for major projects that require speed and agility. The group simply could not get their heads around the concept. As Tapscott and Williams describe, these ideas are *“often received with coolness, or worse – mockery or hostility”*. In this case my ideas were met with blank stares and a simple closed-door response. In another large company, a small start-up acquisition had taken three years to complete, but was held up at the last moment for months because the facilities company refused to finalize the acquisition because physical offices, desks and equipment were not available. The senior executive concerned could not understand why these acquired specialists even had to occupy an office, never mind move to a physical location owned by the company. But this is the old mindset – if you are an employee of an old-style culture, the



company dictates where, when and how employees work. This is unlikely to be the case in the future of work, and indeed for some fast moving companies, this is how it is today. Access to knowledge, and the ability of people to collaborate on projects with the use of collaboration technologies is changing how we think about corporate culture – talent, behaviors of people and cultures will morph from large-scale project to project based on the kind of work and talent required to drive success within much shorter timeframes. For knowledge work, the notion that work takes place in a specified physical office environment on a fixed 8 to 5 type timeframe will be redundant.

## **Symbols and Icons should include Vision and Future in addition to History**

Walking into one of America's iconic technology company facilities recently provided me with a wonderful reminder of this company's historical accomplishments and enduring successes. Quotes from iconic leaders from their past, framed artwork of iconic technologies that adorn the walls are a vivid reminder to all who visit and work there that their mission is to change the world and make it a better place. On the other hand, some years ago, on working with one of America's iconic brand apparel companies, I was surprised at the few reminders of the company's vision and future strategic direction inside the organization. Indeed, to any employee, they could have well been working in the dull and boring utility company's offices across the city. Symbols of various kinds can play an important part in focusing employees' minds on what is important from a corporate performance and culture perspective.

## **Focused Initiatives to Shift Culture**

It is not enough simply to describe the culture and set of behaviors that a company desires in the future, it is also necessary to have a deep understanding of the current culture and its potential obstacles to moving forward strategically. These deeper and often hidden cultural "tacit assumptions and beliefs" (Schein, 2009) are often not obvious on the surface, they require a deeper level of ethnographic type analysis to uncover – surveys and formal interviews often do not easily access these tacit beliefs. For example, in one international corporation I was working with, I was very surprised to identify an aspect of fear that was the basis for people, even at remarkably senior levels, to avoid accountability, being proactive and risk-taking. In another case, working with a utility, it became evident that a lack of trust

between front line employees and senior leadership was so profound that it verged on a willingness to engage in sabotage of a particular project. In these cases, it is essential that the company mobilize resources to specifically target and resolve these culture specific obstacles.

## Learning and Development

In the retail banking example of culture change I referenced previously, it emerged that existing training programs were a significant barrier to becoming more customer focused. It became evident that training programs on a variety of branch banking skills, such as home loan processing and others, were heavily allied to the legacy culture of being operationally focused and risk averse. We had to conduct a comprehensive review of all training and development programs and determine opportunities to inject customer focused examples. This is just one example of how learning and development can either be a significant enabler or barrier to culture change.

## Performance Management

Performance management processes and systems are often both hated as well as sacred cows never to be changed. Despite common dissatisfaction and even fear of performance management appraisal processes, many companies are wary of changing. The Management Innovation Exchange (Stein, N., 2011) provides an excellent example of a company that championed a change in their performance management system in order to develop and entrench their desired corporate culture. Stein describes how performance management processes impact culture – *“the Gilt Group’s VP, Engineering, John Quinn, despised traditional performance reviews. Not only did he find them intrusive, time-consuming, and ineffective, he believed strongly that they actually detracted from the culture of continuous, ongoing feedback and coaching he wanted to establish with his team”*. For companies undergoing culture change to support a new strategic direction, it is essential to ensure that performance management systems support the culture and behaviors the company is attempting to foster.

## Corporate Processes and Workflow

Hammerich and Lewis (2013) describe how new approaches to work can create breakthrough business opportunities and require very different cultures. The opposite is also true – entrenched business processes can undermine attempts to execute new strategies and build new cultures. While corporate processes such as my previous description of performance management are also relevant here, other

core business processes need to be realigned and optimized. For example, a recent client of mine was attempting to develop a culture that was more agile with much quicker decision-making. While engineers were very supportive of these changes, processes such as supply chain and procurement were incredibly cumbersome, undermining efforts to move faster and be more responsive to customers. Because these business processes are often developed and customized over years if not decades, they can be very difficult to change – but it is essential for these processes to be changed if strategy execution and culture change are to be successful.

## Reward and Recognition

Daniel Pink’s book “Drive: The Surprising Truth about What Motivates Us” provides an excellent description of how attempts to motivate employees and create a culture of high performance are so often off target. In many cases, these reward and recognition programs can be de-motivators. Cantrell and Smith (2010) comment on the need to customize reward programs to the needs and interests of individual workers in order to maximize the value and impact, and to influence corporate culture and behaviors. For organizations intending to shift culture and behavior, reward and recognition programs must be scrutinized and revised to ensure they are motivating the kinds of behaviors intended within the desired corporate culture.

## Strategy-Culture Scorecard

*“What gets measured gets managed”* is a common phrase used in business. And it is also true for culture change. Connors and Smith (2011) describe the need to focus culture change effort squarely on business results. I fundamentally agree with their emphasis, but there is a risk in thinking that only business results need to be measured. Measurements that track a shift in culture – or more specifically behaviors – are excellent leading indicators of business results. A culture scorecard of sorts should include all three levels of culture (Schein 2009) and include quantitative as well as qualitative measures. As with a broader scorecard, visible progress towards new behaviors and a new culture can become self-fulfilling.

## Summary

Changing corporate culture is complex, and exponentially so when the organization is multi-national and diversified in terms of types of businesses. There is no single factor or even few elements that can be leveraged for the collective behaviors of employees and ultimately the entire corporate culture to

change. The House of Culture provides a framework for organizational leaders to use to determine what elements may need to be leveraged to change the culture of their organizations.

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