

# Transforming Culture

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How to influence culture to fit your future business needs

A corporate culture that has developed over many years is often THE most significant barrier when it comes to transformations leading to a digital and dynamic future. Transforming such a culture is extremely challenging – well-founded cultural awareness and our seven levers can help.

by Manfred Höfler and Franz Schwarenthorer

The list of companies that failed because of their culture is long. It includes heroes previously deemed unbeatable such as Nokia, Kodak, Lehman Brothers and General Motors. Others like ING, IBM and GE have adjusted the right cultural knobs at the right time to create a sustainable transformation. Currently, many large corporations are coming to realize how important changing their culture is and are initiating programs aimed at positive transformation. All too often, however, this includes magnificently staged culture campaigns that are barely capable of changing anything about their cultures. What are the reasons for that? Most of the time, they lack understanding about what culture actually is, how it develops and what can be used to shape it. Generally speaking, corporate culture is the sum of all values, norms and mindsets within an organization. The culture defines »what is rewarded within a company, what is punished and what one has to do to not stand out.« Oftentimes, people then follow these unwritten laws without being aware of them.

## READY FOR A CULTURAL EXPERIMENT?

Ask your employee the following: »Over a nice cup of coffee, how would you recommend that a friend behave in order not to stand out within our company – how to behave like most other people in our company?«



### The foundation of corporate culture

The way a company works is often connected to the personal values and opinions of its founders or powerful leaders in its history. Reading the biographies of people like Ingvar Kamprad, Steve Jobs or Elon Musk, one gets an idea of what really counts at IKEA, Apple and Tesla. By the way, not only the heroes of a company have a long-term impact on it; despots also shape a company for many years to come. Fear within a company can often be felt in the everyday work even 50 years after the fact.

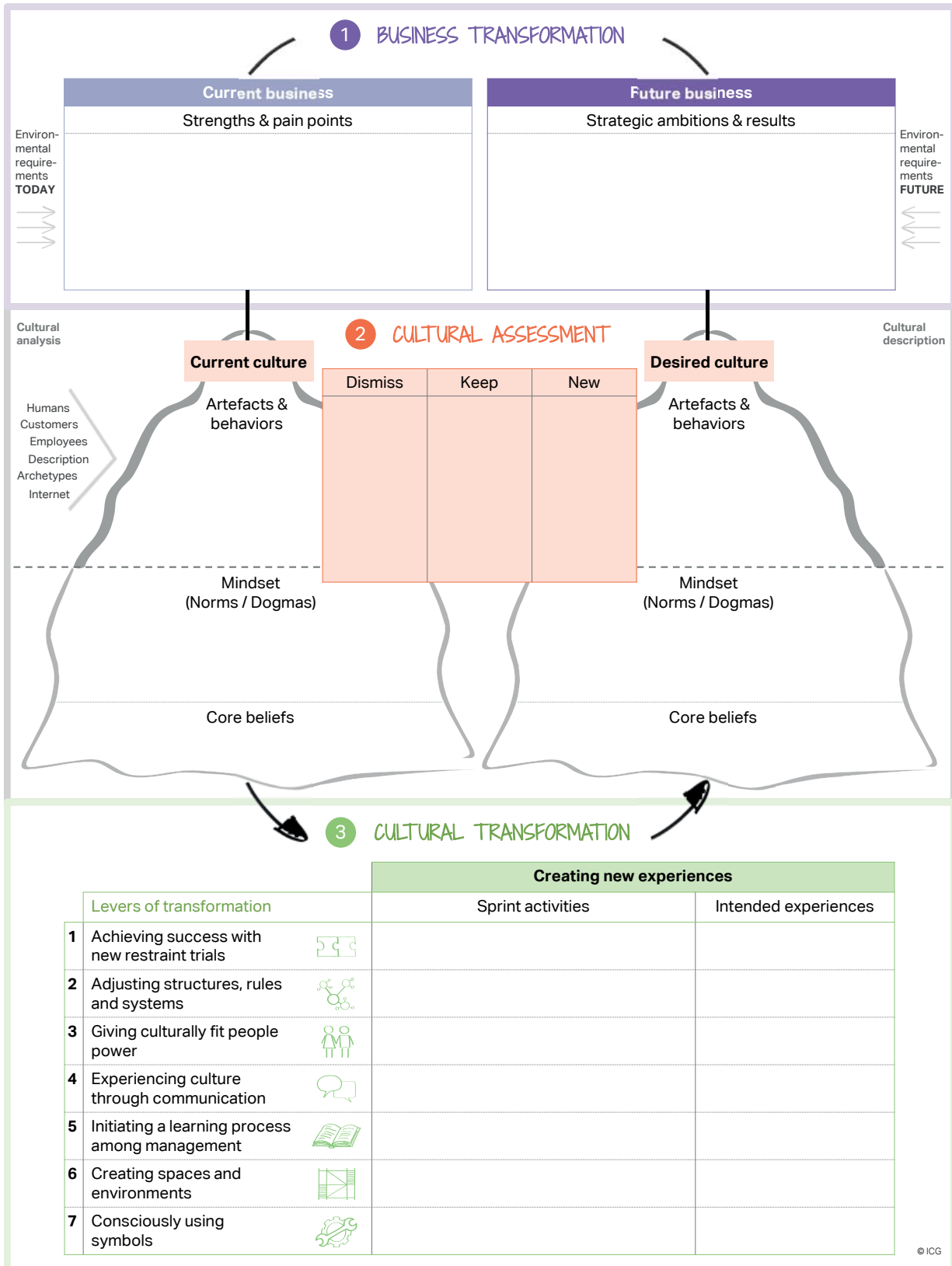
A second important source that influences the current culture of a company is success stories from its past. What kind of behavior has made the company successful and what collective mindset has been engraved over time? Most employees believe in the »unwritten laws of success« and few dare to officially question them.

### It is like an iceberg

Edgar Schein, one of our most outstanding teachers, narrows his understanding of culture down as follows: Culture is like a large iceberg. Artefacts are visible above the water line (rooms, structures, symbols, language, ...) and we can observe obvious behavior. This involves how meetings are conducted, how the management communicates with the staff how risks and conflicts are dealt with, etc. Below the water line are the mindsets that are usually hidden, the practiced values and principles that guide our actions. And located deep inside the iceberg are the core beliefs, i. e. those one or two dogmas that make up the company's identity. These are never questioned and it is difficult to impossible to change them (see illustration).

Let's look at a practical example. An international corporation had the sentence »be the architect of your own fortune, seize every opportunity and don't mirror ►

## Cultural Transformation Canvas



»Behavior and mindset are twins – based on successes of the past – influencing each other. If you want to transform culture you have to create new experiences for your people.«

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the others!« ingrained in its DNA as its success-generating fundamental belief. Does it surprise you that this company has been struggling to control its global business, practice matrix structures and sustainably invest in innovation for more than ten years?

### **Culture is neither good nor bad; culture is**

Assessing culture is primarily about the way we look at it: Is it functional or dysfunctional for a successful future? Does it attract the right people? Does it produce behavioral patterns and beliefs that match the future requirements of the market and surroundings? And most importantly: Does this culture support our visions and ambitions, and does it help us implement our strategy or does it stifle us?

### **Shaping cultural transformation**

The effective development of corporate culture starts with the following three steps:

- 1 Record your future visions for your business. Where do you want your company to go? Preferably, condense the essence of all strategic visions and papers to two to three pages in a top management meeting.
- 2 From this, derive the cultural demands for your company's future. What kind of behavior do we need to implement our strategy? What values and dogmas are essential for our success in the future? To achieve this, we recommend holding a workshop involving top management to work out causal relationships between culture and business. This gener-

ates joint visions regarding a company's desired culture via stories, images and vivid descriptions.

- 3 Explore the existing culture. What artefacts can be observed? What dogmas and unwritten laws are adhered to? What unshakable basic beliefs govern the company's actions?

### **Methods from cultural analysis**

Even though there are countless questionnaires on cultural analysis, we also recommend using dialogic and analogue exploration methods when exploring culture. We use the following methods successfully in practice:

#### **Analogue representation**

Groups of employees draw pictures of people who symbolize this culture. The following question helps: Let's pretend our company was turned into a person over night. What does this person look like (age, sex, clothes, hobbies, character traits, behavioral patterns, etc.)? After that, this person's behavior can be explored in terms of future topics, requirements to change, etc. and the essence of the findings can be evaluated.

#### **Workshops with randomly chosen groups**

Initiate a dialogue based on the dimensions of the cultural web. What heroic stories and symbols can we find, what taboos are there, what is being rewarded/punished, how can we make a career, how do we deal with customers, how does management behave, how do we communicate, what structures and rules govern our actions, how do we learn? In these workshops, assessments from different perspectives are collected ►

and dominant patterns are established. This way, you can get to the basic assumptions. »Scenic representations« (sketches) of dominant behavioral patterns that help emotionally experience those basic assumptions are particularly effective and fun.

**Obtain external perspectives**

Exploration interviews with key customers/internal process partners or invitations to workshops (with questions similar to those in the employee workshops) contribute to exploring corporate values from the external perspective, too.

**Work with archetypes**

Exchanging thoughts and ideas on archetypes in an inspiring workshop helps explore dominant patterns and enables you to talk about culture.

**Defining areas of cultural tension**

Based on this cultural exploration and the business's cultural standards, you can work out the cultural development needs very easily. A simple list with three columns works well:

Like before	Away from	Towards
What behaviors and dogmas can we continue to use?	What dysfunctional behaviors and dogmas do we have to let go of?	What new behaviors do we need that will strengthen our future?

**Seven levers to trigger transformation**

Culture can never be transformed directly. The dysfunctional pattern of »in our company, mistakes are punished socially, which is why we always tread carefully« can never directly evolve into the desired behavior of »we trust in ourselves and try out new things and in this context, mistakes are naturally made that we can use to learn for the future.«

The least useful – but all too often practiced – methods are cultural campaigns, road shows, events and indoctrination events. These formats only produce lots of hot air and promise a brave new world and yet

little ends up in the daily business. The result includes growing cynicism among staff and a wasted opportunity to actually change something.

What levers can now lead to creating new experiences for people to transform mindset and behavior? The following seven starting points have proven particularly effective:



**Achieving success with new restraint trials**

This requires room to experiment – in agile language, this means sprints, rapid results and initiatives in which small groups are encouraged to try out new behaviors. If this makes them more successful than they used to be with previously practiced behavior, new dogmas are created. If the desired culture requires more cooperation and less of a silo mentality, sprints in »cross-functional« teams are a good fuel for generating new behavioral patterns.



**Adjusting structures, rules and systems**

Structures and systems (organizations, rulebooks, systems of remuneration, performance management, ...) impact behavior and thus, the development of unwritten laws. In order to trigger a cultural transformation towards »more collaboration,« the remuneration of managers and employees must not be based on individual success only. Structures and systems must support the development towards the desired culture. This requires the courage to reconstruct the silos, abandon traditional systems and consistently introduce new systems.



**Giving culturally fit people power**

People follow those in power, which is why staffing decisions (new hires, career steps or dismissals) are significant measures, as they shape the culture. Leadership requires people whose personal value structure and dogmas match the desired culture. Also be prepared to get rid of people who poison the desired culture.





### Experiencing culture through communication

Communication rituals, dances, parties and the like have influenced many cultures for millennia. The rituals of 21<sup>st</sup> century organizations include meetings, pitches, management conferences, town halls, employee events, workshops, off-sites and many more. In the spirit of the desired culture, these must then be designed differently to actively influence the corporate culture. If your goal is »more transparency and openness,« for instance, you need communication formats that make these values perceptible. Power-Point battles or staged show events are being replaced by formats such as tactical or governance meetings from Holocracy, Go to Gemba, dialogue-oriented settings in workshops or large group events. Using good communication formats, you can easily influence culture; people can feel if they are being treated authentically or just seen as resources to achieve economic figures.



### Initiating a learning process among management

Cultural transformation cannot happen without development within the management. Managers must themselves become the place of cultural renewal. Ideally, you should start by reflecting on your own values and convictions. That way, managers can become aware of their role model status for the employees' behavior. If you strive for a culture of commitment and increased individual responsibility, for instance, you can only be successful if you (the managers) consistently stick to agreements yourselves. When you assume full responsibility, you should follow the motto of »follow me« instead of »forward.« This lever can only be triggered by joint development among management teams (this applies to executives as well as management teams on the shop floor). This requires personal reflection and thinking in management teams where new behaviors are experienced and directly implemented in the everyday work. This joint cultural work in management teams typically triggers practical momentum that can be felt by the employees. It's all about creating new experiences to develop a new mindset and new behavior patterns.



### Creating spaces and environments

Humans are influenced by their surroundings. City dwellers have a different culture from people living in the countryside; those living in the mountains think differently than island inhabitants. Artefacts such as offices, meeting rooms, customer areas or factory buildings also strongly influence the life that is possible inside. In the spirit of the »outside-in« principle, cultural transformation also requires spatial change and the »reconstruction« of artefacts.



### Consciously using symbols

People get their bearings from symbols (as we sadly know from history) and love to retell stories. Cultural transformation requires credible symbols of the desired culture. In the film »Invictus,« Nelson Mandela shows how symbols can be transformed by means of tenacity and how a united country spurred its »Springboks« on to win the title at the 1995 Rugby World Cup in South Africa. Above all, to make symbols work, you need credibility and authenticity – we strongly urge you not to use staged campaigns. Stories influence unwritten laws particularly strongly. Heroic stories from the past live on to this day. Effective cultural transformation creates new, positive stories that initiate a new cultural era and that people proudly retell. Strong emotions and the feeling of »I want to be a part of this« generate unexpected levels of power.

## A journey worth going on

Cultural transformation is an exciting journey into an unforeseeable future. It can never be planned in detail beforehand. Successful cultural transformation requires a few committed people, strong pioneers and an invitation to participate. It pays to follow the principles described earlier. Additionally, you will need a lot of endurance. Ideally, excitement is contagious. After all, there are few more exciting things than making your corporate culture fit for the demands of the future. And as many leaders experience: It's also a journey where you grow as a person. ●