

TRANSFORMING CORPORATE CULTURE

by Manfred Höfler, Carola Gasser-Trinkl and Franz Schwarenthorer

Shaping Cultural Change

Strategies are quickly rewritten, structures can be changed top-down with enough power, and heads in management are reassigned – in many cases, the corporate culture remains the same. Yet, how can the organization's paradigms be changed in such a way that new behaviors are brought about and new attitudes are created? In most cases, it is these new behaviors that are urgently needed to enable future success. It does not matter whether it is about implementing new strategies, strengthening agility, being attractive on the labor market, or dealing with the issues of sustainability or digitization. One of the key questions here is: how do you manage to say goodbye to deeply ingrained patterns and beliefs? Beliefs that produced great results just three years ago but are now long outdated or even counterproductive?

Cultural transformation is one of the most exciting but also most demanding change challenges. Cultural change is a journey that needs a lot of energy, courage, and perseverance. Yet, this can also be a fulfilling journey on which you can look proudly back years later on the achieved cultural change. There is no one size fits all: every cultural transformation journey is unique, but there are still a few fundamental principles that need to be observed.



Culture is the deeper level of basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and define in a basic 'taken for granted' fashion an organization's view of itself and its environment.

Edgar Schein

What Does Corporate Culture Mean?

Before dealing with cultural change, it is important to understand what corporate culture is and how it develops. A simple explanation: existing culture is the sum of unwritten laws to which the employees adhere (“The way we do things around here”); it is the lived values and norms (not the written-down ones) that shape behavior; and a few basic convictions or beliefs must not be questioned. It is precisely these beliefs that help enormously in everyday life: they reduce the complexity of decisions, create a common understanding of how people see the world, business, and work, and produce a sense of “we” in everyone. Yet, it is precisely these beliefs that are the greatest barriers to necessary change, that blind us or create behavioral patterns that hold us captive.

Where does our present culture come from?

Today’s culture stems from the past, the result of repeated behavior that led to success at some point. It was strongly influenced by the personal values and beliefs of founders or past influential people. Even if these have long since ceased to be active in the company, their “spirit” is still omnipresent. Look at the biographies of Elon Musk, Ingvar Kamprad or Steve Jobs, and you will understand the culture of Tesla, IKEA or Apple a lot better. Also look at how a company has overcome a crisis in the past, or at the heroic stories being told, and you will know more about today’s unwritten laws.

In addition, national cultures, the logic of business, and dominant professions shape the way things are done in an organization. Be it retail, pharmaceuticals, construction, social care, or software – they simply attract different people and follow a different logic. Some national cultures are very hierarchical while others are more equal, culture in law firms might be more confrontational, while social workers might focus on consensus building. This coming together of different origins of values and beliefs needs to be understood before approaching a cultural change.



How to Deal with Cultural Changes

There is no good or bad culture

The only relevant question for evaluating a corporate culture is, what mindset and behavior we need to be successful in the future and to satisfy our stakeholders, i.e., customers, employees and owners? This means that culture is not a “soft aspect” for HR, as is so often wrongly assumed. The question of the appropriate culture must be strongly oriented towards the business. Should you want to evaluate your culture, always ask yourself the following questions: how well does the existing culture support the current requirements in the business, and how well can future success in the business be achieved with the existing culture? Issues such as quality, employee attractiveness, profitability, time-to-market, market positioning, security, customer satisfaction, innovative strength, etc., can be important points of reference for the fit of your culture.

Caution trap

Far too many initiatives aimed at cultural change fail. Why is that? What are the typical pitfalls? First and foremost: forget value campaigns. Often cultural change is understood as a well-intentioned campaign with 3–7 defined new values, with nice posters for employee inspiration of a brave new world. The effect is next to zero – employees are often left behind, frustrated and cynical, when these new values do not correspond with reality. Particularly with re-branding initiatives, attempts are made to work on the culture as well, an undertaking that is usually doomed to fail. Other sure ways to fail: starting with a bang, but after 3–6 months, the magic is gone. Cultural change needs time and perseverance – rather think in terms of 2–5 years than months.

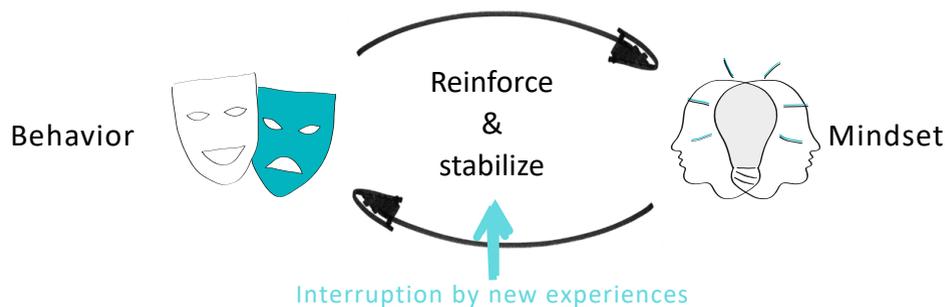
Cultural change needs new experiences

Culture per se cannot be changed directly. There is no formula on how to bring about a culture of “more errors, more innovation, more entrepreneurial courage, more trust, more collaboration, more customer orientation” etc. – plus at least 50 other more-ofs. Cultural development is always a game of bank shots. It is about creating situations and generating experiences for people that pay into the “more of”.

To engage in a new behavior, people need to make tangible new experiences. Why is that so? Because behavior and attitudes are mutually stabilizing. People only engage in a new behavior when they have had positive experiences with it. This is best explained with an example: there is an unwritten law in a large corporation saying, “When there are problems with a project, we inform our project sponsor as late as possible.” This leads to the behavior that everything is always assumed to be “fine” in the project review. However, the mindset behind this is: we are afraid to tell the truth and admit mistakes.

Counting stories

Your company probably has stories that are also told repeatedly, that contribute to a certain behavior by everyone. Stories confirm our beliefs and are artifacts of self-defined truths. Take, for example, the cultural goal of “we need more collaboration to provide a complete customer experience”. However, if certain stories currently dominate (be they about how individuals became heroes due to their firefighting actions or how individual performance gets the applause), then more collaboration will only emerge from new stories: If a new customer was won only through a special team effort, if two previously hostile departments suddenly joined forces, or if a business-building innovation was only made possible by the interaction of several sites: you want to develop a new culture? Then you need a new narrative. A credible and attractive story (or stories) might ensure that new behaviors can be repeated and that new beliefs slowly take root.



Effective Levers to Change Corporate Culture

Once the business direction is clear and you know which behavior and mindset need changing, one big question remains: HOW? Let us look at it with an analogy of a garden design: sometimes hard cuts are necessary to let the sun through, some plants need to be replaced, irrigation has to be built, and fertilizer has to be added to the soil, while weeds have to be removed. The plants themselves have to grow, but it is the gardener's job to provide a good environment. For that purpose, the gardener of a new corporate culture has five tools at their disposal.

- 1 -

Create experiences of success

Think of personal experiences, for example, in sports: how easily successes lead to a new pattern of behavior. The same is true with cultural change. Design sprints with small groups try out a new behavior in a safe environment which brings business success. No little games but practical initiatives up close and personal with the business. If this succeeds, an experience is created to do things differently in the future. Here is an example: during a merger, two sales cultures were consolidated. This was only successful after mixed sales teams were able to land five additional attractive customers in a few 100-day "sprints" with the new cooperative behavior.

- 2 -

Getting the right people rolling

Without personnel changes in some positions of power, real change rarely happens. Promote people with fitting attitudes and behaviors for the desired culture, but you should also free the company from people whose values and beliefs are at odds with the new culture. A separation process, which is often not easy, should be initiated when key people spray "poison" and simultaneously the feeling that they are indispensable to the business.

- 3 -

Adapt structures and systems

People behave the way structures and systems demand of them. For this reason, people need new framework conditions to change their behavior. We all know from personal experience how strongly familial, social or professional environments influence our behavior. Collective behavioral changes (new patterns) also need a changed environment. If, for example, you want to focus on more collaboration in an organization structured with profit centers, this will only be possible by radically changing the bonus system or completely reorganizing its structures.

- 4 -

Live leadership

Nothing works without authentic role models. If you want to establish a new behavior, top managers must be the first to live it. Only when managers stop advocating a new culture just with “soapbox speeches” but start following it in their daily work will employees trust that the cultural change is a serious endeavor.

There are three aspects managers need in order to learn new behavioral patterns: first, time and spaces for reflection on their own mindset and behavior in leadership teams. Second, direct feedback from employees, and third, development impulses from other cultural worlds (e.g., from artists, coaches, unconventional friends, etc.).

- 5 -

Use powerful symbols

Finally, strong symbols help to establish a new culture: introduce symbols of the new but also deliberately tear down old symbols (as was clearly shown in many countries after the end of communism). Ask yourself: what do you see as an authentic symbol for the values of a new culture? However, there are risks involved with using symbols for cultural change. People quickly sense whether it is all about a “show” or superficial signs (see many an office remodeling to exaggerate a New Work environment) or whether you are sending a strong signal that visualizes the seriousness of the change.

Examples of Cultural Interventions

Create success experiences

- Rapid Results Initiative (challenging goals in 100 days)
- Rapid Innovation Teams
- Market of Makers (promote business)
- Cross-functional sprint teams
- Try out agile working in day-to-day business



- Create experimental spaces for new behavior
- Psychological safety
- Relevant results
- Meaningful for employees

Getting the right people rolling

- Recruiting people with “suitable mindset” to the desired culture
- “Career” for managers who fit the target culture
- Removing key people with “unsuitable” mindset
- Consciously and consistently “remove” people who are “toxic” to the culture
- Consciously create new team mixes (heterogeneity, ...)



- Orientation for employees via a fit between the desired mindset and the mindset of decision-makers.
- No double messages
- “Walk the talk”

Adapt structures and systems

- Rebuild organizational structures and incorporate lateral elements into structures
- Readjust decision-making processes
- Strengthen roles and coordination circles instead of classic hierarchical structures
- Strengthen corporate responsibility for units
- OKR instead of classic MBO systems
- New rewards and incentive systems (e.g., team instead of individuals)
- Anchor cultural change in personal goals
- Create free spaces (time, salary, ...) for employees or teams
- Redesign spaces for different work situations: F2F, communication, conceptual work, virtual communication, informal contacts, reflection ...



- Remove hindrances to desired behavior
- Promote incentives towards intended behavior
- Create an environment or context where new behavior is encouraged “outside-in”, so to speak.

Live leadership

- Development laboratory, where new leadership patterns are tested and reflected upon
- Managers consistently “walk around”
- Dialogical leadership workshops – experiencing cultural aspects in simulations
- Values reflection in everyday life – keeping a personal journal
- Integrate retrospective as a standard ritual in meetings and leadership work
- Personal coaching for executives
- 360° feedback as a dialog process, where feedback is actively solicited in conversations
- External retreats – creating substantial personal experiences
- Peer explorations – colleagues get feedback on their leadership behavior
- Managers as coaches of future teams

Use powerful symbols

- Culture hacks – e.g., empty chair for customers
- Dysfunctional symbols are removed
- Customer contact artifacts that make you proud
- Conscious use of clothing, language, formality
- Increase value of internal environment (strengthen self-esteem)
- Immediately turn off action with “poison effect”
- Make desired mindset visible in artifacts



Create psychologically safe “learning vessels” for executives which can

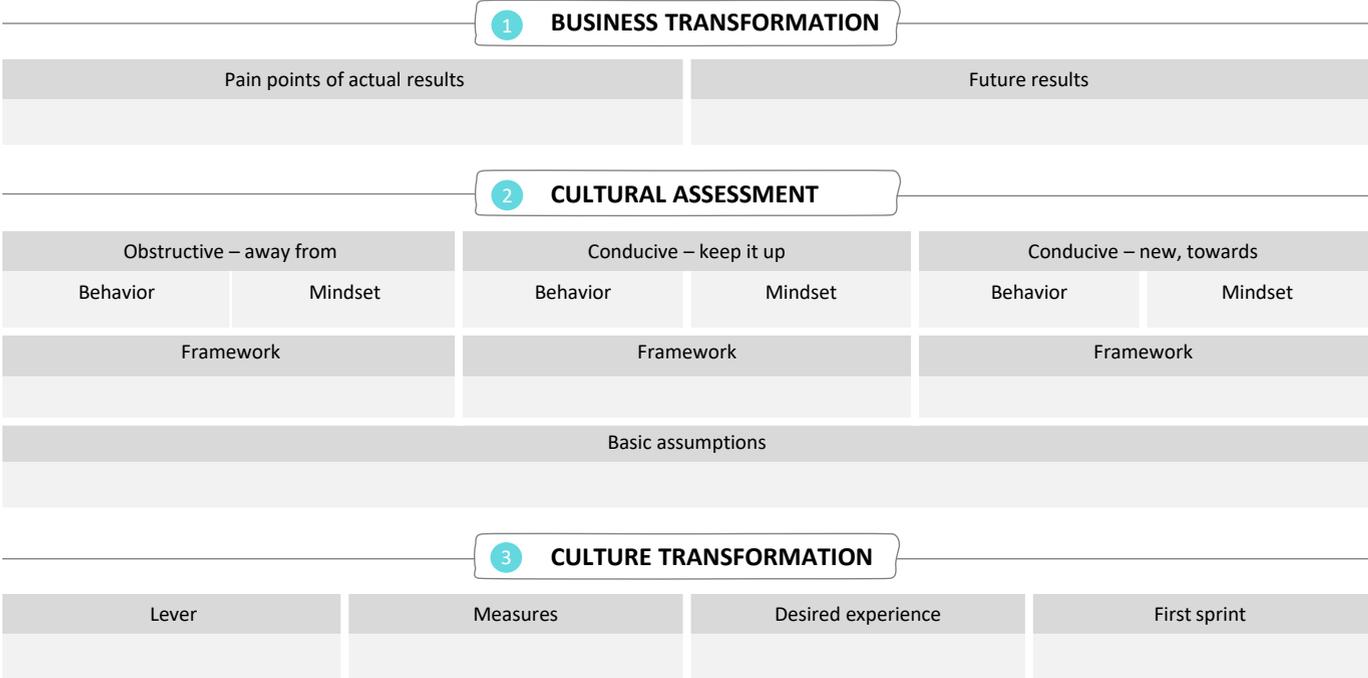
- help them reflect on their behavior and mindset in a familiar atmosphere,
- trigger new behavior, and
- help them immerse themselves in a very personal learning process.



Use the power of authentic symbols and stories to create a “credible” movement and win over the hearts of employees.

Culture Transformation Canvas

In the Culture Transformation Canvas, the relevant contexts of a cultural transformation are mapped in three levels. First, make the business challenges that are to be mastered by the cultural transformation explicit (Level 1). Then, based on a professional culture diagnosis, work out the cultural fields of action (Level 2). Third, define the cultural interventions (Level 3), which set the necessary impulses for changing attitudes and new behavioral patterns.



- 1 -

Business transformation

- Which of today's results are unsatisfactory?
- What business pain points do we have?
- What results do we want to achieve in the future?
- Maximum 4 to 5 points, (if any) reference to current strategy or business plans.

- 2 -

Cultural assessment

Behavior

- Which observable behavior describes the core of the current culture and is obstructive (away from) or conducive (continue as is) to the as-is business and the requirements of future business?
- What new behavior is (additionally) necessary to achieve desired business results?

Mindset

- What are the norms, values, and beliefs behind each behavior? This is just as much about an "away from" and "carry on" as it is about a "towards", so we may achieve envisioned future business results.

Framework

- Which structures, systems, instruments influence behavior and mindset? This also involves categorizing the evaluation of "away from", "carry on" and "towards".

Basic assumptions

- Which guiding beliefs are deeply ingrained in our DNA, most of which we might even be unaware of? These are hardly ever questioned and seen as objective "truths". Basic beliefs can only be changed in the long run or are the foundation of the organization's reason for existence.

- 3 -

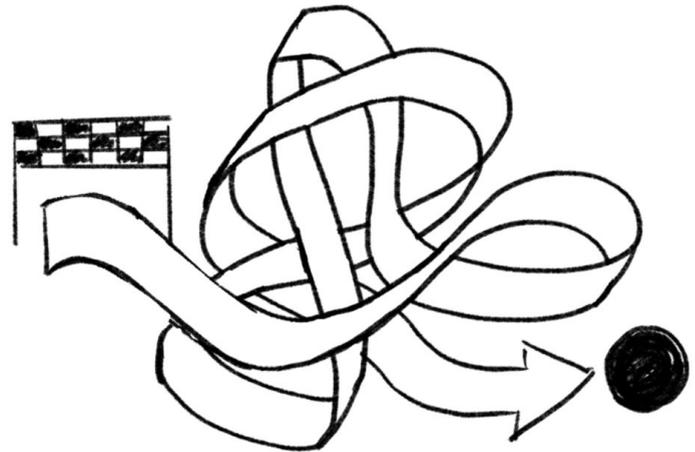
Cultural transformation

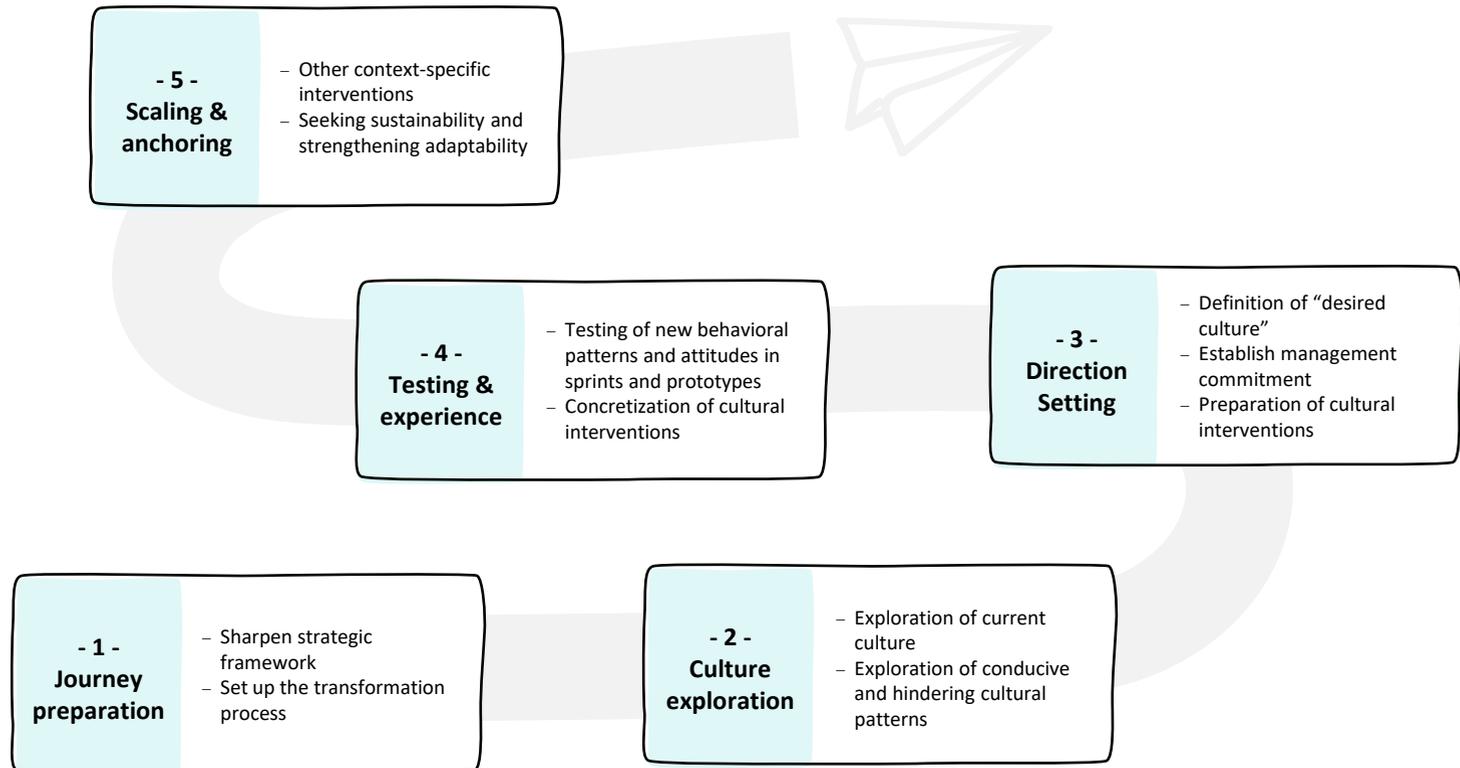
Interventions / Measures

- Selecting key interventions/actions that create experiences to move the culture towards business needs.
- The measures represent the start of a cultural development and, in the sense of an agile mindset, their effect must be evaluated repeatedly, and adjusted when necessary.
- For each measure, identify the associated leverage and wanted experiences.

Designing a Culture Transformation Journey

A cultural transformation is a joint expedition through five stages. At the beginning, a good journey preparation is crucial, to establish the business connection, and to create the necessary conditions for success. In stage 2, typical behaviors, attitudes, and cultural artifacts are explored, revealing the dominant patterns, and creating a shared understanding of the current culture for all stakeholders. Stage 3 establishes the basic cultural orientation and creates the necessary commitment for upcoming interventions. In stage 4, the first new experiences are created, interventions are planned and implemented according to the five levers, and the made experiences are evaluated. Then, stage 5 is about the sustainable anchoring of these, about creating a movement where increasingly more people subscribe to a cultural realignment.





Activities in Stages 1 to 4

- 1 -

Journey preparation

Onboarding

- Onboarding interviews with relevant managers: assessment of views on the situation, ambitions
- Look at experiences from past processes

Create business reference

- Sharpen business objectives and strategic positioning with top management
- Formulate cultural requirements for future business success

Process planning with a core team

- Stakeholder analysis
- Preparation of the exploration phase: coordination of methods, schedules, participants, invitations, infrastructure ...
- Preparation of communication process and design of a V.1 of the change story

First communication measures to stakeholders

- Town hall meeting for extended management circle
- Newsletter to all employees
- Structure intranet content

- 2 -

Culture exploration

Exploratory Interviews

- Employees interview each other about the company DNA

Exploration workshops

- Facilitated workshops with employees to explore the current culture using three sets of methods – 12 culture lenses, analog drawing of culture, exploring secret rules of the game: deriving development recommendations

Artifacts exploration trip

- Exploratory journey of a team through the world of artifacts (spatial, meetings, customer service, informal, ...)

Obtaining customer views

- Facilitated customer conferences and evaluation of existing customer feedback

Exploration evaluation

- Evaluation of results: what cultural patterns obstruct/benefit developments, barriers in the system, ideas for development approaches

Feedback with top management

- Evaluation of findings by delegates from workshops
- Derive common essence

- 3 -

Direction Setting

Description of “desired culture”

- Development of a cultural vision and translation of the vision into concrete action principles
- Prioritization of cultural fields of action (carry on, away from, toward).

Derive cultural interventions

- Development of a roadmap for initial culture-influencing measures
- Commitment of top management to agreed developments

Sounding of planned developments

- Obtaining feedback on culture description
- Feedback by employee groups on planned development roadmap
- Invitation of volunteers to actively participate in development measures

Broad communication about cultural development roadmap

- Workshop with an extended management circle
- Inviting all MAs to a virtual town hall meeting where the entire initiative is presented and invited to participate

- 4 -

Testing & experience

Culture hacks

- Inviting a group of culture pioneers who want to implement “culture hacks” in their respective areas

Rapid results initiatives

- Trying out new behaviors in small teams on a day-to-day basis (challenging goal, rule freedoms, small volunteer teams of 5–8, committed sponsor, home mindedness as guiding principle)

Piloting system changes

- Adaptation of hindering or blocking systems (regulations, structures, performance management, processes, ...)
- Temporary testing in delimited frameworks

Role concepts for key groups

- Workshop with group of role bearers – work on new role understanding
- Development workshop with the first two management levels

Cultural dialogue platforms

- Company-wide events (physical and virtual) with dialogue about corporate culture

Culture Exploration Methods in a Nutshell

If you really want to understand your culture, you should ignore most surveys and standard analyses offered on the market. Culture is best explored like a curious anthropologist or an explorer traveling to a new country. A good culture description is the basic prerequisite for professional cultural change. For this purpose, it is essential to use different “lenses” or to put on glasses. We caution against quantitative survey methods, as these offer a very truncated picture of reality. A professional culture exploration should make relevant behavioral patterns, mindsets, and basic assumptions visible, and initiate a good dialog between stakeholders (top management, middle management, employees, and partners). A few typical methods for this are the following:

Exploratory workshop with employee groups	Dialogical exploration of the “12 lenses” as cultural fields of observation	4–6 hours
Exploratory interviews by professional interviewers	Exploration of beneficial and obstructive patterns	1–2 hours
Exploratory journey by an exploration team	Journey through the company to explore artifacts (rooms, clothing, meetings, customer interfaces, etc.)	1 day
Experience workshops with employee groups	Representation of culture through sketches, drawings, etc.	4–6 hours



1

Sense & Purpose

What gives meaning (to) the organization?
What is its self-image?

2

Structures & Systems

Which structures, systems and (management) instruments determine behavior?

3

Leadership

How is leadership perceived? Who and what has shaped leadership so far?

4

External behavior

How do we deal with external parties (process partners, customers, competitors, etc.)?

5

Taboos & Fear

Which topics are not discussed?
What fears are there?

6

Stories, Myths & Rituals

Which stories are told repeatedly?
Are there important rituals?

7

Success

What behavior is evaluated as good/bad?
What is rewarded/punished?

8

Decisions

How are decisions made?
Are there recurring patterns to this?

9

Communication & Meetings

What are the (in)formal pathways?
How do meetings work?

10

Dealing with change

How do we deal with change? Who and what initiates change? What are people resistant of?

11

Influence & Power structure

Who has strength and influence?
How is that perceived?

12

Conflicts

How do conflicts arise and manifest themselves?
How are they resolved?

10 Moments of Truth in Cultural Leadership

- 1 -

When filling leadership roles

How does someone build a career, or how do they get an attractive leadership role? Do this person's values, mindset, and behavior match the proclaimed corporate values? If so, this gives a clear orientation as to what counts in your company. However, if someone is promoted who, for example, acts competitively while the officially proclaimed value is "collaboration", this will be neither credible nor will it have an impact on the desired collaboration culture.

- 2 -

In the consistent handling of deviations from agreed values

The following principle applies: there must be consequences after a sustained breach of the defined set of cultural values. This is where leadership is called for: actively dealing with these deviations, dismissals from roles or separations from employees are not HR issues but those of managers. After all, these leadership actions are the yardstick for everyone else in the organization to determine whether the leader takes their proclaimed values seriously, so much so that they are also willing to accept unpleasant conflicts. Ending work relationships are particularly challenging when it comes to employees who deliver top performance but prevent or even poison the desired culture.

- 3 -

When "walking around" – contacts on a personal level

People quickly notice when managers lack authenticity and hide behind their function. Managers successfully shape a corporate culture when they succeed in showing their human side and make it clear to people that their personal values fit with corporate values. If "appreciation" is communicated as a company value, serious contacts are proof of whether appreciation is really lived.

- 4 -

In relevant meetings

Leadership becomes visible in meetings. Cultural change can be particularly effective here. If, for example, a positive error culture is proclaimed, this is only credible if errors are dealt with in a learning-oriented manner in the next meeting, with open discussions of gained insights. Especially in meetings, deviations between desired behavior and lived reality can be addressed well. Those with the most (in)formal power can most easily initiate a dialog on lived culture.



Culture change always requires leadership. It is in these 10 critical situations that leaders must prove how serious they are about shaping corporate culture.

- 5 -

In company or town halls meetings

How does a manager face their employees when good news have to be communicated or delicate matters discussed? Formal or over-staged, restrained or authentic, top-down or in an open dialog? Time and again, managers want company meetings to run as smoothly as possible or be predictable. However, this deprives them of a huge opportunity to influence culture. Town hall meetings in which dialog, emotions, and authenticity can be felt in a large group can have very magical moments. It is worth working on how to answer sensitive questions openly, how to inspire people with personal messages.

- 6 -

When making investment decisions and setting priorities

Project decisions and budgets can be used to determine whether a cultural development intention is a fair-weather or a serious program. For example, if you want more customer orientation or entrepreneurship, this also requires a corresponding investment in money and time. Serious cultural transformations can also be recognized by whether a “positive cultural impact” is a decisive criterion for future investments.

- 7 -

In dealing with crises or difficult situations

Is cultural leadership like sailing in fair weather with a wind force between 4 to 5? Is the proclaimed cultural value sustainable even with a tight economy? Cultural change requires perseverance and the willingness to not be knocked down by short-term ricochets. Employees keep a close eye on the top management’s ongoing commitment to culture when the pressure on business results increases in the short run. People will embrace new behaviors if they feel they have sufficient backing from decision-makers.

- 8 -

When organizing feedback

As a manager, are you also prepared to ask for open feedback on your own behavior or do you only want to hear supportive stories? Only managers who are open to putting their own behavior to the test will drive cultural change. It is about listening carefully to the positive and negative impact you create, and to find out where personal development is necessary. Someone who wants to influence others’ attitudes needs a will for lifelong learning.

- 9 -

When getting involved in different worlds

Managers can influence culture especially when they understand, accept, and are willing to engage with different cultures, their rituals, languages, and systems. Production line workers, controllers and salespeople, for instance, all speak different languages. While next-generation employees and "veterans" also have different mentalities. Cultural leaders enjoy being curious explorers, bridge builders, and integrators of different cultures. It is important that leaders consciously step out of their "bubble", that they learn to deal with diversity, are curious, and want to explore the unknown.

- 10 -

When setting priorities

Cultural work takes time, and in particular your valuable personal time as a manager. Your intended cultural impulses must be reflected in your calendar priorities. However, cultural leadership also needs your emotional priority and is not done inside of two months. It always (that means, on sunny and cloudy days) has a high priority in your leadership routine.

10 SITUATIONS

It is not always easy to keep an eye on all of these situations – sometimes it can be quite demanding or even overwhelming. Especially if you are in a middle management role and not as CEO or owner in charge.

Our tip: do a personal assessment in which you determine in what areas you can shape things yourself and in what areas you have to act within a given framework – you will see that your circle of influence is often larger than you would expect at first. Then focus on three "Moments of Truth", particularly concerning what you can actively do to advance a cultural value that is important to you. And the remaining 7 out of 10? In the beginning, it is best to avoid gross blunders and address them one at a time.



Cultural change needs energy
and serenity.

OUR 6 PERSONAL FAVORITES

- 1 -

Quickly promote situations where people can make new firsthand experiences with the new culture.

- 2 -

Create clarity on the benefits of the desired culture for future business success – what patterns do we need to achieve our vision?

- 3 -

Find the cultural tipping points – those pattern breakers that eliminate the particularly obstructive beliefs.

- 4 -

Pay attention to how your leaders behave, how authentically they model that which they expect of others, and how they show perseverance.

- 5 -

Focus on dialog with and emotional involvement of your employees – in exploring the existing culture and testing new behavioral patterns.

- 6 -

Avoid classic value campaigns, with printed posters, produced commercials, and tries to persuade employees with appeals.