The Case for
Culture

Unleashing your organization's potential
through six levers of change

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What was True Then, is True Now

It's amazing how much thinking can shift over just the course of a generation.

When I started Gagen MacDonald 21 years ago, culture was an afterthought. Back then, "business people" focused on activities you could count or engineer, like finances and operations, or ways you could vanquish the competition, like strategy. Culture was a second-level concern, if it was a concern at all.

For me, I knew from experience what a powerful force culture could be.

In the early 1990s, I was offered a job as the Chief Communications Officer at Navistar Corporation. As a child of the industrial Midwest, it was a dream opportunity. I was thrilled to have the chance to play a leadership role at the type of transformative, iconic company I had looked up to my whole life *(since the 1830s, Navistar had invented the mechanical reaper, produced the M-brand military trucks that helped win World War II, and aired the first ever paid television commercial, among many other accomplishments).*

But by the early 1990s—and after multiple transformations—the company came upon hard times. Deregulation during the previous decade had upended the trucking industry, foreign competition was eating market share, and the relationship between leadership and employees—defined by a series of highly

contentious failed labor negotiations—became completely adversarial. By 1996, our customer base was declining, product innovation cycles were twice as long as competitors, and we were plagued by crippling quality issues. I vividly remember being told in a presentation that we had a "two percent quality issue." I thought, "Only two percent of trucks have a quality issue? That's great!" It wasn't. Two percent quality meant that 98 out of 100 trucks that came off our production lines had to return for more work before they could be sent to dealerships.

As an executive team, we knew that we needed to better listen to our customers, increase our speed and agility, foster innovation, and bolster a sense of accountability. In short, we realized that for our strategies to stand any chance of success, we needed to change our culture.

Over the course of more than three years, we embarked on a journey to transform our company. We went out and relentlessly and holistically sought feedback from our employees to understand the roots of what had created our crisis in quality. What we learned was that what had once been perceived as a communication issue *("our message isn't getting through")* was actually a symptom of something much deeper: a corrosion of trust and respect between leaders and frontline employees. We had a deficit of what is now widely known as "psychological safety."

With that insight in hand, we became laser focused on reawakening pride and respect within our work force. We broke down walls

between leaders and frontline employees that had hardened over many years and empowered our people to take control of our future. We reinvigorated our brand, revamped our entire system of communication, changed our approach to performance management, increased the opportunities for dialogue with our executives, strengthened our leaders' ability to coach and develop their teams, and relentlessly measured our results. We changed our culture and the results were astonishing.
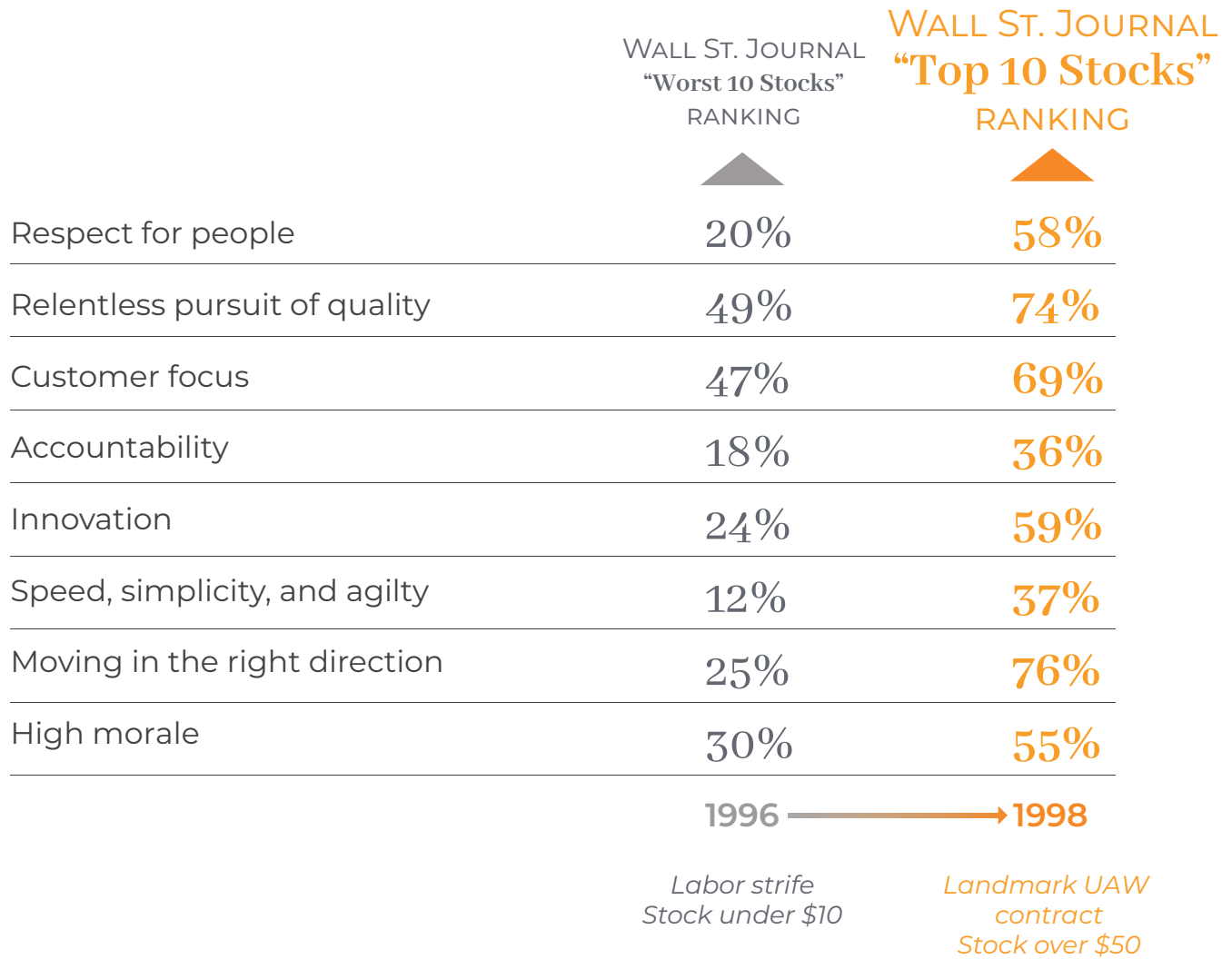
The experience at Navistar crystallized a lesson that has fueled my career since. I founded Gagen MacDonald in 1998 with the belief that the success of our companies resides with our ability to deal with the human struggle of change, with the conviction that our cultures are our most precious and powerful asset, and with the vision of transforming the world one dysfunctional company at a time.

What was true then is true NOW.

On a fundamental level—from fostering innovation to enhancing customer-centricity to boosting speed, simplicity and agility— companies today are contending with the same issues we were confronting at Navistar two decades ago.

Gagen
MacDonald

We Changed Our Culture and the Results were Astonishing...

	Wall St. Journal "Worst 10 Stocks" RANKING	Wall St. Journal "Top 10 Stocks" RANKING
Respect for people	20%	58%
Relentless pursuit of quality	49%	74%
Customer focus	47%	69%
Accountability	18%	36%
Innovation	24%	59%
Speed, simplicity, and agilty	12%	37%
Moving in the right direction	25%	76%
High morale	30%	55%
	1996 ⟶ 1998	
	Labor strife Stock under $10	*Landmark UAW contract Stock over $50*

In fact, the broader business world has caught up to the insight that our companies' fortunes reside largely with their cultures. For instance, if you use the topics covered by the Harvard Business Review as a barometer for where executives are currently focused, it's plain to see:

Culture has gone mainstream.

Today, corporate culture occupies a growing share of executives' consciousness and it is an ascending focus for large organizations. Reams of data substantiate this trend. For instance, a PwC survey of 2,000 executives and employees conducted in 2013 and again in 2018 showed that over the course of just five years, the number of respondents who claim their company's culture will need
to evolve over the next three to five years has increased by nearly 30 percent.[1]

Similarly, according to a Deloitte study, 87 percent of organizations surveyed described culture and engagement as either "important" or "very important" to their success. This ranked as their single most important concern.[2]

So,

why is culture on the rise?

Four out of five employees say their organization's culture *needs to* EVOLVE over the next 3-5 years

[1] https://www.strategyand.pwc.com/global-culture-survey

[2] https://www2.deloitte.com/insights/us/en/focus/human-capital-trends/2015/employee-engagement-culture-human-capital-trends-2015.html

Culture on the Rise

To understand why culture is commanding more attention, it's important to understand how the tides of business are shifting. In particular, there are five specific forces in our economy today that we must equip our organizations to confront and that have implications for the development and evolution of our corporate cultures.

1 Strategies' shrinking shelf lives:

We are operating in an incredibly dynamic marketplace. Over the last decade, we've seen both the disintegration of established industrial borders allowing traditional companies to compete in new markets, as well as "black swan" startups to turn whole industries on their heads. This has been widely referred to as "an era of disruption," and its causes and consequences are increasingly governing our approaches to management.

A generation ago, corporations were deliberate and methodical in the development of strategy—often a monthslong and highly laborious process—with the expectation that the end product would serve as a durable three to five year roadmap for sustained growth. Strategy can't function in that manner anymore. A strategy born today may find itself inhabiting a radically different market in five months let alone five years. While identifying and tending to a company's "big bets" is still a chief responsibility for

executives, as President Eisenhower once said, "No plan survives first contact with the enemy."

As we confront disruption, there's a growing recognition that our ability as organizations to operate with fluidity, respond and pivot to shifting circumstances, and seize sudden opportunities is as important as our ability to develop and manage detailed strategic plans. These are characteristics that emerge from culture.

2 Innovation is a greater focal point than ever before:

It's harder than ever to anticipate where competition will come from and from what direction disruption will occur. We cannot rely on outpacing our competition by simply trading blows. As Amazon proved to the retail industry, as AirBNB has proven to the hospitality industry, as WeWork has proven to commercial property owners, if you focus on the activities of your current competitors, a new threat will inevitably emerge unseen. Instead, we have to engage in competition against ourselves through continuous and relentless innovation.

Fostering innovation doesn't just necessitate a supportive culture, it stems from it. CEOs agree. According to the Conference Board's C-Suite Challenge™ 2018, CEOs ranked "creating a culture of innovation that encourages cooperation across functions and business units and promotes risk taking" as their top concern in achieving greater innovation for their organizations.[3]

3 We need to empower employees closest to the customer:

From basic web capabilities introduced 25 years ago to the functionality of phones today, a major outcome of the rise of digital technologies has been the degree to which commerce has sped up and customer expectations have changed. As individual consumers—or even as business-to-business customers—we expect that companies engage with us at a pace and in a manner that comports with the rest of our lives. As a result, generations-old systems and processes that have served to filter information up and down a company's hierarchy have been rendered moot: We simply aren't afforded the time we used to possess to allow upper management to make every decision.

Instead, top leaders have needed to relinquish control and empower employees closest to the customer to make sound decisions on the enterprise's behalf. Without this mechanism of control, companies are increasingly relying on their cultures to ensure that employees deliver a brand experience that reflects the organization's values and supports its strategy.

4 Changing workforce dynamics:

The composition of our companies has grown greatly in complexity over the course of a generation. There are many reasons for this.

- We are operating in an age of sprawling, multinational corporations where our workforces are spread out globally and across time zones and draw from dozens of unique cultures.

- We have an unusual generational mix of traditionalists, baby boomers, Gen X, millennials, and now an influx of Gen Z comprising our ranks. This particularly strains the way we work as we contend with the wide variations in digital literacy and world views.

- Frequent mega-mergers, and the general rush of merger activity, has created companies with multiple—and sometimes dozens—of prominent legacy sub-cultures. According to a study of 4,500 international mergers between 1989 and 2013 published in Harvard Business Review, when two companies are highly culturally mismatched, the acquirer experiences a $600M drop in annual revenue.4

- Workforce mobility is an increasingly prominent concern for our companies as younger generations have shown a greater appetite for frequent career moves.

- We are also facing both a labor shortage and a talent gap, especially in emerging areas like coding and data science. According to the Korn Ferry Institute, the global talent shortage could reach 85.2 million people by 2030, resulting in $8.5 trillion in unrealized revenue.5 The battle to attract and retain the best talent is fierce and culture is a key feature of any company's employee value proposition.

Whether it's across geographies, generations or legacy companies, having a strong, well-defined common culture is one of the few qualities that unifies a diverse organization. As large companies factor acquisitions into their strategic plans, they will need to proactively enhance their culture integration capability.

4 https://hbr.org/2018/10/one-reason-mergers-fail-the-two-cultures-arent-compatible
5 https://www.kornferry.com/institute/talent-crunch-future-of-work

5 Internal reality shapes external perception:

Consumers today have expressed an expectation that companies act as both responsible and purposeful citizens and employers, and they have shown a willingness to reward companies by spending more (and more loyally) with companies whose values they admire and to punish those they don't through boycotts, activism and divestment. The walls between a company's internal and external lives have disintegrated: An employee relations problem can be a reputation problem in minutes, and news anywhere is news everywhere. There are many examples of companies whose reputations—and bottom lines —have suffered due to problems that were born in their workforce. To avoid these types of scenarios, companies need strong cultures that are rooted in a sense of mutual benefit between executives and rank-and-file employees, psychological safety, and organizational purpose.

Across all of these factors that have given rise to culture as a focal point for corporate management is a common quality: Increasingly, cultures possess an ability to serve as a competitive differentiator. At a time when it's difficult to set ourselves apart strategically, innovation is essential. As nearly every large company is juggling the complexity of managing diverse organizations, and in a fierce battle to acquire talent, culture is the rare asset that's not only irreplicable, but sets us apart in the marketplace.

Culture is the RARE ASSET that cannot be replicated *or* imitated.

A Paradigm for
Cuture Change

The Question Then Becomes:

How do we intentionally cultivate our cultures to reverse the failure rate of strategic initiatives that has restricted the potential of our organizations for decades?

Cultures are extraordinarily complex because they are amorphous and evolutionary. Humans are emotional creatures whose behaviors are difficult to trace. When you combine thousands—and often tens of thousands—of individuals, the complexity increases exponentially.

Shifting a culture in a strategic manner requires a solid understanding of a culture's roots, how it functions and where you can thoughtfully intervene.

What is Culture?

Culture is an eco-system that drives the behavior of the tribe. It is forged through intentional and unintentional beliefs that are shaped by experiences.

The most common mistake we have seen over decades of helping large companies hone, evolve and improve their cultures is the notion that cultures are synonymous with behaviors. This is a false concept. Behaviors are the byproduct—as well as driver—of cultures, not the culture itself. Culture change efforts frequently fail because they promote new behaviors without doing the deeper work necessary to make those behaviors possible.

Shared Beliefs

Cultures are formed—and evolve over time—based on the beliefs shared by a community of people. When these shared beliefs take hold among a critical mass of individuals, they inspire a common pattern of observable actions. The adjective we use to describe these sets of common actions becomes the label for our culture.

So, where do beliefs come from? Beliefs are formed from experience.

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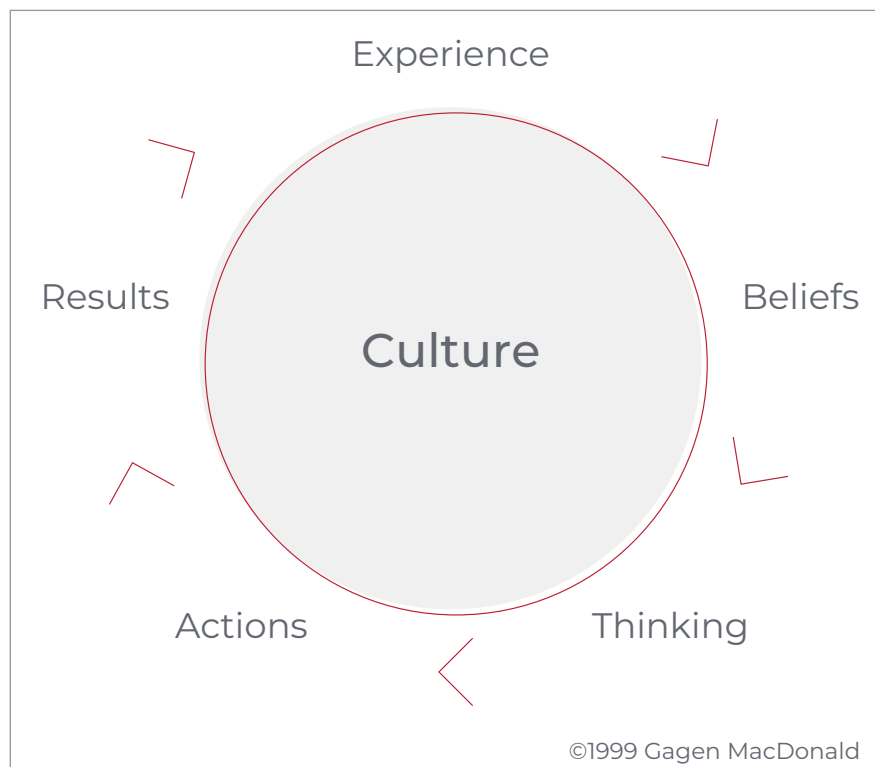
Every day at work, we encounter countless bits of information, tiny signals ranging from the clutter in our break room to the tone in our boss's voice to the hierarchy of information on our intranets. We are constantly analyzing this mix of information in order to better understand our companies' priorities and values, future direction, and the behaviors they reward and encourage. The conclusions we reach from this analysis form our fundamental beliefs. Our beliefs inspire our actions. Where our beliefs and our colleagues'

beliefs overlap, we get a massive collection of similar actions. This collection of common actions is the result of our culture.

On the following page are examples of five cultures many companies today are trying to facilitate. In each case, here is a small sample of how experience shapes thinking, forms belief and inspires action.

Five Example Cultures:

	Experience	Thinking	Beliefs	Actions	Results
Accountable culture	When my boss makes a mistake with me, s/he acknowledges it in front of our team.	Sitting on your hands won't help you get ahead.	Taking ownership is the key to success.	Raise my hand, take a project on and live with the outcomes.	Projects get done quickly and efficiently.
Customer-centric culture	The company invested in expensive new technology that allows customers to reach us much faster.	They're serious about serving the customer's needs.	Customer comes first.	Solve problems for customers, even when I could tell them someone else will call them back.	We always deliver our brand.
Innovative culture	My boss is fine with me trying something new and failing, as long as I did my work competently.	As long as I am thorough and accountable, I have license to experiment.	As long as I am focused and trying my best, I can fail and still succeed.	I take smart risks, try new things and do them to the best of my ability regardless of result.	Not every project succeeds, but we move fast, learn from our failures and our successes are major break-throughs.
Growth culture	We are encouraged to work on projects that redefine the market.	Our leaders are willing to move beyond just focusing on the numbers.	I am able to develop core competencies to capitalize on new opportunities.	I put my entrepreneurial mindset to work.	We are a top performer in our industry and quick to enter new market segments.

Recently, Harvard Business School professor Gary Pisano published a fascinating article in the Harvard Business Review entitled "The Hard Truth About Innovative Cultures." One of the findings of his research, for instance, is that to achieve innovation, you have to embrace the tension of dichotomy: There is a flip side to every behavior you desire. As an example, if you want employees to be innovative, you can't just create the belief that failure is acceptable: You must simultaneously create the belief that incompetence won't be tolerated. It's only through this complementary system of beliefs that innovation—or any other number of cultures—can thrive.[6]

Similarly, many companies today are calling for greater organizational agility. In a dynamic marketplace, these calls make obvious sense. But what does agility look like in action? Last year, our partners at APCO Worldwide sought to find out. In surveying more than 500 executives from Fortune 1000 companies, they found that highly agile companies—which greatly outperform competitors financially—are supported by enterprising cultures. These cultures, according to their research, share certain common behaviors, such as integrating diverse perspectives. As result, if we want to achieve greater agility, we can't just simply call for agility, we must create the belief that we reward employees who bring diverse teams together to solve problems.

HBR.ORG
January–February
2019

Harvard Business Review

THE HARD TRUTH ABOUT INNOVATION
It's One Part Creativity, One Part Discipline.
62

So,
IF YOU WANT TO CHANGE YOUR CULTURE,
you can't just simply state your desires or objectives.

Instead,
YOU NEED TO SHIFT BELIEF.
This means you need to intentionally and deliberately change what employees experience each day.

These new experiences will jolt your ecosystem by introducing new bits of information for people to process and digest.
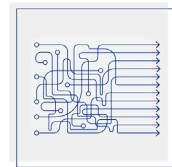
The Six Levers that Shape Employee Experience

To take a holistic approach, the employee experience can be mapped over six co-mingling levers. These levers can be dialed up or down at various moments, based on where your needs currently exist. They are:
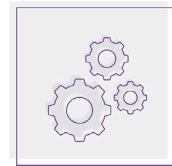
1 VALUES

2 ENERGY

3 BEHAVIORS

4 SYMBOLS

5 SYSTEMS

6 COMMUNICATION

It's important to note that these six levers don't operate in neat silos or have clean borders. They touch, frequently overlap and they are highly permeable. Changes in any one tend to color another, and they're often interdependent. The power of these six levers isn't that they can be engineered like a machine, but rather they provide an expansive and comprehensive vantage point through which you can systematically assess your employee experience. Many activities contain elements of multiple levers simultaneously at work. The goal in utilizing these levers as a resource is not to definitively determine in which "bucket" each individual activity sits, but instead to gain a sense of which levers are not being proportionally utilized, or where various elements of your employee experience are misaligned.

In our experience, when these levers are neglected or work in conflict to one another, they breed disharmony. Disharmony breeds dysfunction. Dysfunction leads to the graveyard of failed strategies. However, when these levers work together to create patterns of consistent information, build shared beliefs and operate in alignment with a company's strategic direction, they unleash incredible potential.

On the following pages is a short synopsis of how each of these levers operate, and practical examples of ways they've been utilized to drive performance.

When these systems work together, they unleash

INCREDIBLE POTENTIAL

1 VALUES

The principles, statements and philosophies that guide an organization's internal conduct as well as its relationship with the external world.

Decision-making continues to be distributed more broadly throughout companies. To move with speed, simplicity and agility, decisions once made by executives are now made by lower and middle management, and decisions once made by lower managers are made by individual employees. While the executive leaders have relinquished control over many decisions, they still possess the ability to help individuals make sound decisions on the enterprise's behalf.

To this end, values are among the most powerful instruments we possess.

When done correctly—and supported by other levers—values are an extremely powerful way to guide decision-making and behavior. For instance, if a company is clear and consistent in placing value on teamwork—and if it supports that value through other levers (a critical if)—when addressing a complex problem, employees will be naturally cued or prompted

to assemble a diverse group of minds and function as a team. This is less likely to happen in a company that places its value, for instance, on speed.

In many cases, values can feel static, rigid and detached from a company's day-to-day life. That's likely because the organization's stated values are not aligned to its operating priorities, market pressures or on-the-ground reality. For this reason, executives should consistently pressure test their values, ensure that they're in line with their broader management philosophy and practices, and then both express and live them relentlessly.

Case Study

STARBUCKS | Culture of Inclusion

Across the country and around the globe, in communities of all shapes and sizes, Starbucks strives to welcome the world. To deliver a welcoming brand, the company needs a welcoming culture. This is baked into Starbucks' stated core values, one of which reads: "Creating a culture of warmth and belonging, where everyone is welcome."

While many companies state their commitment to diversity and inclusion, Starbucks has gone further: They have truly made diversity and inclusion part of their brand and culture. They have accomplished this through significant effort and investment. Two examples rise to the surface. First, since the company went public in 1992, it has provided benefits to both part-time and full-time employees, including same sex and domestic partner benefits. Similarly, Starbucks has hired 21,000 military veterans since 2013 and pledged to hire 25,000 by 2025. In both cases, Starbucks has shown a willingness to take bold actions to bring people with diverse backgrounds into their work force and have made their values more than just a set of words.

Case Study

NETFLIX | "Freedom & Responsibility"

Netflix is among the world's most innovative and disruptive companies, in large part for the way it has lived its values of trust and responsibility. Since founding the company, CEO Reed Hastings has known that the best way to stay ahead of the curve is to ground all employees in a robust understanding of the customer's needs and trust those individuals to find ways to responsibly deliver value. As an example, the company teaches employees to consult their manager only when they are uncertain about how to make the right decision. Conversely, the company teaches managers that their leadership responsibility is to "set context" for employees, not to micromanage their every maneuver. This values-propelled framework has been consistent throughout the organization's stratospheric growth, and has helped the company increase revenue by approximately 1,500 percent over the course of just a decade.

Advice:

Having strong values does not mean you have a strong culture. Your values will only shape your culture if they are relevant to the choices your employees make each day. Do your values align to your brand promise and the experience you want to deliver for customers? Can employees practically apply your values to guide their own decision-making?

2 ENERGY

What we sense and feel – the atmosphere, ambiance, tone, pace and speed of how we work.

Humans are sensing creatures.

We focus so much on formal messages—what we tell people in presentations, in emails or through videos—but often lose sight of what we're telling them through their senses of sound, smell, taste and touch. As people, we are closely attuned to the energy of the environment around us. We're hard-wired this way: Our survival depends on it! For leaders, tending to energy is a powerful way to shape culture.

Imagine walking into a tech company where a pit full of coders sit laser focused on their screens, headphones plugged in, clamoring away at the keys at their fingers. The energy is intense and it feeds the environment. Without awareness of this energy and thoughtful interventions to offset it, this type of company is at risk of long-term burnout. It just can't be sustained.

In a call center, where days can feel monotonous and work can feel rote, you might confront an entirely different challenge. Rather than having to occasionally lasso the intense energy of coders, in call centers where focus on KPIs and the burnout from handling angry customers reign supreme, we need to find ways to introduce energy into the system.

Energy is both an output and an input. It's something all levers together help create, but also something that leaders can themselves put into or take out of a cultural system. By being thoughtful and strategic about how and when we create a sense of urgency, and mindful of the optimism or pessimism of our tone and body language, we have a great ability to change our cultures by using energy as a lever. This starts with being attuned to your organization's energy needs.

Case Study

Etsy | Office Space & "Crafternoons"

Etsy's platform is powered by ingenuity. It's a marketplace for shoppers to find things that don't exist anywhere else—something special and unique. The leadership team at Etsy understands that in order to make that possible, they need a team that is as creative as the site's sellers. To generate that kind of spark, Etsy created a work environment meant to inspire creative thinking. All 200,000 square feet of their headquarters are quirky and fun, offering a variety of indoor and outdoor meeting spaces, fully-stocked workshops used for regular "crafternoons," and, on a good day, a handful of dogs racing around. It's made clear that all employees are encouraged to take advantage of the more fun features of the space to ward off burnout at work. The same goes for new employees who always start on a Tuesday and have a scheduled "crafternoon" soon after their start date.

💡 Advice:

Being intentional about the energy we 'put off' can greatly influence culture and it can help bring business targets and goals into reach. What energy do you convey as a leader? How do you enter a room and start a meeting? What's your posture when watching a presentation? Little demonstrations of energy can have a large ripple effect.

3BEHAVIORS

Individual, leader and team conduct that can be observed and measured.

As the saying goes, actions speak louder than words, and nothing trips up culture change efforts more than misalignment among a company's culture goals, stated values and actual lived behaviors.

For instance, many companies today tell employees they want to drive cultures of accountability. However, when a project experiences a mishap or fails to achieve results, too often, people watch their boss, their boss's boss, and their boss's boss's boss point fingers and deflect blame.

Behaviors have an enormous ripple effect: They bleed into everything.

They are the greatest source of confusion, misalignment and dysfunction at nearly every company struggling to transform or achieve results.

As you look at your culture goals, it's critical that you not only state what you want — for instance, innovation—but that you very specifically and tangibly identify the behaviors you need exhibited to get there. In the case of innovation, for instance, this might be a willingness to suggest new ways of working in large group forums. To achieve this behavior, two things certainly need to happen: You need to understand what belief, process or system is restricting that action today *(perhaps, "I will look silly if people don't like my idea"),* and you need leaders who create the sense of trust and psychological safety necessary for people to take risks. Without mapping the required behaviors, assessing gaps to produce it, and modeling it via leadership, culture change becomes nearly impossible.

Case Study

BRIDGEWATER | Radical Transparency

A common mistake about corporate culture is that there is one—or only a small handful— of "good ones". Dead wrong. Look at Bridgewater Associates, one of the world's largest and most successful hedge funds. Ray Dalio, the company's founder, has long expressed his belief that Bridgewater's culture has been essential to the firm's phenomenal success.

He said of their unique culture: "It requires people to be radically truthful and radically transparent with each other. This radical truthfulness and radical transparency includes looking at people's mistakes, problems and weaknesses as well as their strengths and talents. Doing this isn't always easy, especially at first, but dealing with these mistakes, problems and weaknesses is what fuels our improvements. Some people love this forthright way of operating and wouldn't want to work anywhere else, while others dislike it and leave."

As an example, Ray posted a full account of significant leadership changes publicly on LinkedIn in 2017. While this behavior might be uncomfortable at another company, at Bridgewater it's exactly right.

Advice:

Behavior change requires leading by example. When leaders are conscientious about modeling the behaviors they seek to facilitate, they inspire change throughout the organization.

4 SYMBOLS

Cues that signal an organization's priorities and expectations.

No matter our job, we are always at a deficit of information. We want more explanation, information and a clearer understanding of our companies' strength and direction as well as how we personally fit into the mix. In that quest for information, when hard data or explicit communications aren't available, we are wired to look for symbols and read between the lines.

From how we spend money to where and with whom we invest time, symbols are everywhere and their meaning registers deeply.

For instance, when executives sit in an executive wing isolated from other employees and removed from their teams, it sends a strong symbol that hierarchy rules the company. When they eliminate offices and sit in the midst of their teams, it's a symbol that they want to be intimately involved in the details of daily work. Both approaches have merits and demerits, the key is consciousness of the underlying message we send.

Symbols take on added importance in times of stress and strain. When budgets are being tightened, what is the first thing to be cut? Regardless of the answer, the symbol will speak for itself. Similarly, with whom does the CEO appear more often: the CFO or the head of R&D? What markets do executives visit most frequently? Which department is given the best floor in the building?

Symbols can't be avoided: They're a natural byproduct of action. The key isn't trying to suppress their existence or push things into dark corners: The key is to anticipate the symbols your actions will send and sense how they will register. Then, you must thoughtfully and strategically counteract or address their consequences so they don't inspire unintentional behaviors.

Case Study

source: CNBC.com

amazon | "Door desk"

When Amazon was a startup with fewer than five employees, Jeff Bezos required a desk. As legend has it, he ventured across the street to a Home Depot where he discovered that desks were far more expensive—but no more functional—than a door on four legs. So he bought the door, stuck it on legs and made do.

Nearly 25 years later, despite his becoming the richest man in the world and Amazon among its most valuable companies, the "door desk" remains a powerful symbol and thousands of Amazon employees use one today.

Though it has grown in unfathomable ways, culturally, Amazon has always embodied the spirit of resourcefulness, rejected vanity and embraced an ethos of doing the most possible with the least needed. In a simple, timeless and unforgettable way, the "door desk" is a constant reminder to this end.

Similarly, CEO Jeff Bezos famously leaves an empty chair at every meeting to represent the customer as the most important person. Every employee, including Bezos himself, also has to spend time working in the call center so they can communicate with customers and gain a better understanding of their experiences. These are both incredibly powerful symbols of the organization's priorities and expectations.

Case Study

Continental Airlines | Manual burning

In the 1990s, Continental Airlines engineered one of the most thoroughly chronicled turnarounds in modern corporate history. At the time, Continental had experienced two recent bankruptcies, churned through a litany of executives, and had not posted a profit outside of bankruptcy in nearly 20 years.

However, in a few years, the company was revived, in large part through the use of symbols. Among CEO Gordon Bethune's major goals was to empower employees to make good decisions to serve customers' needs. However, employees experience had been one of endless rules and bureaucracy. To signal change to the organization, Bethune took the company's 800 page manual of restrictions into the company parking lot, doused it in gasoline and lit in on fire. He then replaced it with a substitute 1/10th of its length. As Greg Brenneman summarized in a Harvard Business Review article, the message was clear: "Continental is your company to make great. Go do it—now."

Advice:

Symbols are everywhere and even small ones can create a lasting impression. Examine your desired culture and work backwards to support it with symbols. For example, if you want to inspire a culture that is democratic and collaborative, consider having executives sit in random seats during meetings instead of at the head of the table. This subtly reinforce the belief that all opinions are equal and decisions are made in collaboration.

5 SYSTEMS

The structures, technology, programs and processes
for governance, operations and talent.

Our cultures are inextricably linked to the systems we use to run our businesses. Any attempt to evolve culture without evolving the processes and structures we use to manage people and operations is bound to prove frustrating and ineffective.

For instance, many companies today are promoting the importance of a customer-centric culture and asking employees to work in ways that deliver value for customers in a faster and more personalized way. These are of course worthwhile goals. However, employees' ability to deliver on those concepts is bound to the systems they use to gather and process personal insights, engage customers directly, and participate in human interactions. If the decision-making process or the technologies they use fail to support these goals or are governed by so many restrictions they can't move at the speed of expectation, the cultural evolution is going to find itself thwarted. One cannot evolve without the other.

Similarly, the systems we use to reward, recognize, compensate and promote individual people must reflect the goals of our culture. If we are told that we want to foster teamwork, but our experience is that whoever achieves the highest numerical results—regardless of their approach— receives promotions, we are more likely to respond to what we see than what we hear.

If we want people to work with speed, we need systems that can support speed. If we want people who create great teams, we need reward systems that celebrate teamwork. Otherwise, we can expect more of the same.

Case Study

R&D shake-up

The consumer product category is one with a constant churn of innovation. Even for a mammoth company with a legendary history, such as Procter & Gamble, this can present challenges. In recent years, it has. Since peaking in value in 2012, the company has seen massive gains in market share and stock price for competitors and needed to spur innovation.

To do this, it shook up its R&D systems, pushing decision making processes away from senior executives with less customer insight and into the hands of product category leaders. By shifting decision making processes, Procter & Gamble has already seen sped up innovation and growth with brand extensions such as Tide PurClean *(a "greener" laundry detergent)* and Downy Unstoppables *(scented beads for the washer)*.

Advice:

Enable culture by aligning your culture goals into your operating model and your talent programs. HR programs can be a huge enabler of beliefs and behaviors you want to see. For instance, recruit for culture fit. Working closely with a talent acquisition team to ensure that part of the screening process assesses a prospective employee's ability to work in your desired culture goes a long way to making long-term culture

Case Study

Adobe | "Death to performance reviews"

In the early part of this decade, Adobe embarked on a business transformation. To address changes in their marketplace, the company decided it must go from selling products with 18-24 month shelf lives to selling subscriptions for software that would frequently and continually update. To deliver on this promise of frequent updates, the company knew it needed to change its culture in order to move with greater speed than ever before.

They looked across many systems to identify places where they were being slowed down. One system that rose to the surface was performance management. In particular, the company found the exercise of annual performance reviews proved costly, time-consuming and negative to morale. It was not a system fit for their culture of the future. So what did they do? They changed it! In a matter of months, they eliminated the annual performance review as a practice and instead replaced it with bi-weekly "check-ins" with managers. This allowed for more frequent feedback, greater agility, better efficiency and more positive energy.

6 COMMUNICATION

The exchange of experiences, values and knowledge to create community, drive decision-making and build trust.

Communication happens in many dimensions. Of course, on a primary basis, communication is at the root of every interaction from person-to-person or between business and customer. However, within the context of a large organization, communication also exists as a formal system through which relationships are formed.

Creating an experience for employees through that formal communication system is essential to culture.

Many companies today strive for cultures of transparency where information is shared freely, readily and candidly. These cultures are predicated on an underlying sense of trust and respect and the belief that people can responsibly handle complex or sensitive information as professionals. However, in many cases, companies who espouse a desire for transparency employ communication systems that deliver anything but: Information arrives slowly, is incomplete or heavily sanitized, and employees have few forums to ask challenging questions.

Your system of communication must correspond to the goals of your culture. If you want to move with speed, you must share information with speed. If you want to foster collaboration, you must create opportunities for dialogue. If you want your team to act like business owners, you must provide them with the information a business owner would have. If you can't reflect your culture in your system of communication, your culture goals are wrong for your business.

Case Study

Zappos | Culture book

Zappos is a company that has truly turned culture into a competitive differentiator. This is partly through their use of communication as a cultural enabler. For example, every year the company produces a "culture book." This book receives unedited *(besides typos)* submissions from employees who review Zappos' culture. It functions democratically like a Yelp! for the company as an employer. This document is publicly available and fosters an annual exchange of ideas that reflect the company's cultural goals.

💡 **Advice:**

Frontline management is one of the most critical cogs in our communication system. The information managers' share sets the priorities our teams act on. Many companies are afraid to "burden" managers with extensive communication requests for fear it will "distract from their day job." Communication is their day job, and if we don't train, equip and support them to communicate effectively, our ability to shape our cultures will likely sputter.

Case Study

![Alibaba Group logo] | "Aliway"

Alibaba is a company that is not shy about feedback or hard conversations. They are, in fact, a key to their success.

They enabled their culture through the development of their "Aliway" internal communication platform where employees have the ability to critically review and provide feedback on the company's own products for their development team, while the development team offers rationale and defense. Some threads stretch on for hundreds of pages, and it's not uncommon for an employee to spend several hours in a day contributing ideas to "Aliway." In cases such as the company's "Alipay" Wallet, which survived a bumpy initial user experience, the "Alipay" feedback proved essential to the product's eventual success.

While this manner of dialogue would be ill-suited to many companies, Alibaba has always valued candor in the absence of hierarchy, and the "Aliway" communication system has been a successful enabler.

Conclusion

While today's pace of innovation and industrial disruption is intensifying the urgency and frequency of business transformation, at a core level, today's companies are striving for many of the same objectives we confronted 20 years ago. Tools and technologies have changed radically, but ultimately, we want companies based in a foundation of psychological safety and respect; that move with speed, simplicity, agility and a focus on excellence; that listen to and serve customers' needs; and that are capable of delivering innovation. In this way, the more things change, the more they stay the same.

A generation from now, if not sooner, few companies will strongly resemble their present state. As we look out on the precipice of the changes to come, I am reminded of a quote by the late Herb Kelleher, the brilliant co-founder and former Chairman & CEO of Southwest Airlines. He said of Southwest:

> "The core of our success. That's the most difficult thing for a competitor to imitate. They can buy all the physical things. The things you can't buy are dedication, devotion, loyalty— the feeling that you are participating in a crusade."

Culture is fundamental. The more chaotic the environment, the more that fundamentals matter. The companies that not only survive disruption—but thrive amid its currents—will be companies like Southwest Airlines whose cultures are competitive differentiators.

Cultures are complex and there's no single process to change them. To change how a company works, you must understand that cultures are a product of experiences and beliefs and be willing to truly shift what your employees hear, see and feel each day. If you roll up your sleeves, look across the broad spectrum of your employee experience, and have the patience, commitment and aligned leadership required to make meaningful changes to your organization's daily life, you will see the talent and potential of your organization unleashed on a massive scale.

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Are you interested in developing your culture
to unleash your organization's potential?
If so, we look forward to hearing from you!

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