



Culture shift: Changing beliefs, behaviors, and outcomes

Culture is like an iceberg. The part that can be seen above the water reflects the isolated behaviors and outcomes that can surprise and sometimes frustrate incoming executives. The bulk of it, though, the submerged part, comprises the “shared beliefs and assumptions” that are often shaped over generations and can sometimes punch a hole through titanic corporate initiatives.

That is why changing organizational culture is often both a priority and a challenge. It is also why many executives find it difficult to

precisely articulate and deal with culture. Indeed, Deloitte’s *Global Human Capital Trends 2016* report,¹ based on a survey of more than 7,000 business and human resources leaders, found that 82% of respondents view “culture as a potential competitive advantage,” while only 28% believe they “understand their culture well,” and 19% believe their organization has the “right culture.”

Little wonder that not systematically understanding culture and addressing change when needed can undermine

leadership success and corporate performance. In this issue of *CFO Insights*, we outline some straightforward ways in which executives in general—and incoming executives in particular—can diagnose the prevailing culture and, when needed, ways in which they can work across the C-suite to drive cultural change. ➤

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Deconstructing culture

Going back to the iceberg metaphor, what we see above the surface is often the artifacts and consequences of culture rather than the values, beliefs, and assumptions that actually drive the culture—and the behaviors and outcomes that result.

Changing culture thus requires change at the beliefs level, which is often substantially more difficult than changing business processes or information systems. To complicate matters, there may be an overall company culture and sub-cultures across groups that can sometimes be in conflict. While CEOs have the authority to lead cultural change across a company, typically other C-suite executives, including CFOs, can only be supportive of a CEO's companywide culture change efforts, or they are limited in scope to drive belief changes in their specific sub-organization. Yet, every C-suite executive should be able to diagnose dysfunctional cultural attributes and get at the underlying beliefs to help CEOs drive companywide culture change.

The classic culture change model builds on three stages: “unfreezing” the beliefs in an organization through critical events; “change” through role-modeling and setting new behaviors and beliefs; and “refreezing” the organization to lock in a new culture (see Lewin-Schein Models²). A pragmatic way to put this model into practice is to frame it as four distinct steps: diagnose, name, and validate the culture of the organization; reframe the cultural narrative; role-model and communicate cultural change; and reinforce a new belief system. Let's examine each step in more detail:

Diagnose, name, and validate the

culture. The first step is to diagnose and articulate the beliefs that comprise the existing culture. To do this, it is useful to have executives think through and name organizational outcomes they have observed and that they do or do not like. Next, they should hypothesize behaviors that led to these outcomes, and then the beliefs driving the behaviors underlying the outcomes. (By identifying specific frustrating outcomes and hypothesizing the behaviors that appear to drive those outcomes, it is possible to get at the likely underlying beliefs more easily.³) (See box, “Diagnosing and reframing culture in practice.”)

Once the hypotheses about the beliefs that comprise culture are diagnosed, it is important to validate them. This begins with the recognition that existing beliefs did not arise in a vacuum and often served a good purpose even if they are not useful now. When you hypothesize a belief that no longer serves your company very well, try to validate it as the prevailing belief through discussions with your peers, and try to understand its origins and the purpose it served.

Keep in mind that the origins of beliefs can go back many generations of CEOs. A company's current CEO, for example, may be widely regarded as congenial and supportive of collaboration, yet the prevalent culture may be characterized by extensive delegation upward and lack of information sharing and ownership of decisions across key leaders. Why? A previous CEO may have created a culture in which many managers did not feel safe to

fully share opinions, and chose to delegate up critical choices to minimize personal risk. That culture can persist long after the CEO who created it has departed.

Not all cultural attributes are bad, of course. It's important to be clear how to work with and utilize the current culture for competitive advantage before seeking to transform it. An incoming executive focused on culture change should first diagnose the prevailing culture and determine whether and to what degree to fit within and leverage it, or establish strategies for transforming it in order to execute effectively on strategic priorities. In the latter case, the costs and timeframes for manifesting cultural change must be balanced against the benefits that can flow from the new culture. ➤



Reframe existing narratives. The second step to culture change is to reframe the narratives that will be used to change beliefs. To begin, it is important to create a narrative that shows the value of the widely held beliefs and also the pitfalls and inappropriateness of the beliefs in other contexts. It can also be useful to articulate, in detail, the beliefs, behaviors, and outcomes that are desired (see box, “Diagnosing and reframing culture in practice”). In practice, narratives to challenge existing beliefs need to be carefully crafted (and communicated) to acknowledge the value, but also disaffirm the misapplication of the beliefs.

Role model and communicate cultural change. While specific narratives may disaffirm beliefs, replacing existing beliefs requires articulating and demonstrating the behaviors and supporting beliefs required to deliver desired outcomes. Establishing new beliefs requires role-modeling—demonstrating by doing things consistent with new beliefs and rewarding those who behave in ways that support desired outcomes and beliefs.

The first step is to communicate what is valued not only at the outcome level, but also at the belief level. This is likely to entail creating and executing a consistent communications strategy around the culture change you are trying to deliver (see “A plain English talent agenda for your transition”). Next, as a leader, you have to behave and act in a manner consistent with the culture you desire. Your staff are observing your behaviors as a primary source of cues on the values and beliefs that will drive the organization going forward.

As cultures persist over a very long period, creating new narratives and role-modeling may not be sufficient to get your organization to the tipping point of widely adopting a new culture in a timely way. Instead, to accelerate culture change you may also have to recruit new leaders and staff who share beliefs similar to those you wish to manifest in your organization.

Reinforce and communicate desired beliefs, behaviors, and outcomes. To establish a new set of behaviors and beliefs

in a sustained way, it is important to revisit incentives and performance management policies and align them to the culture you want to create. For example, if you want different units to cross-sell and collaborate but compensate leaders in each business unit solely on the performance of that specific business unit, you are unlikely to foster cross-selling and collaboration.

Through every stage of the cultural change and reinforcement process, it is important to communicate beliefs and expected behaviors, and to explicitly articulate and reinforce the desirable beliefs. Some companies, for example, are publishing cultural manifestos.⁴ And today, video and electronic media, used well, can further amplify and expand the reach of critical communications and cultural narratives to key audiences.

Catalyzing organizational change

C-suite executives have fundamentally different roles in catalyzing culture change. CEOs need to own the narrative and be the champion of companywide culture change. Others in the C-suite, while generally limited in scope to lead culture change, should support the CEO in such efforts.

That said, the entire C-suite can play a vital role across the culture change steps. They can work together to name and disaffirm the

Diagnosing and reframing culture in practice

By noting down the frustrating outcomes of behaviors that appear to drive the outcome, it is possible to get at the likely underlying beliefs. Consider how the undesirable outcome is diagnosed in the example below.

Outcomes	Behaviors	Beliefs
Delays in executing initiatives with respect to the market. Over-engineered and expensive projects; lack of ownership of initiatives	Endless reviews of proposals with multiple sign-offs and indecision as risks are weighed	“We have to do everything perfectly right”

Now consider how the example could be reframed to articulate the desired beliefs, behaviors, and outcomes.

Outcomes	Behaviors	Beliefs
Faster decision-making, less over-engineering of solutions, and increased speed to market	Critical review of decisions that can create a high adverse impact; moderate review and rapid decisions on low adverse impact choices	“We have to do some things perfectly right and most things well enough quickly”

beliefs that no longer serve the company well; they can create credible narratives that reframe beliefs to drive more productive outcomes; they can role-model new beliefs and behaviors; and they can communicate desirable beliefs and behaviors.

To define culture and change it is hard. By working backward from observed outcomes to behaviors and beliefs, however, you can hypothesize and begin to validate key cultural attributes and understand their value and origins. Strategies for modifying the cultural narratives, reframing beliefs through role modeling and selective recruiting, and reinforcing cultures through metric and incentive changes and targeted communications can then be deployed to drive culture change. Not engaging and understanding culture systematically, particularly early in an executive’s transition, increases the likelihood of the observation, widely attributed to Peter Drucker, that “Culture eats strategy for breakfast!”

* This edition of *CFO Insights* was adapted from [Catalyzing organizational culture change](#), by Ajit Kambil. For more information on team dynamics, visit the [Executive Transitions collection](#) on Deloitte University Press.

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End notes:

1. *Global Human Capital Trends: The new organization: Different by design*, Jeff Schwartz and Bill Pelster, executive editors, March 2016, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.
2. The Lewin-Schein change model is well-discussed in Edgar Schein's 1995 MIT Working Paper: *Kurt Lewin in the classroom, in the field, and in change theory: Notes toward a model of managed learning*, <http://hdl.handle.net/1721.1/2576>.
3. The "beliefs, behaviors and outcomes" approach to diagnosing culture and other parts of this article are partly adapted from the previous *CFO Insights*, "Navigating change: How CFOs can effectively drive transformation," June 2012.
4. "Shape culture—drive strategy," *Global Human Capital Trends: The new organization: Different by design*, Jeff Schwartz and Bill Pelster, executive editors, March 2016, pp 37–44, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.

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