



Catalyzing organizational culture change

By Ajit Kambil

I OFTEN ask executives who attend transition labs to identify the dominant constraint on the growth of their company. Surprisingly, the constraint is usually not something external to the company; indeed, executives often point to the company's culture as the dominant constraint. To succeed, incoming executives have to quickly diagnose and either work with the prevailing corporate culture or begin selective cultural change efforts if they want to improve organizational performance. Yet, I find many C-level executives are poorly equipped to systemically diagnose, articulate, and catalyze cultural change to improve performance.

In this essay I will outline straightforward ways in which incoming executives can diagnose the prevailing culture and, when needed, ways in which they can work across the C-suite to drive cultural change. While the April 2016 *Harvard Business Review* has a cover with the lead "You can't fix culture: Just focus on your business and the rest will

follow,"¹ I disagree. Not systematically understanding culture and addressing change when needed can undermine leadership success and corporate performance.

Deconstructing culture: Beliefs, behaviors, and outcomes

Many executives find it difficult to precisely articulate and deal with culture. Indeed, Deloitte's *Global Human Capital Trends 2016* report,² based on a survey of over 7,000 business and human resources leaders, found 82 percent of respondents view "culture as a potential competitive advantage," while only 28 percent believe they "understand their culture well" and 19 percent believe their firm has the "right culture." This is not surprising. Culture can be analogous to an iceberg or a reef, much of which is submerged under water, which can sometimes punch a hole through titanic corporate initiatives. The part of culture that

can be seen above the waves are the isolated behaviors and outcomes that can surprise and sometimes frustrate incoming executives. What is submerged and tacit in the “culture iceberg” are the “shared beliefs and assumptions” in the organization that have often been shaped over generations and that actually drive behaviors. In short, what we often see and perceive as challenging are the artifacts and consequences of culture rather than the values, beliefs, and assumptions that actually define the culture and drive the behaviors and outcomes we observe.

Changing culture thus requires change at the beliefs level, which is often substantially more difficult than changing business process or information systems. To complicate matters, there may be an overall company culture and sub-cultures across groups. Sometimes these can be in conflict. While CEOs have the authority to lead cultural change across a company, typically other C-suite executives can only be supportive of a CEO’s company-wide culture change efforts, or they are limited in scope to drive belief changes in their specific sub-organization. Thus, most C-suite executives usually have limited authority for culture change outside of their functional area. 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 Models³). Based on our practical lab experiences, I have adapted these stages into a series of practical steps most executives can use:

- Diagnose, name, and validate the culture of the organization
- Reframe the cultural narrative
- Role model and communicate cultural change
- Reinforce a new belief system.

Each of the four steps is discussed below:

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 not like or like. Next they should hypothesize behaviors that led to these outcomes, and then the beliefs driving the behavior underlying the outcomes. Consider two illustrative undesirable outcome examples in the table below. By noting down the frustrating outcomes and hypotheses of behaviors that appear to drive the outcome, it is possible to get at the likely underlying beliefs more easily.⁴

Outcomes	Behaviors	Beliefs
Multiple ERP and financial systems across multiple divisions increasing cost and not enabling information sharing	Overt or passive aggressive resistance to efforts to establish shared services; each unit has its own way of doing business	“We are special and different,” so no shared service model can meet our needs
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”

Once the hypotheses on the beliefs that comprise culture are in place, 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. In the illustrative example above, autonomy was highly valued, as the company’s success was predicated on breakthrough products created by researchers and designers who broke out of the norm in conceptualizing the new new thing. On the other hand, autonomy of financial systems in different business units did not necessarily serve the same purpose of autonomy in product innovation. 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.

Cultures can persist over a long time; the origins of beliefs can go back many generations of CEOs. For example, in a recent transition lab discussion on culture, I was struck by the description of the CEO of the last decade as congenial and seeking collaboration, while the prevalent culture of the company was one characterized by extensive delegation upward and lack of information sharing and ownership of decisions across key leaders. As we dug into this—we found the prior CEO a decade ago was very directive and known for dressing down and publicly humiliating managers. Thus, many managers did not feel safe to fully share opinions, and chose to delegate up critical choices to minimize personal risk. Despite being succeeded by a congenial CEO, the culture created by the previous CEO had persisted for over a decade. This persistence of culture and belief systems over time sometimes makes it difficult to diagnose, name, and change them.

Reframe existing narratives. The second step to culture change is to reframe the narratives that will be used to change beliefs. To begin reframing existing beliefs, it is important to create a narrative that shows the value of the widely held belief and also the pitfalls and inappropriateness of the beliefs in other contexts. In this example of a high-technology company going through a turnaround, it was important for the CEO and CFO to partner and create a new consistent narrative, one where both acknowledged the power of autonomy and “being special and different” in creating products and also spoke to the limitations of this belief in other areas of the business as well as the costs it imposed on the overall business to not have standardized financial and other systems.

Sometimes I find it useful to articulate the belief, behaviors, and outcomes that are desired. For example the second belief in the prior table is reframed below.

Narratives to challenge existing beliefs need to be carefully crafted (and communicated) to acknowledge the value but also disaffirm the misapplication of the belief.

Role model and communicate cultural change.

While specific narratives may disaffirm beliefs, replacing existing beliefs requires articulating and demonstrating

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”

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. So you cannot, for example, espouse a commitment to excellence and innovation and appoint a mediocre leadership around you that has no track record of previously delivering on the above.

As cultures can persist over a very long period, creating new narratives and role modeling may also not be sufficient to get your organization to the tipping point of widely adopting a new culture in a timely way. Instead, you may have to recruit new leaders and staff from other settings that share similar beliefs to what you wish to have manifest in your organization early in your tenure as a new leader to help you accelerate culture change 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 business 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.

As staff will generally orient to the metrics that drive their compensation, it is critical to align compensation and performance metrics to the culture you are trying to drive.

Through every stage of the cultural change and reinforcement process, it is important to communicate beliefs and expected behaviors. And it is okay to explicitly articulate and reinforce the desirable beliefs. Some companies are publishing cultural manifestos.⁵ One of my favorite examples of communicating aspirational beliefs with clarity is exemplified by Steve Jobs in his introduction of the “think different” campaign to his staff.⁶ The new ad campaign served not only an external but also an internal objective that reinforced Apple’s core values and beliefs at a critical juncture in the company’s history. Today, video and electronic media used well can further amplify and expand the reach of critical communications and cultural narratives to key audiences.

Catalyzing culture change: The CEO and the C-suite

CEOs and the rest of the C-suite have fundamentally different roles in catalyzing culture change. CEOs need to own the narrative and be the champion and sponsor of company-wide culture change. Others in the C-suite, while generally limited in scope to lead culture change in their own areas of responsibility, must support the CEO to implement company-wide culture change. In my transition labs I am often struck by how often culture is identified as a vexing issue impacting corporate performance, and, despite this, the lack of a systemic definition of culture, desirable values, and approaches to change culture. Often, there is not even a systematic discussion amongst the leadership team. The outcomes, behaviors, and beliefs analysis can be one way of hypothesizing key elements of culture. Today, companies can go beyond the analysis above to use a variety of approaches from employee surveys, natural language processing of customer reviews, and other Internet sources of data on the company to triangulate on and validate hypotheses about company culture across key stakeholders.

While CEOs must own leadership of culture change efforts, I believe the entire C-suite must and can play a vital role across the culture change steps articulated in

this essay. They can work together to name and disaffirm the beliefs that no longer serve the company well. They can work together to create credible narratives which reframe beliefs that drive to more productive outcomes. They can work together to role model and transmit new beliefs and behaviors and communicate and re-inforce desirable beliefs and behaviors in the workplace.

This article has focused on culture change, but not all cultural attributes are bad. Indeed many beliefs such as the one in the earlier example of “we are special” in the context of R&D and product development were vital to creating innovative and differentiated products that make this culture a source of competitive advantage. Thus it’s important to be clear how to work with and utilize the current culture for competitive advantage before seeking to transform it. This is why it is important for you as an incoming executive to diagnose the prevailing culture. Your transition priorities either have to systematically fit within and leverage the prevailing culture for competitive advantage or you will have to establish strategies to transform the culture to execute effectively on your priorities. In the latter case, you have to decide if the costs and timeframes for manifesting cultural change are exceeded by the benefits that flow from the new culture.

The takeaway

Transitions are the time when incoming leaders need to effectively diagnose the prevailing culture and then decide to create strategies and initiatives that harness the existing culture or try to modify the culture to support new strategies. To define culture and change it is hard, and cultures can persist over a long time. By working backward from observed outcomes to behaviors and beliefs, 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 early in a transition increases the likelihood of the observation widely attributed to Peter Drucker “Culture eats strategy for breakfast”!

Dr. Ajit Kambil is the global research director for the CFO program and the creator of Deloitte’s Executive Transition Labs.

Endnotes

1. Jay Lorsch and Emily McTague, “Culture is not the culprit,” *Harvard Business Review*, April 2006. While the cover story title is misleading, the four examples cited by the authors show a number of elements of disaffirming prior beliefs, role modeling behaviors, changing metrics and so on. This HBR article would have been better served with a better cover title and by not glossing over the diagnosis of prevailing beliefs and strategies to explicitly reset them.
2. Jeff Schwartz and Bill Pelster, executive editors, “The new organization: Different by design,” *Global Human Capital Trends 2016*, March 2016, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.
3. 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>.
4. The “Beliefs, behaviors and outcomes” approach to diagnosing culture and other parts of this article are partly adapted from my previous Deloitte CFO Insight, *Navigating change: How CFOs can effectively drive transformation*, published May 23, 2013.
5. See the excellent discussion on culture in *Global Human Capital Trends 2016*, Schwartz and Pelster, March 2016, pp 37–44, <http://www2.deloitte.com/us/en/pages/human-capital/articles/introduction-human-capital-trends.html>.
6. Apple, “Steve Jobs: Think different,” internal meeting, September 23, 1997, <https://www.youtube.com/watch?v=9GMQhOm-Dqo>.



Follow @DU_Press

Sign up for Deloitte University Press updates at DUPress.com.

About Deloitte University Press

Deloitte University Press publishes original articles, reports and periodicals that provide insights for businesses, the public sector and NGOs. Our goal is to draw upon research and experience from throughout our professional services organization, and that of coauthors in academia and business, to advance the conversation on a broad spectrum of topics of interest to executives and government leaders.

Deloitte University Press is an imprint of Deloitte Development LLC.

About this publication

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the “Deloitte Network”) is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte’s more than 200,000 professionals are committed to becoming the standard of excellence.

© 2016. For information, contact Deloitte Touche Tohmatsu Limited.