Cultural Genomics 401: Analyzing the Genes that Form a Culture of Compliance

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Culture Matters:
It can make or break your company

"Everything I do is a reinforcement, or not, of what we want to have happen culturally. You cannot delegate culture."
Steve Ballmer, former Microsoft CEO

"If you get the culture right, most of the other stuff will just take care of itself."
Tony Hsieh, Founder & CEO of Zappos.com

"If you don't maintain Southwest's culture, you don't have anything special."

Colleen Barrett, former President Southwest Airlines

"Fixing the culture is the most critical – and most difficult – part of a corporate transformation."

Lou Gerstner, retired CEO of IBM

Sources: Steve Ballmer speech at Stanford Business School, March 15, 2007 (www.youtube.com/watch?v=W-BdCpZjZxU); IBS CDC case, "Designing an Organizational Culture: Tony Hsieh Wrapping Zappos' Organisational Culture?", (http://www.ibscdc.org); Adolf Haasen and Gordon F. Shea, New Corporate Cultures that Motivate, Westport, CT: Praeger, 2003; Willie Pietersen, Reinventing Strategy, New York: John Wiley and Sons, 2001

The 7 Elements Are Not Enough

- The existing culture can be a powerful source of energy and influence for behavior change.

- Every organization has a culture that drives behavioral norms, whether leadership attends to it or not

- An ethical business culture must be consciously constructed and maintained

- If you don't have to overhaul or replace a culture, don't!

- Start with changing behaviors, not mindsets

- Focus on changing only the few critical behaviors at different levels within key populations.

- Use viral (i.e., cross-organizational) methods to motivate behavior change, not just formal top-down programmatic methods.

- Mobilize both rational and emotional forces to reinforce the new values and behavior patterns and achieve lasting change.

There are typically three different types of "critical behaviors"

Signal Behavior	

Highly visible behaviors are usually instigated at a leadership level, and require people to act "against the grain" in a way that causes others to take notice.

An energy company with a very hierarchical structure tasked each Leadership Team member with engaging 8-10 frontline employees for insight into their strategy. This required the leaders to act against the way things were "usually done," maybe in a way that felt uncomfortable – in a manner that was highly visible to the rest of the organization.

| Motivational Behavior	

Motivational behaviors are ones that influence/trigger others to act in new ways. Usually involve networks, teaming, and are especially effective in middle ranks.

A beverage company with a propensity for turning a blind eye to external market developments focused on the critical behavior, "using rigorous internal networking to accelerate and sustain two-way learning in the field."

Performance Behavior	
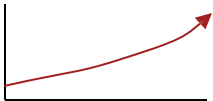
Performance behaviors are ways of working that demonstrate direct, immediate business results. As such, they are most often effectively put into place and measured at or near the front line.

A pharmacy chain shifting to a more customer-focused retail strategy focused on behaviors that would create an extraordinary customer experience in the stores, such as encouraging front line employees to go "off script" in order to surprise and delight customers and directly increase sales.

Culture is as critical as strategy and organization:
All three must be in sync

How a Company Wins in the Market

How will we compete?

- Value creation choices articulated in mission, vision, targets, and business objectives
- A company's products, brands, and customer relationships
- All centered on a coherent set of capabilities

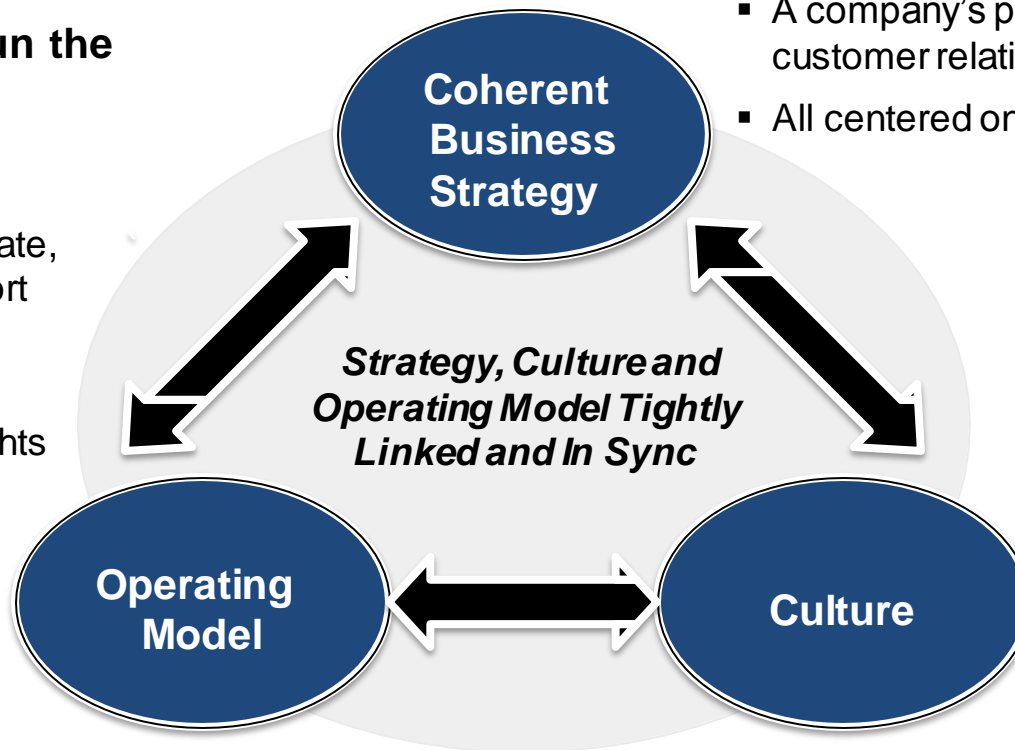**How will we "run the business"?**

- Structural breakdown between corporate, BUs, and support functions
- Responsibilities and decision rights across groups
- Performance measures
- Critical systems and processes

Coherent Business Strategy

Strategy, Culture and Operating Model Tightly Linked and In Sync

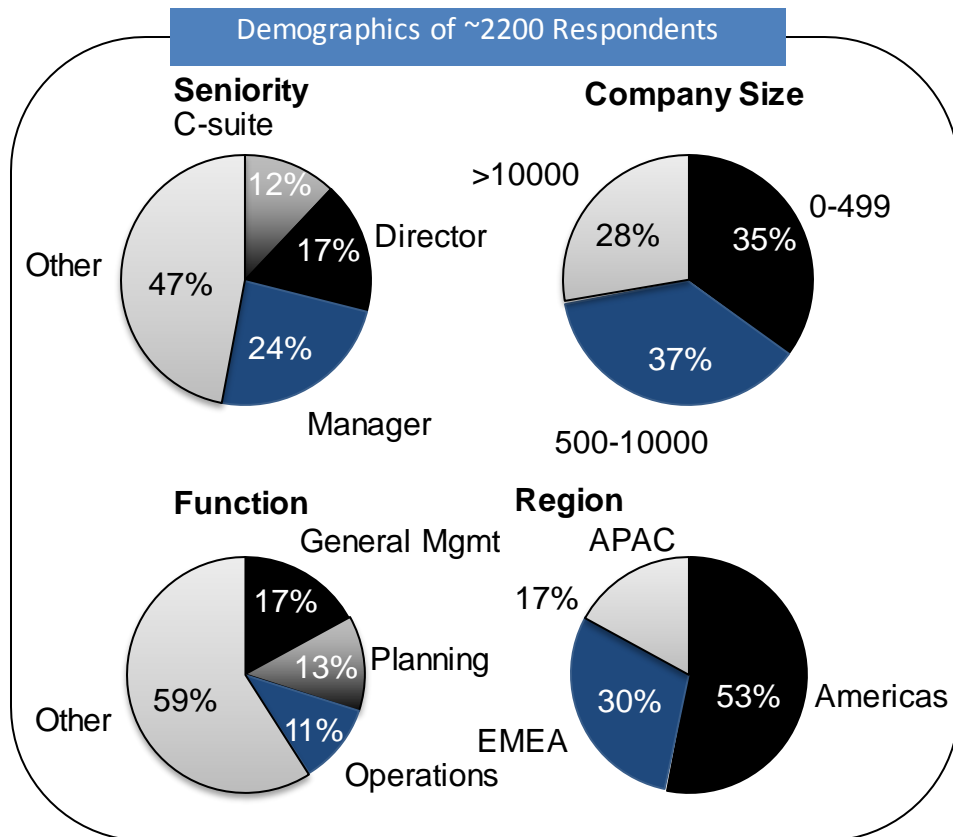**Operating Model**

Culture

How will we harness the power of our people?

- Behavioral norms
- Long-standing attitudes and beliefs
- Lived values
- Accepted style and approach – common understanding
- Symbols – visual identifiers and stories

Corporate Culture is a Critical Enabler to Business Success

Strategy & Global Culture Survey 2013

Demographics of ~2200 Respondents

Seniority

C-suite 12%
Director 17%
Manager 24%
Other 47%

Company Size

>10000 28%
0-499 35%
500-10000 37%

Function

General Mgmt 17%
Planning 13%
Operations 11%
Other 59%

Region

APAC 17%
Americas 53%
EMEA 30%

67% … either agree or strongly agree that *their organization's culture is critical* to business success

60% … either agree or strongly agree that *culture is more important than strategy or operating model*

45% … either disagree or strongly disagree that culture is being effectively managed in their organization

Source: Strategy& Global Culture & Change Management Survey 2013. Strategy& analysis

Compliance Depends on Culture

". . .We now employ more than 250,000 people and the chances of that number getting through the day without any bad behavior occurring is nil. But we can have a huge effect in minimizing such activities by jumping on anything immediately when there is the slightest odor of impropriety. Your attitude on such matters, expressed by behavior as well as words, will be the most important factor in how the culture of your business develops. **Culture, more than rule books, determines how an organization behaves**."

Warren Buffett, 2010
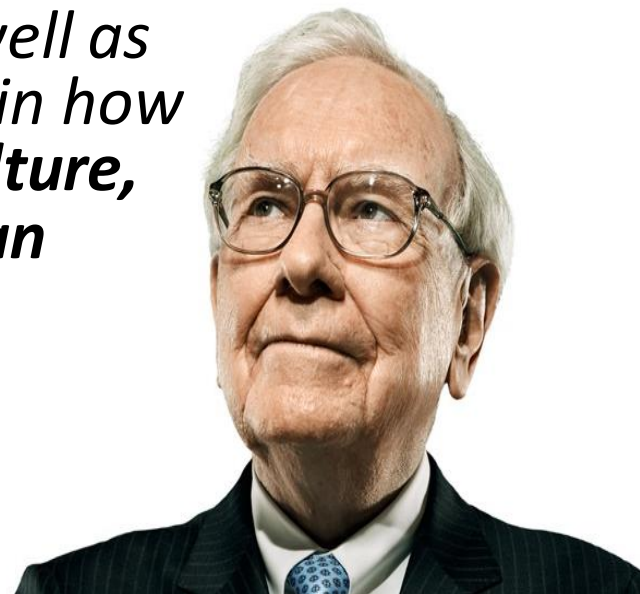
Establishing and Maintaining an Ethical Business Culture

Principles

Leadership at the Top

Embedded Throughout the Enterprise
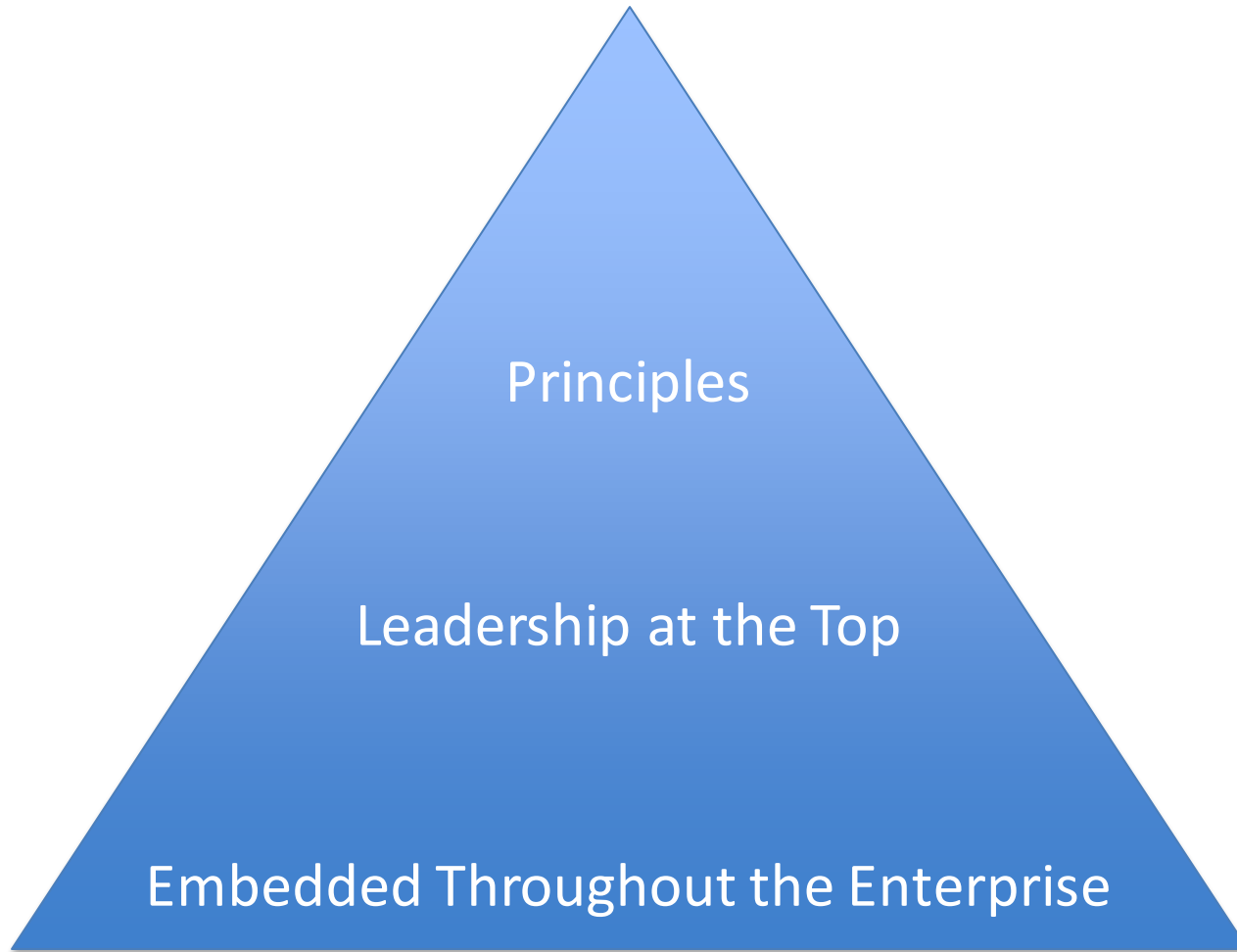
Standard Principles/Values in Corporate Codes

- ✓ Honesty/transparency

- ✓ Customer/consumer welfare

- ✓ Compliance with legal mandates

- ✓ Fairness to other stakeholders and interests

  - ✓ employees, agents, communities

- ✓ Nondiscrimination

- ✓ Sustainability

- ✓ Personal responsibility/accountability

- ✓ Loyalty

- ✓ Other (e.g., confidentiality)

- ✓ Fair profits for shareholders

I. Standard Principles/Values in Corporate Codes

- – Principles and values should be universal
- – All subsidiary principles and rules should flow from these
- – Principles and values must be living and lived
  - • Subject to rethinking and rearticulation
  - • Visible in behaviors
  - • Do not include values organizational leaders will not genuinely promote

- **THE EASY PART**
  - All agree tone at the top is key
 - Most leaders want to set an ethical tone

- **THE HARD PARTS**
  - **Consistency is essential**
    - Leadership messages, behaviors, practices, strategic planning
  - **Employees and others view leadership through their own experiences**
    - Through their interactions with their managers and co-workers
    - Through their perception of other messages, policies, and practices

A comprehensive approach is multi-dimensional

- Top to bottom
- Internally and externally
- Across departments and functions
- Formal and informal
- Beginning to end of processes
- *Internalization far from your office*
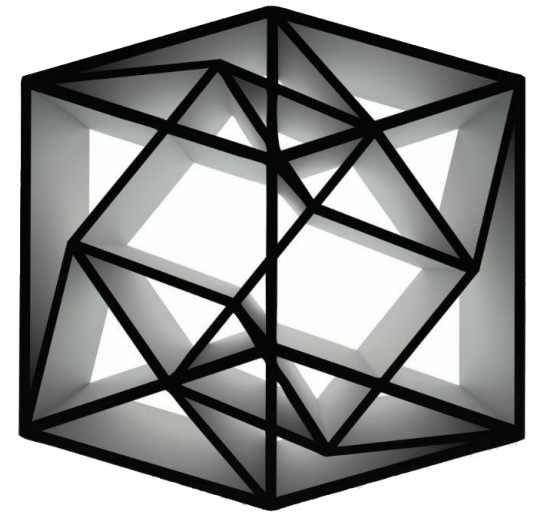
Components of a Comprehensive Approach

- Communications

- Participation and collaboration

- Decision-making practices

- Trainings as engagement

- Full integration into processes

- Organizational structure

- Rewards and punishments

- Symbols, rituals, and other reminders

- Metrics and measurement

Example: Communications

- Treat as a branding and marketing campaign

- Develop simple, memorable slogan(s) capturing organization's values/ethical principles

- Engage in consistent and clear promotion of values/principles (and conforming behaviors) everywhere

- Find opportunities–expected and unexpected, in good moments and bad–to reinforce and highlight behaviors that reflect values

- Strive to have these messages come from others (leaders, managers, and champions outside of compliance)

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As culture evolves, ensuring a consistent employee experience is crucial

Reinforcing and Sustaining Culture Evolution

• Executive Leader Program
  • Leadership Excellence
    • Leadership Meeting

• External communications

• Internal corporate communications

• Blogs & webcasts

• Sharing of business & people data

• Face-to-face events

• Succession planning

• Talent management

• Performance Management

• Compensation

• Management training

Leadership Events

Communications

People Processes

Consistent, Integrated Experience

• Strategy roll-out

• Vision

• Engagement survey

• Innovation

• Process simplification initiative

Major Business Initiatives

Management Processes

Environment & Networks

• Strategic planning and goal setting

• Quarterly reviews

• Decision rights

• Symbolic proof points

• Intranet & enabling tools
  • Project teams
• Category communities

Making Cultural Change Quickly

- You cannot do everything at once

- Consider the components of a comprehensive approach as both guidance and goals

- Act consistently with the underlying teachings

- But promote immediate change by strategically harnessing, highlighting, reinforcing, and building ...

Questions?

Be sure to join the Twitter conversation: @CW_2016

Thank you

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