



What is Organizational Culture and Why Should We Care?

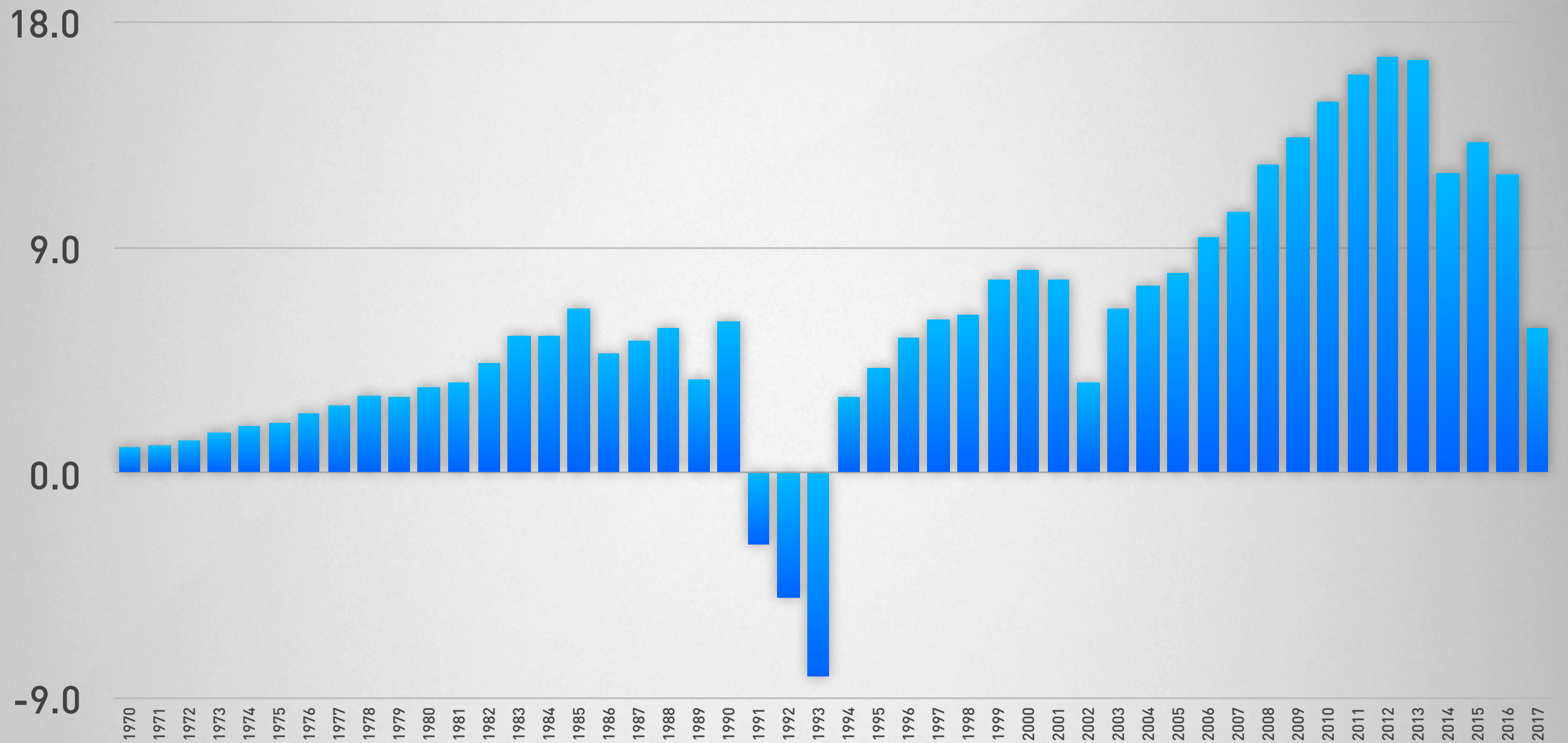
John Weeks

Professor of Leadership and
Organizational Behavior
IMD

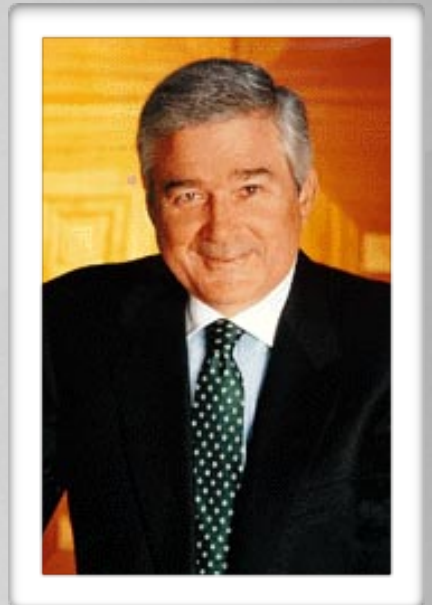
The basis of leadership is the capacity of the leader to help people change their mindset

**Culture is what people say and do
when they think you are not looking**

Earnings



Culture is the Game



I have spent more than twenty-five years as a senior executive of three different corporations—and I peeked into many more as a consultant in the years before that. Until I came to IBM, I probably would have told you that culture was just one among several important elements in any organization's makeup and success—along with vision, strategy, marketing, financials, and the like...

I came to see, in my time at IBM, that culture isn't just one aspect of the game—it is the game.

—Lou Gerstner

In what ways does having a strong culture lead to better performance?

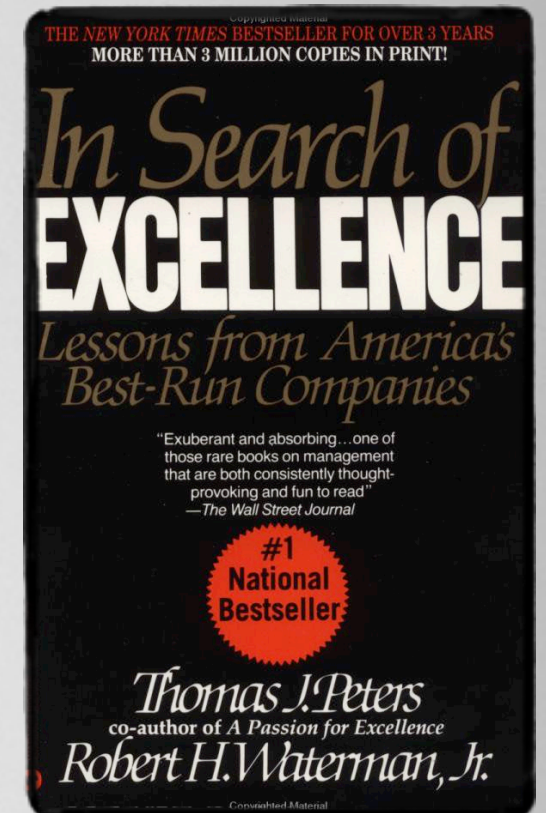
In what ways does it lead to worse performance?

Is strong culture good?

In 1982, Yes

“Without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies... “The excellent companies are marked by very strong cultures, so strong that you either buy into their norms or get out.”

—Tom Peters and Robert Waterman

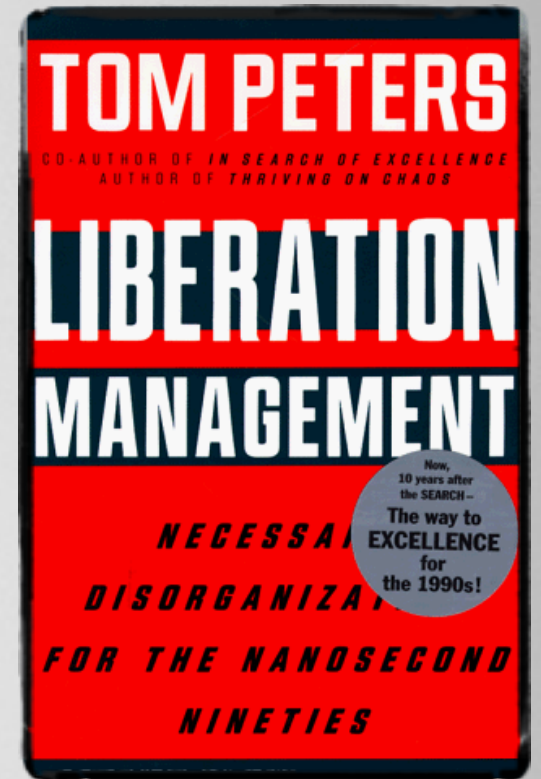


Is strong culture good?

In 1992, No

“It is the remarkable differences of character among so-called ‘subordinate’ units that allows the parent to thrive. And it is just such distinctiveness of agile, modest-size units that I see as the premier requirement for tomorrow’s corporate success in general.”

—Tom Peters



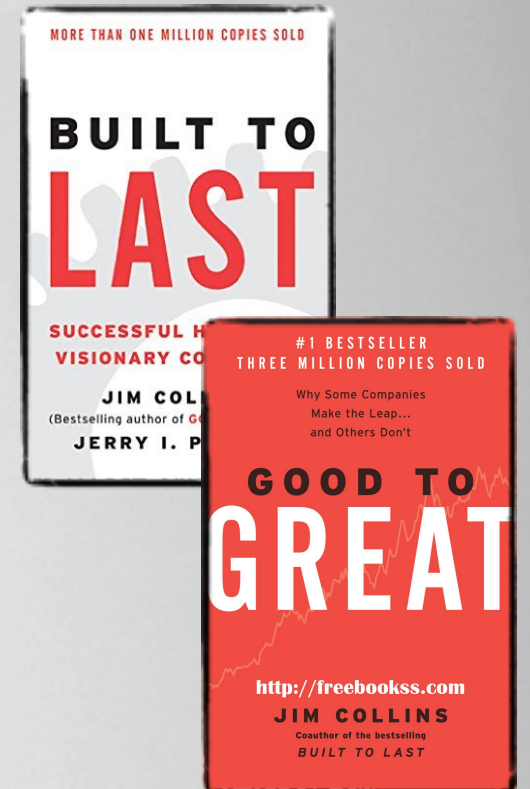
Is strong culture good?

And so, today?

After two and a half decades of academic study,
we finally now have a definitive answer...

Yes and No

(What did you expect from academic research?)



Small, strong core

- Certain way of treating customers, employees, and shareholders
- Leadership in promoting these values
- More attachment to these values than to any particular strategy

Necessary variation

- Over time
- Across the organization

How Culture Forms

Founder Imposes

- Trusted leader or founder has certain personal visions, goals, beliefs, values and assumptions about how things should be
- He or she initially imposes these and/or selects people on the basis of them

Success Reinforces

- If the resulting behavior leads to success, the founder's beliefs and values will become shared
- With continued reinforcement, the group will begin to treat these beliefs and values as self-evident assumptions

Group Imposes

- They will be taught to new members as the correct way to perceive, think and feel
- The group will impose them and/or select people on the basis of them



Dvorak

~ `	1	2 @	3 #	4 \$	5 %	6 ^	7 &	8 *	9 (0)	{ [}]	← Backspace
Tab ⇄	" '	< ,	> .	P	Y	F	G	C	R	L	? /	+ =	 \ _
Caps Lock ⇧	A	O	E	U	I	D	H	T	N	S	- _	Enter ↵	
Shift ⇧	:	Q	J	K	X	B	M	W	V	Z		Shift ⇧	
Ctrl	Win Key	Alt							Alt Gr	Win Key	Menu	Ctrl	

Turkish-F

- In the Turkish F keyboard in 1955, the Turkish Language Academy investigated letter frequencies in Turkish to design the optimal layout
- Turkey set 14 world records in typewriting championships between 1957 and 1995

+ *	! 1	" 2	^ 3	\$ 4	% 5	& 6	' 7	(8) 9	= 0	? /	- ÷	← Backspace
Tab ↔	F @	G	Ğ ı	I ı	O ô	D ¥	R ®	N	H °	P £	Q "	W ~	↵ Enter
Caps Lock ⇧	U û	İ î	E €	A â	Ü ü	T ™	K	M μ	L	Y '	Ş #	X ,	
Shift ⇧	> <	J «	Ö »	V “	C ¢	Ç ”	Z	S §	B ×	:	;	Shift ⇧	
Ctrl	Win	Alt	Space							Alt Gr	Win	Menu	Ctrl

Turkish-Q

- In place of the Turkish-F keyboard, a modified QWERTY keyboard is increasingly used in Turkey

é	!	'	^	+	%	&	/	()	=	?	-	←	
"	<	1	>	2	£	3	#	4	\$	5	½	6	Backspace	
Tab	↔	Q	W	E	R	T	Y	U	I	O	P	Ğ	Ü	;
		@		€					i			..	~	,
Caps Lock	⬆	A	S	D	F	G	H	J	K	L	Ş	İ	Enter	
		Æ	ß										↵	
Shift	⬆	Z	X	C	V	B	N	M	Ö	Ç	:	.	Shift	
													⬆	
Ctrl	Win	Alt									Alt Gr	Win	Menu	Ctrl

**Culture is inherited wisdom
... but it is yesterday's wisdom**

Talk-Based Change



Behavior-Based Change

Change Checklist

TALK-BASED CHANGE: MAKING THE CASE

- 1 Do your people understand why this change is **needed** and why **now**?
- 2 Do your people understand why this change is **good** and worth **sacrifice**?

BEHAVIOR-BASED CHANGE: CONSISTENT, INSISTENT, and PERSISTENT

- 3 Are you a **first follower**? Who are your first followers?
- 4 Have you identified the **behaviors**, set goals, and role-modeled them?
- 5 Are you willing to **pay, promote and punish, hire, fire and acquire** for fit?
- 6 Do we see **progress**? Are the new behaviors reinforced by **success**?
- 7 Do we have **patience** for the new mindset to cascade and sink in?

1 Sense of Urgency

Help people see what is going on

- Expose them to data
- Illustrate the data in stories
- Push them to experience the reality of what is going on
- Connect their behavior to the reality they now see

Make clear that change is not a criticism of the past

Help people see what is coming

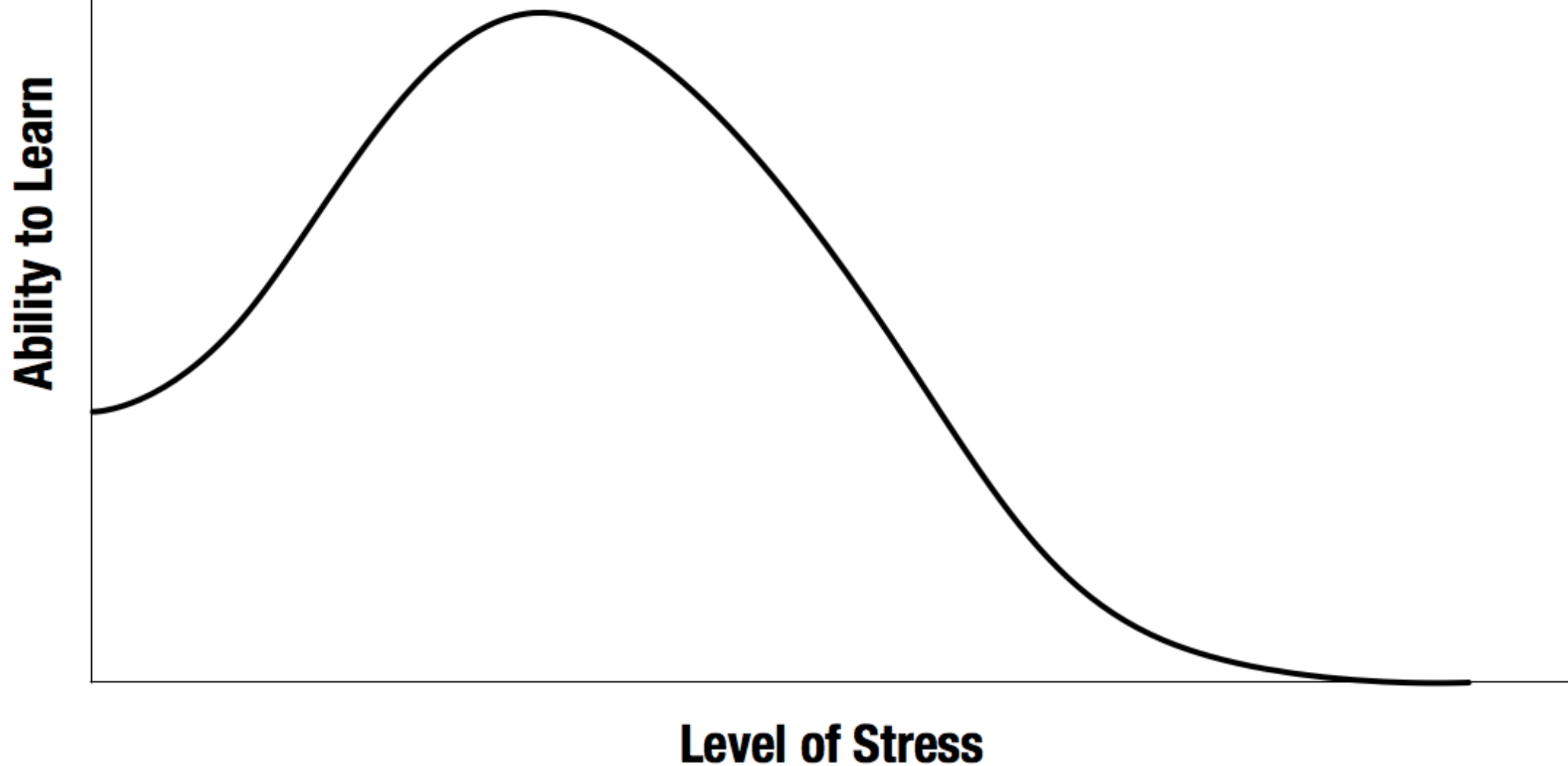
- Focus on vulnerabilities
- Search for best practice
- Connect people to the purpose of the organization

Lead by example

2

Hopes and Fears

Threat Rigidity



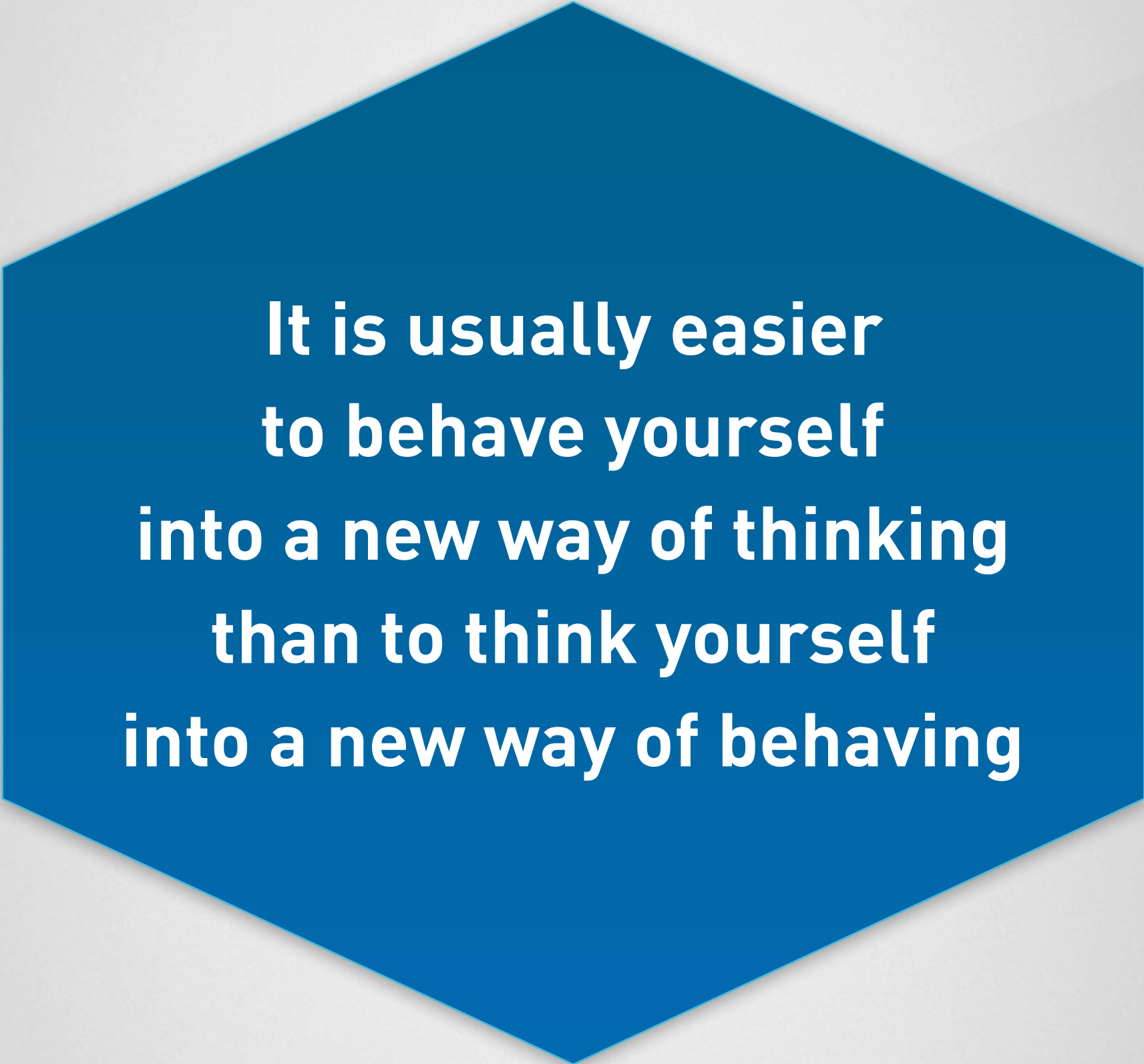
Source: Staw, B., Sandelands, L. and Dutton, J. 1981. *Administrative Science Quarterly*.

3

First Followers



<https://www.youtube.com/watch?v=fW8amMCVAJQ>



**It is usually easier
to behave yourself
into a new way of thinking
than to think yourself
into a new way of behaving**

Changing the Mindset

- **Consistent**
 - All the behavioral drivers moving in the same direction
 - Leaders at all levels acting as role-models
- **Insistent**
 - Disagree and commit
 - Hire, fire and acquire for fit
- **Persistent**
 - It takes patience to grow culture
 - Quick wins are important because progress is a powerful motivator

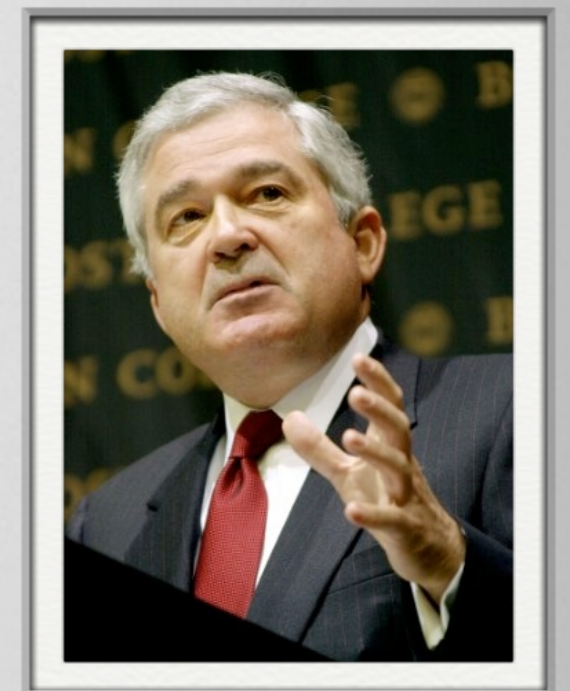
4 Consistent



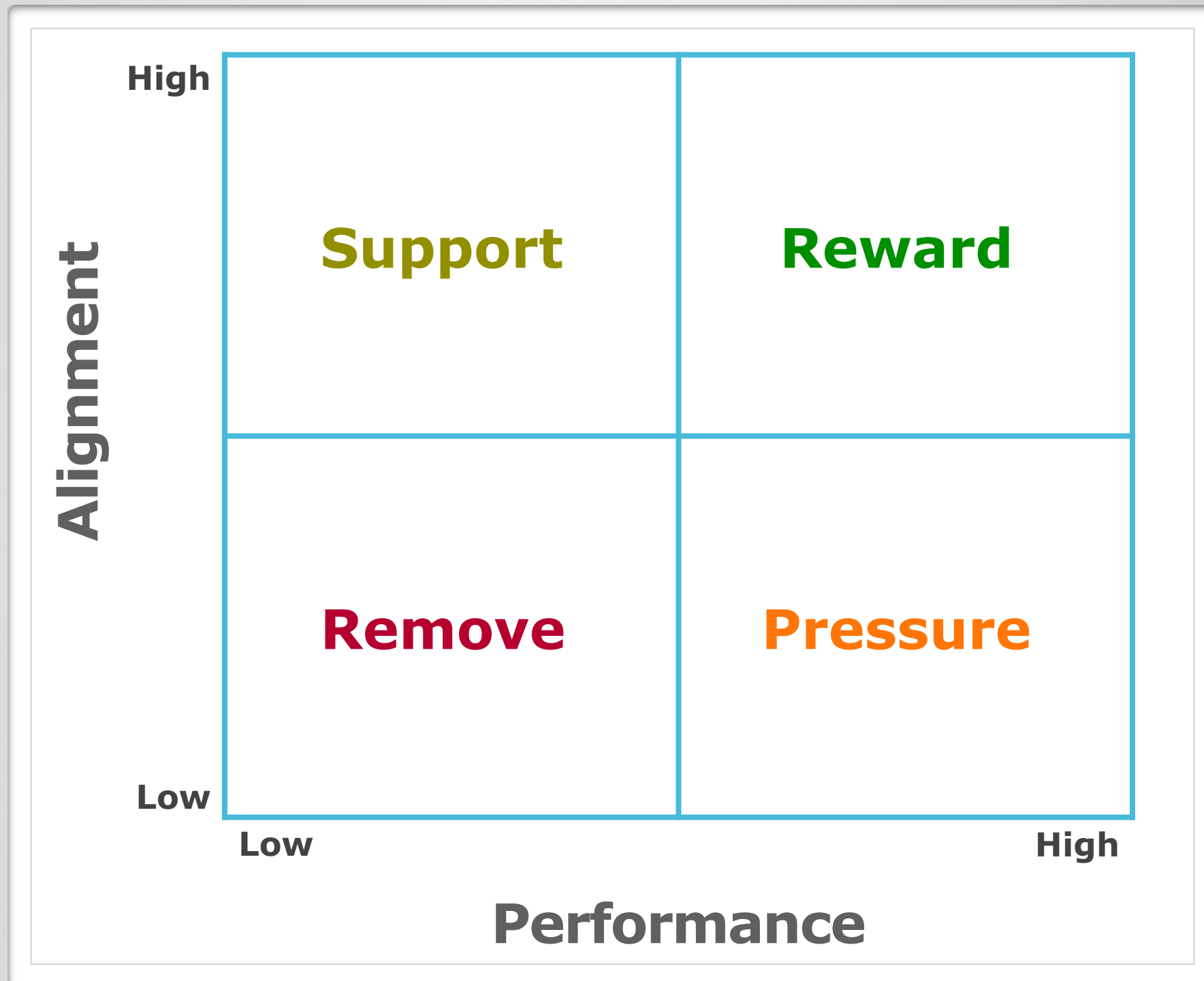
5 Insistent

Nothing would have changed (except polite platitudes and timely head nodding) if we didn't redirect the levers of power. This meant making changes in who controlled the budgets, who signed off on employees' salary increases and bonuses, and who made the final decisions on pricing and investments.

We virtually ripped this power from the hands of some and gave it to others.



Insistent

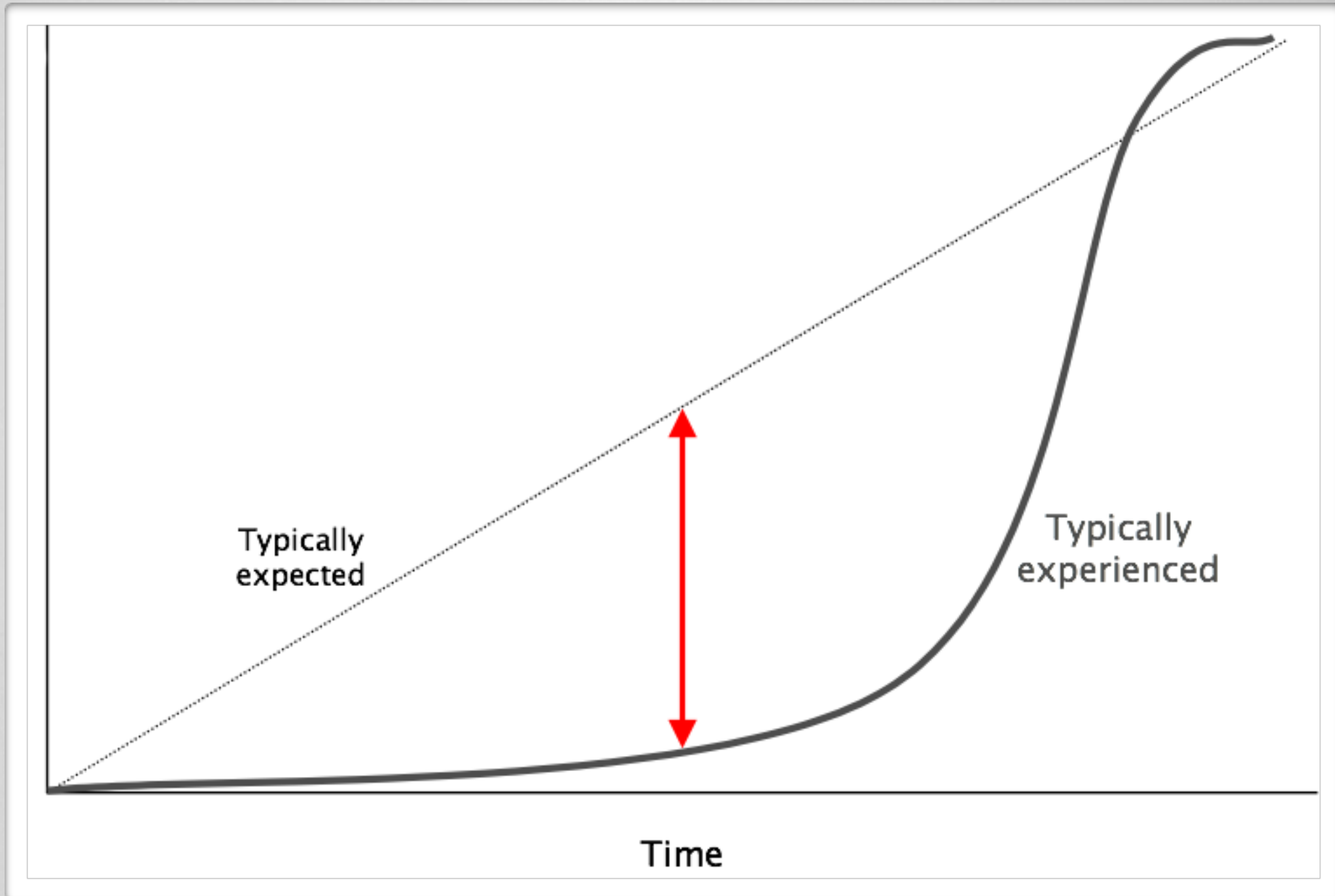


Fairness



<https://www.youtube.com/watch?v=-KSryJXDpZo>

6 Progress



7 Patience

You will begin to see results within months,
but truly changing the culture takes years

Don't declare victory too soon