What's Culture Go To Do With It?: A Guide for Leaders

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Culture is a complex and critical component of leadership. Yet many leaders underestimate its impact or fail to deal effectively with it in conjunction with growth strategies and other business initiatives. As CEO Lou Gerstner said about IBM's culture during a period of transformation, "I came to see, in my time at IBM, that culture isn't just one aspect of the game—it is the game."

One of the biggest challenges for leaders charged with evolving their organizations is that the same characteristics that once made a company great can also derail key business objectives. Even when cultures need to evolve, changing them too quickly or radically can destroy the spirit of an organization. There are many fine lines leaders must walk when it comes to culture, so let's start out by exploring how culture connects business goals to organizational norms and environments.

Culture has many definitions, but for our purposes here, let's agree that it consists of a company's norms and values; it manifests itself in "the way things are done around here" and includes both the formal and informal rules of the game. In most established companies of at least moderate size, certain identifiable traits cut across geographic and functional boundaries. At the same time, subcultures can exist within departments or regional offices. For instance, a marketing or accounting culture may have distinct characteristics that aren't shared with the larger corporate culture. Similarly, the culture in a company's Hong Kong office may be different from that of the one in Paris.

Cultures aren't dictated from above, nor do they just mysteriously emerge. Instead, they arise as employees have common experiences and develop a shared view of their particular universe. Often, as the executive team figures out the best way to grow (e.g., organic versus acquisition), these methods become ingrained in the company's DNA. The problem is that when the external world changes, this internal world often remains the same. A large global energy company had a culture of great rigor and discipline, and in the past, this reflexive belief in slow but certain analytical processes helped them make wise investments that have greatly benefited their organization. Now, however, they are facing intense competition from smaller but more nimble competitors. They need to move faster and with greater agility, but their culture is an impediment.

Yet there is still great value in the global energy company's culture. To try and change it overnight would be disastrous. Rigor and discipline are valuable competencies, but they need to be moderated and leavened with new elements. The culture must evolve or it will become a serious liability as the business environment changes.

Another problem is the gap between appearance and reality. Companies may espouse certain cultural values and beliefs, but they aren't aligned with how employees behave. Enron is the best example of this disconnect. While Enron's leaders talked about how values such as excellence and integrity were ingrained in the organization, authors McLean and Elkind, in their book The Smartest Guys in the Room: The Amazing Rise and Scandalous Fall of Enron, interviewed Enron employees and found that they characterized the culture with words such as cutthroat, arrogant, greed, and exploitation.

As I demonstrate in my own book, Beauty Queen: Inside the Reign of Avon's Andrea Jung, Avon provides a fascinating case study regarding the challenges leaders face when it comes to culture. Avon's culture was powerful and distinctive, but it badly needed to evolve during Andrea Jung's tenure as CEO. While Jung and some of the others in Avon's leadership group recognized and valued the company's culture, they weren't always successful in evolving it to correspond to changing business realities.

This is not an uncommon problem. For this reason, every organization should conduct a regular cultural assessment and then analyze environmental changes to see how their culture fits—or doesn't—with the external landscape. It may be that significant cultural evolution is required, or it may be sufficient to recast or contemporize. Here are six questions that every organization should ask about their cultures for a useful assessment:

1. What are three to seven common beliefs of employees—beliefs about the behaviors and skills that are rewarded, the attitudes that are prized, the business philosophy that is espoused, the way people are treated by the organization, and so on?

2. What are the stories that people tell and retell throughout the company—war stories about organizational triumphs, tales about charismatic founders and current leaders, stories about failures? What are the themes of these stories—leadership, innovation, and so forth?

3. Where are the informal centers of power? How do "things get done around here?" Are there certain people, positions, or functions that wield the greatest power, and if so, why does this informal power grid exist (e.g., to circumvent a slow-moving bureaucracy)?

4. Who are the go-to people in the organization? Who are the individuals who are viewed as problem-solvers and out-of-the-box thinkers? Who are the potential blockers or the ones who could derail change? Who are the ones who can break stalemates, resolve conflicts, and seize opportunities? Are they the individuals highest on the organizational chart, or are they the "old salts?"

5. What are the communication channels? How is information transmitted, both formally and informally? Is the communication straightforward, or is it necessary to read between the lines? Is a lot of the information restricted by managerial level and function, or is it open to most, if not all, employees? Is there a lot of one-on-one communication, written versus verbal, meetings versus memos, and so on?

6. Who are the most-respected employees, and why? Do they tend to be the organizational leaders or the managers on the front lines? What are the qualities most prized in these respected individuals?

Increasingly, organizations are recognizing that cultural assessments need to be prioritized. More than ever before, they see the connection between

cultural norms and strategic goals. Google, for instance, conducts regular "pulse" surveys to measure aspects of their culture. Johnson & Johnson, whose culture is driven by its credo, "Put the needs and well-being of the people we serve first…", has put credo challenges in place designed to help teams discuss what the credo means to them as well as encouraging behaviors that are credo-consistent. Recently, I worked with a European organization to ensure alignment between their strategy and the company's culture; they also want to communicate to the external world that how they treat their clients mirrors how they treat their employees.

Culture, then, isn't something to take for granted; it must be assessed and adjusted regularly, which requires a savvy leadership hand. From *Beauty Queen*: *Inside the Reign of Avon's Andrea Jung* by Deborah Himsel. Copyright © 2014 by the author and reprinted by permission of Palgrave Macmillan, a division of Macmillan Publishers Ltd.