Managing Corporate Cultural Change

Cultural Change

Changing a corporate culture is an ongoing process, which takes time and requires constant monitoring. It is about transforming the organization through continuous influence and the shaping of beliefs, assumptions, values, and patterns of behavior of people towards creating a desired work environment.1

- A Corporate Strategy Board study indicates that corporate change is difficult for all companies and success factors for the change largely depend on the unique circumstances of the changing organizations. In addition, the study reveals that despite a wide variety of strategies and situational factors, most companies continue to encounter problems in three predictable areas:2
  - Leadership—Almost all change experts agree that senior “ownership” of a change initiative is essential to its promotion in the company. Leaders with inadequate authority or commitment to change may ultimately undermine the change initiatives. Profiled companies follow several key steps when building a strong change leadership team:
    - Create a change coalition by uniting the board of directors and the CEO
    - Engage top management to execute the change
    - Involve outsiders to add perspective to the leadership vision
  - Timing—Most major changes require careful planning over a long duration. Poorly paced changes can stall or derail easily, and changes initiated or terminated at inopportune moments can fail to achieve the desired results. Profiled companies provide several pieces of advice for timing the change process:
    - Expect a substantial delay before change initiatives gain acceptance and generate results.
    - Prioritize initiatives instead of trying to change everything at once.
    - Sustain change momentum through constant adjustments and the introduction of new challenges.
  - Behavior Management—While changes require a clear strategic vision, change leaders also need to cultivate that vision in the behaviors of their employees. According to some experts, behaviors that are inconsistent with change objectives can become a major obstacle to company growth. Profiled companies utilize a variety of tactics to encourage behavior changes, examples of these tactics are listed below:
    - Alleviate anxiety and encourage participation in change by employing a thorough communication plan.
    - Identify change resisters through careful performance monitoring.
    - Facilitate behavior change by aligning compensation systems with the strategic vision.

- Corporate culture change initiatives may fail if organizations go about the change process the wrong way. Eight tips for implementing an effective corporate culture change include the following:3
  - “Opinion leaders”, those employees whose opinions matter to others, should be leveraged
  - A participative approach ensures deep and sustainable change
  - Buy-in of a corporate culture change results from a strong rationale
  - Change success should be recognized and reinforced early and frequently
  - Effective corporate culture change begins with changing mindsets (blind spots, assumptions, complacency, habits, and attitudes)
  - People, policies, procedures and practices must be consistent with the new culture
  - Successful organizations have corporate culture aligned to their visions, mission, strategies, goals, and their environment
  - Top management commitment is essential for success of a culture change

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To ensure a smooth shift of corporate culture, organizations should complete the following steps:

- Assess Current and Desired Culture
- Gather Executive Input
- Develop an Infrastructure for the Change
- Define an Implementation Strategy
- Train Employees and Managers
- Evaluate the Process

As a supplement to change efforts, companies use the following strategies:

- Distribute cards with the values statements
- Provide educational videos
- Conduct value orientation meetings
- Adapt performance appraisals to reflect new values

Implementing Cultural Change
When implementing cultural change, management should resist the desire to make major organizational changes quickly but rather institute a structured and long-term program or incremental change. This may elicit a more positive response from employees.¹

- When implementing a cultural change, organizations should complete the following steps to ensure a smooth transition of cultures:²

  **Step One: Assess Current and Desired Cultures**—The first step to changing a corporate culture involves gathering and analyzing data about the current culture, defining the desired culture, and identifying the gaps between the two cultures. Data can be gathered through observation, reviewing existing documentation, interviews, and employee surveys.

  **Step Two: Gather Executive Input**—The second step involves taking the management or leadership team off-site, where they can address the results of the needs assessment and gather executive input. The outcome of the retreat is a variety of “products,” which may include a new corporate philosophy, standards for success, updated role definitions, and other leadership decisions that will combine to define and develop the new culture.

  **Step Three: Develop an Infrastructure for Change**—After assessing the culture and gathering input, leaders should identify the systems, procedures, and policies that must be either changed or implemented to support the new culture. The new infrastructure should address role expectations, accountability, rewards, and selection systems.

  **Step Four: Define Implementation Strategy**—Once the infrastructure is set, leaders must define how the new culture will be implemented. The following question should be addressed: Will the organization make use of a steering committee, action teams, groups, or a subset of the leadership team to execute the change?

  **Step Five: Train Employees and Managers**—Step five consists of training employees and managers in order to provide them with the necessary information and skills to ensure that they are aware of the role expectations for the new culture.

  **Step Six: Evaluate the Process**—The final step to successfully changing a corporation’s culture is to evaluate the process. Leaders should establish mechanisms to monitor the progress of cultural change, and assess the expected results defined by the standards of success established by the company’s executive team.

- To supplement the implementation strategy and employee/manager training discussed above, companies typically utilize the following methods for integrating corporate values into daily organizational life:³

  - Company distributes wallet-sized cards emblazoned with values statements
  - Employees view professional videos highlighting values and participating in small-group discussion meetings
  - Executives model behaviors aligned with company values
  - Management states values publicly
  - Managers participate in training sessions and then conduct corporate value orientation meetings within their business units
  - Organizational structure, reward systems, training and performance appraisals all reflect values espoused by the company
  - Top management visits plant sites to communicate values

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Companies provide the following pieces of advice for communicating change to employees:

- Admit mistakes and correct them
- Enable effective two-way communication
- Provide timely and credible information
- Select a lead communicator

Companies use the following tactics to communicate change to employees:

- Discussion Groups
- Focus Groups
- Group meetings
- Newsletters

**PREPARING EMPLOYEES FOR CULTURAL CHANGE**

Employee resistance is common in change. Organizations must defuse resistance early within the change process through building momentum and maintaining persistence.7

- Public relations professionals at AT&T, Saturn, Dupont, and Blockbuster Video suggest that companies planning to implement culture change should select a communicator to facilitate and evaluate changes as they occur.8

- Literature indicates that without a systematic communications strategy, companies undergoing change risk false rumors, employee anxiety, low morale, and outright resistance to change. To counter these hurdles, the following strategies are suggested:9
  - Communicate face-to-face—Face-to-face communication is the best method for clarifying ambiguities and encouraging employee involvement
  - Inform Supervisors—Keeping supervisors informed about the rationale and progress of change leads to their subordinates being well-informed
  - Involve line management—Employees are more likely to listen to communication from line authority than from their peers
  - Practice redundant communications—Communicators must ensure their message is both received and understood, even if this leads to repetition
  - Relay only relevant information—Communications should be made relevant to employees’ particular jobs in order for employees to better retain the information

- Past Council research indicates cynicism toward change is prevalent in employees who experience a loss of faith in leaders, usually as a result of past failed attempts at cultural change. Leaders can manage and minimize cynicism by:10
  - Addressing employees’ fears through effective two-way communication
  - Admitting mistakes when they occur and taking corrective action
  - Providing timely and credible information

- Companies with a hierarchical organizational structure may encounter difficulties when explaining to employees why culture change is necessary. Specifically, difficulties arise when conveying to employees that previous assumptions regarding power, influence, and dated modes of behavior are no longer tolerated. In moving to a progressive culture, the organization should change the structure by:11
  - Removing layers of management
  - Realigning the financial reward system
  - Reorganizing the designations of pay levels
  - Eliminating all identifiers of a hierarchical status (e.g., private dining rooms, reserved parking spaces, etc.)

**Case Example—Large Manufacturing Company**

A large manufacturing company profiled in past Council research opened a broad communication channel almost immediately following the announcement of an impending strategic change. After the leaders’ initial message to the whole company, group meetings and discussion groups addressed employees’ concerns about the practical implications of change. Small meetings provided interventions against resistance, while a biweekly newsletter provided regular progress updates.12

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Effective change agents must possess the skills to complete the following tasks:

- Comprehend the importance of employee support for the change
- Explain the change and its implications
- Focus on the smaller issues of change
- Monitor the workforce support of the change
- Provide honest information regarding the change process

### COMPETENCIES OF INDIVIDUALS WHO LEAD CULTURAL CHANGE

A culture change is an ongoing process and may take time to yield tangible results. Leaders must recognize, reward or reinforce the motivation of people or risk a loss of stamina and interest in the process of implementing cultural change.14

- The following skills are highlighted in the literature as essential tools for the change agent, regardless of seniority or position within the firm:15
  - Courage
  - Flexibility
  - Good human relations skills
  - Knowledge of the change process and of the business
  - Passion
  - Patience
  - Strong employee focus
  - Vision

Literature defines change-makers as individuals who can explain in simple, yet compelling terms what the change will mean to the organization and its employees. Change-makers are catalysts, not dictators, of change; they take risks and responsibility for their actions.16

An effective change agent needs to be honest with others about the process of change, focus on the smaller issues that will lead toward the eventual target, and constantly ensure that managers and colleagues within the organization are aware of, and working towards, the organization's stated goal.17

The ability to comprehend and harness the role that employee involvement plays in the change process is fundamentally important to successful change management.18

Literature suggest that executives managing change face the following four key challenges:19

1. Mastering the context of the change
2. Understanding the ‘wholesale versus retail’ approaches to change
3. Managing momentum
4. Communicating progress

The most difficult challenge for the change agent is often engaging the entire organization in the change process whilst ensuring that each individual understands his or her role in the process.20

In addition, leaders of change can harness the following three factors:21

- **Resistance**—Change leaders must attend to the specific reasons for individuals’ hostility to the change process and appreciate the context of the change.
- **Momentum**—Leaders of change must consider the message for change, the manner by which messages are communicated to the employee population and the timing of events in order to fully harness the commitment of employees.
- **Social Factors**—Change agents must manage and maintain the social aspects of change and understand the roles that key individuals can play in maintaining momentum for change initiatives.
管理人员可能有效地应对变革的负面影响，如果他们了解变革如何影响他们的员工。以下表格提供了员工可能抗拒变革的原因和管理人员可以采用的策略，以减少这种抗拒：

<table>
<thead>
<tr>
<th>Reasons Employees Resist</th>
<th>Managerial Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees feel they will suffer from the change</td>
<td>Use communication strategy that solicits employee input</td>
</tr>
<tr>
<td>Organization does not communicate expectations clearly</td>
<td>Do not send mixed signals regarding the change; this will increase employee distrust</td>
</tr>
<tr>
<td>Employees perceive more work with fewer opportunities</td>
<td>Communicate clear vision of the change</td>
</tr>
<tr>
<td>Change requires altering a long-standing habit</td>
<td>Provide timely education</td>
</tr>
<tr>
<td>Relationships harbor unresolved resentments</td>
<td>Identify employee concerns and unresolved implementation issues</td>
</tr>
<tr>
<td>Employees lack feelings of job security</td>
<td>Provide employees with a timeline and a defined approach and outcome</td>
</tr>
<tr>
<td>Change alters existing social interactions</td>
<td>Communicate how employees will benefit from the change</td>
</tr>
<tr>
<td>Organization lacks adequate reward and punishment processes</td>
<td>Develop procedures to address employees who will be negatively affected by the change</td>
</tr>
<tr>
<td>Organization lacks sufficient resources</td>
<td></td>
</tr>
<tr>
<td>Organization has poor internal communication</td>
<td>Allow employees to express their grief over losing the past; bad-mouthing the past creates defensiveness in those who like the “old ways”</td>
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员工可能会因为多方面的原因抵制公司文化的变化。变革代理人必须具备抑制这种抵抗并赢得员工支持的技能。
In 1988, Sunflower Electric Power Corporation went through a drastic organizational and cultural change as it was the first of several general and transmission cooperatives to default on senior debt obligations. The morale of Sunflower employees was at an all-time low, as they faced an uncertain future with a debt structure thought by many to be only a temporary solution, with local newspapers leveraging charges of mismanagement and corruption. At the core of Sunflower’s change in approach was the deliberate redevelopment of its corporate culture. In reflecting on Sunflower’s development from the late 80s into the 21st century, the management team identified three key elements that made the transformation possible:

- Many middle managers were ready for change; so they knew it had to be deep, not superficial.
- New CEO was committed to breaking down organizational walls between work units as well as opening up decision processes to encourage participation from everyone.
- New CEO brought in an organizational consulting team to help develop the processes that would make Sunflower a more effective organization.

The experience at Sunflower highlights important considerations for any cooperative that plans to develop its corporate culture as a strategy for success. The following are strategies that Sunflower took to create an effective culture change:

- **Assess Executive Support**—Test the depth of the transformation vision for executives by asking the following questions about the culture they will build:
  - What values or principles is your culture based upon?
  - How deeply rooted are these values or principles, and who is committed to living by them?
  - How can the desired culture be described to others so that they can understand what it is like?
  - How do employees act within this culture so that they know what will be expected of them?
  - How will building or strengthening this culture change the way the cooperative functions?
  - How will it make life better for employees?

- **Provide Convincing Rationale**—Have a compelling event or circumstance to motivate employees to pursue cultural change. In Sunflower’s case, the compelling circumstance was its financial crisis that required debt restructuring and employment of a new CEO. Without a compelling event or circumstance, employees are often too comfortable with the ways things are to drive real change. Companies that are threatened by the changes occurring in their markets may feel so anxious about their future survival that they are ready to change.

- **Execute Strategic and Tactical Planning**—Successful cultural change efforts have to be both strategic and tactical. In Sunflower’s case, development was evolutionary, in that the initial effort was focused on part of the company—Operations—and grew over time to be applied across all elements of the company.

- **Maintain Organizational and Leadership Development**—Organizational and leadership development efforts are ongoing. If these are treated just as occasional events or “training,” they will not make significant contributions to the organization. Organization and leadership development are core responsibilities for executives and managers. Truly dynamic organizations cultivate leaders rather than managers. The ones that are most successful at using the power of corporate culture are those who cultivate leaders who reflect their corporation’s core culture and values.
SUCCESSFUL CULTURAL CHANGES

Case Example: Sunflower Electric Power Corporation (continued)

• **Seek Outside Help**—Executives are so close to the day-to-day activities that they need someone from the outside with a detached point of view to help them see their company objectively. Work demands can interfere with objectivity. Additionally, the size and complexity of organizations, and the work that goes on within them, are often more than one individual can absorb. In Sunflower’s case, new CEO Chris Hauck found that he needed the outside point of view, as well as coaching from his consultants to fully appreciate his own thinking, personal reactions, and effects on others and make the best use of his talents.

• **Establish a Clear Vision**—Developing powerful company cultures requires a clear vision of where you are going, a plan for getting there, bold action, and a commitment to follow through to achieve results. And, as Sunflower discovered, it can pay off many times over.

In order to implement a cultural change in the company, Sunflower created a management team to work together toward the improvement of Sunflower. The team developed specific goals for their commitment, which are detailed below: 25

- To have a positive attitude toward Sunflower, toward each other within the Sunflower Management Team and toward all other Sunflower people
- To cooperate when working with each other and to promote and support intra-department and inter-department cooperation
- To work toward total company alignment and to empower people to this result
- To trust each other and to earn the trust of the Sunflower people
- To demonstrate the respect and dignity ideals of Sunflower
- To recognize that it is our responsibility to manage environments and things, not to manage people. Our responsibility is to empower people to manage themselves. We will ask, “What can I do as a member of the Sunflower Management Team to help people perform their work?”
- To develop healthy, positive and more thorough communications throughout Sunflower
- To identify and resolve interpersonal problems at the most immediate and practical level
- To supervise and evaluate performance objectively, consistently, and respectfully
While the business press stresses the need to be innovative in achieving financial goals, customer demands, and market expectations, managing the process of innovation proves a significant challenge. Large corporations, in particular, struggle with the challenge of maintaining an organizational culture and a set of processes that unleash the creativity of the organization. Large corporations tend to stifle innovation due to insufficient senior management support and encouragement and uncertain processes for navigating ideas through the organization.

**Stimulants to creativity include providing employees with challenging projects, allowing employees the freedom to decide how to conquer the challenge, and managing with clear expectations and effective communication. In contrast, inhibitors to creativity include evaluating standards other than merit of work, displaying a lack of trust, and demonstrating reluctance to change.**

In order to initiate innovation, companies use the following three practices:

- **Harnessing Creativity**—Companies seek to encourage employees to submit creative ideas to the firm by providing easily accessible routes or promoting internal competitions between staff. Beta Company, a global technology firm, holds monthly innovation competitions to collect the creative input of employees.

- **Alternative Funding For Creative Ideas**—Some companies provide alternative sources of funding for creative ideas outside the normal, formal process. Transcorp utilized a $250,000 venture capital fund, allowing employees to start a new business based on an innovative business concept.

- **Recognizing Innovation**—To encourage employees to share ideas with the firm, companies provide incentives for the innovation process and recognition for employees. Gamma Company, an international service firm, measures all employees against innovation goals as part of the regular performance appraisal process.

Companies utilize a variety of tactics for encouraging employee innovation including:

- **Creativity Training**—Training aimed at encouraging employees to develop new approaches to problem solving

- **Goal Setting**—“Stretch” or developmental goals established by individual employees or teams; innovative approaches are critical for goal attainment; however, employees are not penalized for failure

- **Innovation Councils/Work Teams**—Established groups responsible for developing programs and initiatives that encourage innovation

- **Performance Appraisals**—Annual performance reviews that evaluate employees’ performance against competencies related to creativity and innovation

- **Values Statements**—Values such as respect for diverse opinions and “never be satisfied” encourage innovation and demonstrate the company’s commitment to innovation

Although every employee is potentially creative, firms should still seek to target creative key talent during the recruitment process. 3M, a diversified manufacturing company, distributes a booklet entitled “Hiring Innovators” to every staff member involved in the recruitment process. Coca-Cola and Eli Lilly award failures in order to encourage risk-taking. Hewlett-Packard and 3M recognize and accept that failure will occur and offer those who fail subsequent chances to succeed.

One high-tech firm utilizes the firm’s e-mail system to publicize problems experienced across the organization. Individuals are invited to form creative solutions, and incentives are provided to encourage these individuals to pass their thought to management.
Rubbermaid sustains innovation through a variety of tactics, which include the following:

- **Bold Product Goals**
- **Cross-Functional Design Teams**
- **Gathering Consumer Input and Identifying Trends**

### Case Example: Rubbermaid

Rubbermaid fuels its new product drive with a goal of creating 33 percent of every year’s sales from products introduced during the preceding five-year period. Rubbermaid sustains innovation through a variety of methods, and three of the company’s tactics are described below:

- **Bold Product Goals**—Among all of Rubbermaid’s audacious goals, two in particular stand out. The company expects 33 percent of its annual sales to derive from products introduced in the preceding five-year period, and it expects that it will enter a new market every 12 to 18 months. The results of such new market entries include the company’s entrance into the home-office market—e.g., desk accessories—and the outdoor patio market—e.g., plastic garden sheds.

- **Cross-Functional Design Teams**—Developed in 1989, each of Rubbermaid’s 21 entrepreneurial teams comprises researchers, designers, manufacturers, and marketers, whom the company charges with product generation and rapid design-to-market paths. A single team’s territory might include the bedroom closet or the kitchen pantry. The company encourages these teams to identify trends and to develop products to meet customers’ sometimes unspoken needs. For instance, one team designed a laundry basket whose kidney shape fits perfectly on the carrier’s hip.

  Team compensation levels rest upon not only the team’s financial performance but also the “spirit of cooperativeness” on the team, according to Rubbermaid’s CEO, Wolfgang Schmitt.

- **Gathering Consumer Input and Identifying Trends**—Rubbermaid has a well-documented reputation for eagerly obtaining customer input and for identifying trends in consumer preferences. The company conducts trials of its product colors through focus groups in various cities, followed by sidewalk customer interviews; it then conducts consumer groups, user groups and in-home trials at the product testing stage, in each case to solicit consumers’ suggestions and reactions to potential products. Finally, once a product has been introduced, Rubbermaid enthusiastically amasses the suggestions and comments of both customers and retailers and even asks selected consumers to keep journals of comments concerning their experiences with specific products.

The company also encourages executives to read customers’ letters, to attend consumer focus groups, and to visit stores in order to listen to consumer criticism. From this, the company hopes to shape innovative solutions to explicit or implicit consumer desires. In addition, the Rubbermaid has hired experts in fields such as sociology to predict the logical products that may result from social trends—e.g., the proliferation of baby boomers who want to hold onto souvenirs and mementos of their younger years.
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