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ARTICLE COLLECTION

The Leader's Guide to Corporate Culture

Changing your organization's culture can improve its performance. Here's how to do that.

by Boris Groysberg, Jeremiah Lee, Jesse Price, and J. Yo-Jud Cheng

What's Your Organization's Cultural Profile?

A worksheet and questions to get you started

How to Shape Your Culture

Steps for setting an aspirational target

Convergence Matters

When employees' views of the culture align, engagement and customer orientation benefit.


Context, Conditions, and Culture

Geographic region and industry are key external factors to consider; strategy, leadership, and organizational design are key internal ones.

The Leader's Guide to Corporate Culture

HOW TO MANAGE THE EIGHT CRITICAL
ELEMENTS OF ORGANIZATIONAL LIFE

BY BORIS GROYSBERG, JEREMIAH LEE,
JESSE PRICE, AND J. YO-JUD CHENG



Strategy and culture are among the primary levers at top leaders' disposal in their never-ending quest to maintain organizational viability and effectiveness. Strategy offers a formal logic for the company's goals and orients people around them. Culture expresses goals through values and beliefs and guides activity through shared assumptions and group norms.

Strategy provides clarity and focus for collective action and decision making. It relies on plans and sets of choices to mobilize people and can often be enforced by both concrete rewards for achieving goals and consequences for failing to do so. Ideally, it also incorporates adaptive elements that can scan and analyze the external environment and sense when changes are required to maintain continuity and growth. Leadership goes hand-in-hand with strategy formation, and most leaders understand the fundamentals. Culture, however, is a more elusive lever, because much of it is anchored in unspoken behaviors, mindsets, and social patterns.

For better *and* worse, culture and leadership are inextricably linked. Founders and influential leaders often set new cultures in motion and imprint values and assumptions that persist for decades. Over time an organization's leaders can also shape culture, through both conscious and unconscious actions (sometimes with unintended consequences). The best leaders we have observed are fully aware of the multiple cultures within which they are embedded, can sense when change is required, and can deftly influence the process.

Unfortunately, in our experience it is far more common for leaders seeking to build high-performing organizations to be con-founded by culture. Indeed, many either let it go unmanaged or relegate it to the HR function, where it becomes a secondary concern for the business. They may lay out detailed, thoughtful plans for strategy and execution, but because they don't understand culture's power and dynamics, their plans go off the rails. As someone once said, culture eats strategy for breakfast.

It doesn't have to be that way. Our work suggests that culture can, in fact, be managed. The first and most important step leaders can take to maximize its value and minimize its risks is to become fully aware of how it works. By integrating findings from more than 100 of the most commonly used social and behavioral models, we have identified eight styles that distinguish a culture and can be measured. (We gratefully acknowledge the rich history of cultural studies—going all the way back to the earliest explorations of human nature—on which our work builds.) Using this framework, leaders can model the impact of culture on their business and assess its alignment with strategy. We also suggest how culture can help them

achieve change and build organizations that thrive in even the most trying times.

DEFINING CULTURE

Culture is the tacit social order of an organization: It shapes attitudes and behaviors in wide-ranging and durable ways. Cultural norms define what is encouraged, discouraged, accepted, or rejected within a group. When properly aligned with personal values, drives, and needs, culture can unleash tremendous amounts of energy toward a shared purpose and foster an organization's capacity to thrive.

Culture can also evolve flexibly and autonomously in response to changing opportunities and demands. Whereas strategy is typically determined by the C-suite, culture can fluidly blend the intentions of top leaders with the knowledge and experiences of frontline employees.

The academic literature on the subject is vast. Our review of it revealed many formal definitions of organizational culture and a variety of models and methods for assessing it. Numerous processes exist for creating and changing it. Agreement on specifics is sparse across these definitions, models, and methods, but through a synthesis of seminal work

by Edgar Schein, Shalom Schwartz, Geert Hofstede, and other leading scholars, we have identified four generally accepted attributes:

Shared. Culture is a group phenomenon. It cannot exist solely within a single person, nor is it simply the average of individual characteristics. It resides in shared behaviors, values, and assumptions and is most commonly experienced through the norms and expectations of a group—that is, the unwritten rules.

Pervasive. Culture permeates multiple levels and applies very broadly in an organization; sometimes it is even conflated with the organization itself. It is manifest in collective behaviors, physical environments, group rituals, visible symbols, stories, and legends. Other aspects of culture are unseen, such as mindsets, motivations, unspoken assumptions, and what David Rooke and William Torbert refer to as “action logics” (mental models of how to interpret and respond to the world around you).

Enduring. Culture can direct the thoughts and actions of group members over the long term. It develops through critical events in the collective life and learning of a group. Its endurance is explained in part by the attraction-selection-attrition model first introduced by Benjamin Schneider: People are drawn to organizations with characteristics similar to their own; organizations are more likely to select individuals who seem to “fit in”; and over time those who don't fit in tend to leave. Thus culture becomes a self-reinforcing social pattern that grows increasingly resistant to change and outside influences.

Implicit. An important and often overlooked aspect of culture is that despite its subliminal nature, people are effectively hardwired to recognize and respond to it instinctively. It acts as a kind of silent language. Shalom Schwartz and E.O. Wilson have shown through their research how evolutionary processes shaped human capacity; because the ability to sense and respond to culture is universal, certain themes should be expected to recur across the many models, definitions, and studies in the field. That is exactly what we have discovered in our research over the past few decades.

EIGHT DISTINCT CULTURE STYLES

Our review of the literature for commonalities and central concepts revealed two primary dimensions that apply regardless of organization type, size, industry, or geography: people interactions and response to change.

As someone once said, culture eats strategy for breakfast.

Understanding a company's culture requires determining where it falls along these two dimensions.

People interactions. An organization's orientation toward people interactions and coordination will fall on a spectrum from highly independent to highly interdependent. Cultures that lean toward the former place greater value on autonomy, individual action, and competition. Those that lean toward the latter emphasize integration, managing relationships, and coordinating group effort. People in such cultures tend to collaborate and to see success through the lens of the group.

Response to change. Whereas some cultures emphasize stability—prioritizing consistency, predictability, and maintenance of the status quo—others emphasize flexibility, adaptability, and receptiveness to change. Those that favor stability tend to follow rules, use control structures such as seniority-based staffing, reinforce hierarchy, and strive for efficiency. Those that favor flexibility tend to prioritize innovation, openness, diversity, and a longer-term orientation. (Kim Cameron, Robert Quinn, and Robert Ernest are among the researchers who employ similar dimensions in their culture frameworks.)

By applying this fundamental insight about the dimensions of people interactions and response to change, we have identified eight styles that apply to both organizational cultures and individual leaders. Researchers at Spencer Stuart (including two of this article's authors) have interdependently studied and refined this list of styles across both levels over the past two decades.

Caring focuses on relationships and mutual trust. Work environments are warm, collaborative, and welcoming places where people help and support one another. Employees are united by loyalty; leaders emphasize sincerity, teamwork, and positive relationships.

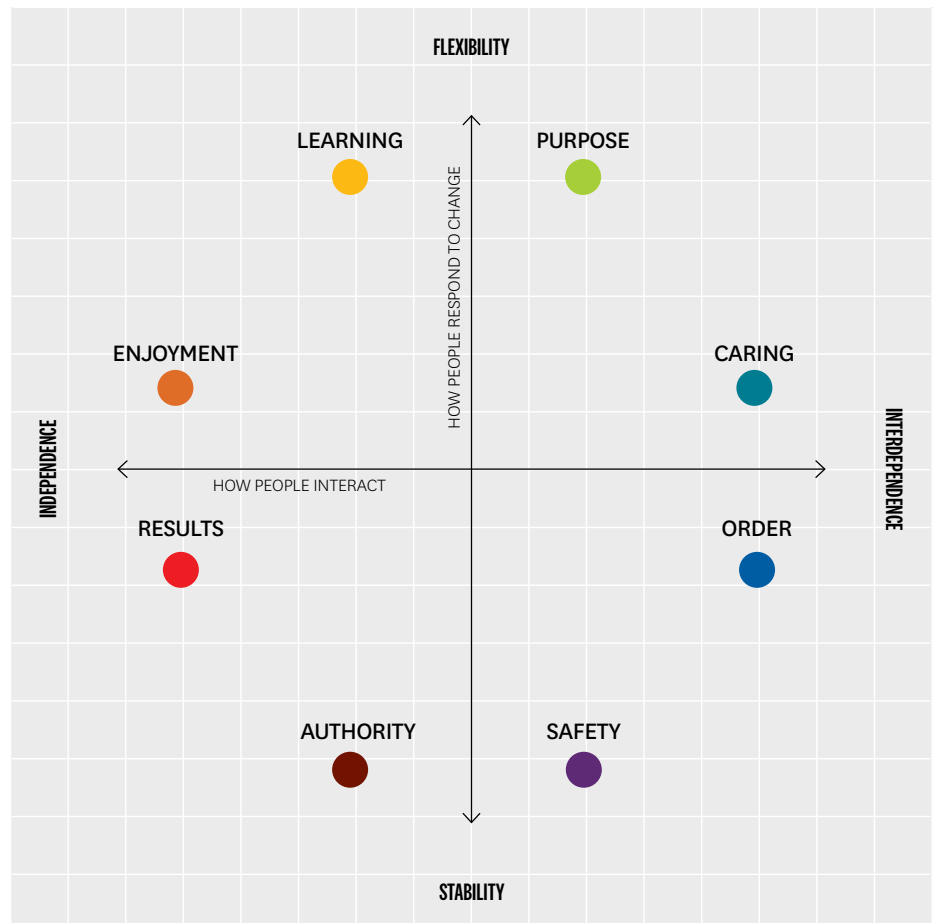
Purpose is exemplified by idealism and altruism. Work environments are tolerant, compassionate places where people try to do good for the long-term future of the world. Employees are united by a focus on sustainability and global communities; leaders emphasize shared ideals and contributing to a greater cause.

Learning is characterized by exploration, expansiveness, and creativity. Work environments are inventive and open-minded places where people spark new ideas and explore alternatives. Employees are united

INTEGRATED CULTURE THE FRAMEWORK

On the basis of decades of experience analyzing organizations, executives, and employees, we developed a rigorous, comprehensive model to identify the key attributes of both group culture and individual leadership styles. Eight characteristics emerge when we map cultures along two dimensions: how people interact (independence to interdependence) and their response to change (flexibility to stability). The relative salience of these eight styles differs across organizations, though nearly all are strongly characterized by *results* and *caring*.

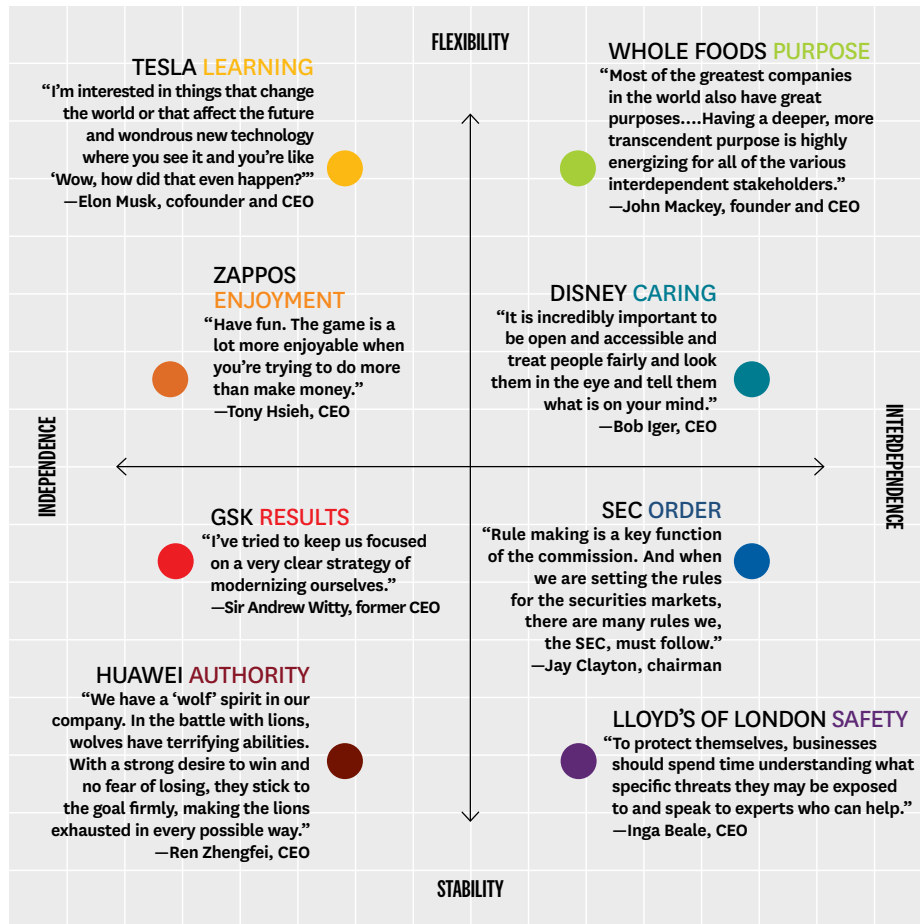
The spatial relationships are important. Proximate styles, such as *safety* and *order*, or *learning* and *enjoyment*, will coexist more easily than styles that are far apart on the chart, such as *authority* and *purpose*, or *safety* and *learning*. Achieving a culture of *authority* often means gaining the advantages (and living with the disadvantages) of that culture but missing out on the advantages (and avoiding the disadvantages) of a culture of *purpose*.



SOURCE SPENCER STUART

INTEGRATED CULTURE LEADER STATEMENTS

Top leaders and founders often express cultural sentiments within the public domain, either intentionally or unintentionally. Such statements can provide important clues to how these leaders are thinking about and leading their organizations' cultures.



by curiosity; leaders emphasize innovation, knowledge, and adventure.

Enjoyment is expressed through fun and excitement. Work environments are light-hearted places where people tend to do what makes them happy. Employees are united by playfulness and stimulation; leaders emphasize spontaneity and a sense of humor.

Results is characterized by achievement and winning. Work environments are outcome-oriented and merit-based places where people aspire to achieve top performance. Employees are united by a drive for capability and success; leaders emphasize goal accomplishment.

Authority is defined by strength, decisiveness, and boldness. Work environments are competitive places where people strive to gain personal advantage. Employees are united by strong control; leaders emphasize confidence and dominance.

Safety is defined by planning, caution, and preparedness. Work environments are predictable places where people are risk-conscious and think things through carefully. Employees are united by a desire to feel protected and anticipate change; leaders emphasize being realistic and planning ahead.

Order is focused on respect, structure, and shared norms. Work environments are

methodical places where people tend to play by the rules and want to fit in. Employees are united by cooperation; leaders emphasize shared procedures and time-honored customs.

These eight styles fit into our integrated culture framework (see the exhibit “Integrated Culture: The Framework”) according to the degree to which they reflect independence or interdependence (people interactions) and flexibility or stability (response to change). Styles that are adjacent in the framework, such as *safety* and *order*, frequently coexist within organizations and their people. In contrast, styles that are located across from each other, such as *safety* and *learning*, are less likely to be found together and require more organizational energy to maintain simultaneously. Each style has advantages and disadvantages, and no style is inherently better than another. An organizational culture can be defined by the absolute and relative strengths of each of the eight and by the degree of employee agreement about which styles characterize the organization. A powerful feature of this framework, which differentiates it from other models, is that it can also be used to define individuals’ styles and the values of leaders and employees.

Inherent in the framework are fundamental trade-offs. Although each style can be beneficial, natural constraints and competing demands force difficult choices about which values to emphasize and how people are expected to behave. It is common to find organizations with cultures that emphasize both *results* and *caring*, but this combination can be confusing to employees. Are they expected to optimize individual goals and strive for outcomes at all costs, or should they work as a team and emphasize collaboration and shared success? The nature of the work itself, the business strategy, or the design of the organization may make it difficult for employees to be equally *results* focused and *caring*.

In contrast, a culture that emphasizes *caring* and *order* encourages a work environment in which teamwork, trust, and respect are paramount. The two styles are mutually reinforcing, which can be beneficial but can also present challenges. The benefits are strong loyalty, retention of talent, lack of conflict, and high levels of engagement. The challenges are a tendency toward groupthink, reliance on consensus-based decisions, avoidance of difficult issues, and a calcified sense of “us versus them.” Leaders who are

THE PROS AND CONS OF CULTURE STYLES

Every culture style has strengths and weaknesses. The table below summarizes the advantages and disadvantages of each style and how frequently it appears as a defining culture characteristic among the companies in our study.

CULTURE STYLE	ADVANTAGES	DISADVANTAGES	RANKED 1 ST OR 2 ND
CARING Warm, sincere, relational	Improved teamwork, engagement, communication, trust, and sense of belonging	Overemphasis on consensus building may reduce exploration of options, stifle competitiveness, and slow decision making	63%
PURPOSE Purpose driven, idealistic, tolerant	Improved appreciation for diversity, sustainability, and social responsibility	Overemphasis on a long-term purpose and ideals may get in the way of practical and immediate concerns	9%
LEARNING Open, inventive, exploring	Improved innovation, agility, and organizational learning	Overemphasis on exploration may lead to a lack of focus and an inability to exploit existing advantages	7%
ENJOYMENT Playful, instinctive, fun loving	Improved employee morale, engagement, and creativity	Overemphasis on autonomy and engagement may lead to a lack of discipline and create possible compliance or governance issues	2%
RESULTS Achievement driven, goal focused	Improved execution, external focus, capability building, and goal achievement	Overemphasis on achieving results may lead to communication and collaboration breakdowns and higher levels of stress and anxiety	89%
AUTHORITY Bold, decisive, dominant	Improved speed of decision making and responsiveness to threats or crises	Overemphasis on strong authority and bold decision making may lead to politics, conflict, and a psychologically unsafe work environment	4%
SAFETY Realistic, careful, prepared	Improved risk management, stability, and business continuity	Overemphasis on standardization and formalization may lead to bureaucracy, inflexibility, and dehumanization of the work environment	8%
ORDER Rule abiding, respectful, cooperative	Improved operational efficiency, reduced conflict, and greater civic-mindedness	Overemphasis on rules and traditions may reduce individualism, stifle creativity, and limit organizational agility	15%

NOTE SUM OF PERCENTAGES IS GREATER THAN 100 BECAUSE STYLES WERE COUNTED AS DOMINANT IF THEY WERE RANKED 1 OR 2 OVERALL.

more focused on *results* and *learning* may find the combination of *caring* and *order* stifling when they seek to drive entrepreneurship and change. Savvy leaders make use of existing cultural strengths and have a nuanced understanding of how to initiate change. They might rely on the participative nature of a culture focused on *caring* and *order* to engage team members and simultaneously identify a *learning*-oriented “insider” who has the trust of his or her peers to advocate for change through relationship networks.

The eight styles can be used to diagnose and describe highly complex and diverse behavioral patterns in a culture and to model how likely an individual leader is to align with and shape that culture. Using this framework and multilevel approach, managers can:

- Understand their organization’s culture and assess its intended and unintended effects
- Evaluate the level of consistency in employees’ views of the culture
- Identify subcultures that may account for higher or lower group performance
- Pinpoint differences between legacy cultures during mergers and acquisitions
- Rapidly orient new executives to the culture they are joining and help them determine the most effective way to lead employees
- Measure the degree of alignment between individual leadership styles and organizational culture to determine what impact a leader might have
- Design an aspirational culture and communicate the changes necessary to achieve it

THE LINK BETWEEN CULTURE AND OUTCOMES

Our research and practical experience have shown that when you are evaluating how culture affects outcomes, the context in which the organization operates—geographic region, industry, strategy, leadership, and company structure—matters, as does the strength of the culture. (See “Context, Conditions, and Culture,” page 56.) What worked in the past may no longer work in the future, and what worked for one company may not work for another.

We have arrived at the following insights:
When aligned with strategy and leadership, a strong culture drives

positive organizational outcomes.

Consider the case of a best-in-class retailer headquartered in the United States. The company had viewed its first priority as providing top-notch customer service. It accomplished this with a simple rule—Do right by the customer—that encouraged employees to use their judgment when providing service. A core HR training practice was to help every salesperson see customer interactions as an opportunity to create “service stories that become legendary.” Employees were reminded to define service from the customer’s perspective, to constantly engage customers with questions geared toward understanding their specific needs and preferences, and to go beyond their expectations.

In measuring the culture of this company, we found that like many other large retailers, it was characterized primarily by a combination of *results* and *caring*. Unlike many other retailers, however, it had a culture that was also very flexible, *learning* oriented, and focused on *purpose*. As one top executive explained, “We have freedom as long as we take good care of the customer.”

Furthermore, the company’s values and norms were very clear to everyone and consistently shared throughout the organization. As the retailer expanded into new segments and geographies over the years, the leadership strove to maintain an intense customer focus without diluting its cherished culture. Although the company had historically focused on developing leaders from within—who were natural culture carriers—recruiting outsiders became necessary as it grew. The company preserved its culture through this change by carefully assessing new leaders and designing an onboarding process that reinforced core values and norms.

Culture is a powerful differentiator for this company because it is strongly aligned with strategy and leadership. Delivering outstanding customer service requires a culture and a mindset that emphasize achievement, impeccable service, and problem solving through autonomy and inventiveness. Not surprisingly, those qualities have led to a variety of positive outcomes for the company, including robust growth and international expansion, numerous customer service awards, and frequent appearances on lists of the best companies to work for.

Selecting or developing leaders for the future requires a forward-looking strategy and culture. The chief executive of an agriculture business was planning

to retire, spurring rumors about a hostile takeover. The CEO was actively grooming a successor, an insider who had been with the company for more than 20 years. Our analysis revealed an organizational culture that strongly emphasized *caring* and *purpose*. As one leader reflected, “You feel like part of a large family when you become an employee at this company.”

The potential successor understood the culture but was far more risk-averse (*safety*) and respectful of traditions (*order*) than the rest of the company. Given the takeover rumors, top leaders and managers told the CEO that they believed the company needed to take a more aggressive and action-oriented stance in the future. The board decided to consider the internal candidate alongside people from outside the company.

Three external candidates emerged: one who was aligned with the current culture (*purpose*), one who would be a risk taker and innovative (*learning*), and one who was hard-driving and competitive (*authority*). After considerable deliberation, the board chose the highly competitive leader with the *authority* style. Soon afterward an activist investor attempted a hostile takeover, and the new CEO was able to navigate through the precarious situation, keep the company

independent, and simultaneously begin to restructure in preparation for growth.

In a merger, designing a new culture on the basis of complementary strengths can speed up integration and create more value over time. Mergers and acquisitions can either create or destroy value. Numerous studies have shown that cultural dynamics represent one of the greatest yet most frequently overlooked determinants of integration success and postmerger performance.

For example, senior leaders from two merging international food retailers had invested heavily in their organizations’ cultures and wanted to preserve their unique strengths and distinct heritages. An assessment of the cultures revealed shared values and areas of compatibility that could provide a foundation for the combined culture, along with important differences for which leaders would have to plan: Both companies emphasized *results*, *caring*, and *order* and valued high-quality food, good service, treating employees fairly, and maintaining a local mindset. But one operated in a more top-down manner and scored much higher on *authority*, especially in the behavior of leaders.

Because both companies valued teamwork and investments in the local community, the leaders prioritized *caring* and *purpose*. At the same time, their strategy required that they shift from top-down *authority* to a *learning* style that would encourage innovation in new-store formats and online retailing. As one senior leader said of the strategic aspiration, “We need to dare to do things differently, not play by the old rule books.”

Once they had agreed on a culture, a rigorous assessment process identified leaders at both organizations whose personal style and values would allow them to serve as bridges to and champions for it. Then a program was launched to promote cultural alignment within 30 top teams, with an emphasis on clarifying priorities, making authentic connections, and developing team norms that would bring the new culture to life.

Finally, structural elements of the new organization were redesigned with culture in mind. A model for leadership was developed that encompassed recruitment, talent assessment, training and development, performance management, reward systems, and promotions. Such design considerations are often overlooked during organizational change, but if systems and structures don’t align with cultural and leadership imperatives, progress can be derailed.

Cultural dynamics represent one of the greatest yet most frequently overlooked factors in postmerger performance.

In a dynamic, uncertain environment, in which organizations must be more agile, learning gains importance. It's not surprising that *results* is the most common culture style among all the companies we have studied. Yet during a decade of helping leaders design aspirational cultures, we have seen a clear trend toward prioritizing *learning* to promote innovation and agility as businesses respond to increasingly less predictable and more complex environments. And although *learning* ranks fourth within our broader database, small companies (200 employees or fewer) and those in newer industries (such as software, technology, and wireless equipment) accord it higher values.

Consider one Silicon Valley-based technology company we worked with. Though it had built a strong business and invested in unique technology and top engineering talent, its revenue growth was starting to decline as newer, nimbler competitors made strides in a field exploding with innovation and business model disruption. Company leaders viewed the culture as a differentiator for the business and decided to diagnose, strengthen, and evolve it. We found a culture that was intensely *results* focused, team based (*caring*), and exploratory (a combination of *enjoyment* and *learning*).

After examining the overall business strategy and gaining input from employees, leaders aimed for a culture that was even more focused on *learning* and adopted our framework as a new language for the organization in its daily work. They initiated conversations between managers and employees about how to emphasize innovation and exploration. Although it takes time to change a culture, we found that the company had made notable progress just one year later. And even as it prepared for an impending sale amid ever greater competition and consolidation, employee engagement scores were on the rise.

A strong culture can be a significant liability when it is misaligned with strategy. We studied a Europe-based industrial services organization whose industry began to experience rapid and unprecedented changes in customer expectations, regulatory demands, and competitive dynamics. The company's strategy, which had historically emphasized cost leadership, needed to shift toward greater service differentiation in response. But its strong culture presented a roadblock to success.

We diagnosed the culture as highly *results* oriented, *caring*, and *order* seeking, with a

top-down emphasis on *authority*. The company's leaders decided to shape it to be much more *purpose*-driven, enabling, open, and team based, which would entail an increase in *caring* along with *learning* and *purpose* and a decrease in *authority* and *results*.

This shift was particularly challenging because the current culture had served the organization well for many years, while the industry emphasized efficiency and *results*. Most managers still viewed it as a strength and fought to preserve it, threatening success for the new strategic direction.

Cultural change is daunting for any organization, but as this company realized, it's not impossible. The CEO introduced new leadership development and team coaching programs and training opportunities that would help leaders feel more comfortable with cultural evolution. When people departed, the company carefully selected new leaders who would provide supporting values, such as *caring*, and increased the emphasis on a shared *purpose*. The benefits of this strategic and cultural shift took the form of an increasingly diverse array of integrated service offerings and strong growth, particularly in emerging markets.

FOUR LEVERS FOR EVOLVING A CULTURE

Unlike developing and executing a business plan, changing a company's culture is inextricable from the emotional and social dynamics of people in the organization. We have found that four practices in particular lead to successful culture change:

Articulate the aspiration. Much like defining a new strategy, creating a new culture should begin with an analysis of the current one, using a framework that can be openly discussed throughout the organization. Leaders must understand what outcomes the culture produces and how it does or doesn't align with current and anticipated market and business conditions. For example, if the company's primary culture styles are *results* and *authority* but it exists in a rapidly changing industry, shifting toward *learning* or *enjoyment* (while maintaining a focus on *results*) may be appropriate.

An aspirational culture suggests the high-level principles that guide organizational initiatives, as at the technology company that sought to boost agility and flexibility amid increasing competition. Change might be framed in terms of real and present business challenges and opportunities as

well as aspirations and trends. Because of culture's somewhat ambiguous and hidden nature, referring to tangible problems, such as market pressures or the challenges of growth, helps people better understand and connect to the need for change.

Select and develop leaders who align with the target culture. Leaders serve as important catalysts for change by encouraging it at all levels and creating a safe climate and what Edgar Schein calls "practice fields." Candidates for recruitment should be evaluated on their alignment with the target. A single model that can assess both organizational culture and individual leadership styles is critical for this activity.

Incumbent leaders who are unsupportive of desired change can be engaged and re-energized through training and education about the important relationship between culture and strategic direction. Often they will support the change after they understand its relevance, its anticipated benefits, and the impact that they personally can have on moving the organization toward the aspiration. However, culture change can and does lead to turnover: Some people move on because they feel they are no longer a good fit for the organization, and others are asked to leave if they jeopardize needed evolution.

Use organizational conversations about culture to underscore the importance of change. To shift the shared norms, beliefs, and implicit understandings within an organization, colleagues can talk one another through the change. Our integrated culture framework can be used to discuss current and desired culture styles and also differences in how senior leaders operate. As employees start to recognize that their leaders are talking about new business outcomes—innovation instead of quarterly earnings, for example—they will begin to behave differently themselves, creating a positive feedback loop.

Various kinds of organizational conversations, such as road shows, listening tours, and structured group discussion, can support change. Social media platforms encourage conversations between senior managers and frontline employees. Influential change champions can advocate for a culture shift through their language and actions. The technology company made a meaningful change in its culture and employee engagement by creating a structured framework for dialogue and cultivating widespread discussion.

Reinforce the desired change through organizational design. When a company's structures, systems, and processes are aligned and support the aspirational culture and strategy, instigating new culture styles and behaviors will become far easier. For example, performance management can be used to encourage employees to embody aspirational cultural attributes. Training practices can reinforce the target culture as the organization grows and adds new people. The degree of centralization and the number of hierarchical levels in the organizational structure can be adjusted to reinforce behaviors inherent to the aspirational culture. Leading scholars such as Henry Mintzberg have shown how organizational structure and other design features can have a profound impact over time on how people think and behave within an organization.

PUTTING IT ALL TOGETHER

All four levers came together at a traditional manufacturer that was trying to become a full solutions provider. The change started with reformulating the strategy and was reinforced by a major brand campaign. But the president understood that the company's culture represented the biggest barrier to change and that the top leaders were the greatest lever for evolving the culture.

The culture was characterized by a drive for *results* followed by *caring* and *purpose*, the last of which was unusually strong for the industry. One employee described the company as “a talented and committed group of people focused on doing good for the planet, with genuine desire, support, and encouragement to make a difference in the community.” Whereas the broader culture was highly collaborative, with flat decision making, leaders were seen as top-down, hierarchical, and sometimes political, which discouraged risk taking.

The top leaders reviewed their culture's strengths and the gaps in their own styles and discussed what was needed to achieve their strategic aspirations. They agreed that they needed more risk taking and autonomy and less hierarchy and centralized decision making. The president restructured the leadership team around strong business line leaders, freeing up time to become a better advocate for the culture and to focus more on customers.


The top team then invited a group of 100 middle managers into the conversation

through a series of biannual leadership conferences. The first one established a platform for input, feedback, and the cocreation of an organizational change plan with clear cultural priorities. The president organized these managers into teams focused on critical business challenges. Each team was required to go outside the company to source ideas, to develop solutions, and to present its findings to the group for feedback. This initiative placed **middle managers in change roles** that would traditionally have been filled by vice presidents, giving them greater autonomy in fostering a *learning*-based culture. The intent was to create real benefits for the business while evolving the culture.

The president also initiated a program to identify employees who had positive disruptive ideas and working styles. These people were put on project teams that addressed key innovation priorities. The teams immediately began improving business results, both in core commercial metrics and in culture and engagement. After only one year employee engagement scores jumped a full 10 points, and customer Net Promoter Scores reached an all-time high—providing strong client references for the company's new and innovative solutions.

IT IS POSSIBLE—in fact, vital—to improve organizational performance through culture change, using the simple but powerful models and methods in this article. First leaders must become aware of the culture that operates in their organization. Next they can define an aspirational target culture. Finally they can master the core change practices of articulation of the aspiration, leadership alignment, organizational conversation, and organizational design. Leading with culture may be among the few sources of sustainable competitive advantage left to companies today. Successful leaders will stop regarding culture with frustration and instead use it as a fundamental management tool. 🎯

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ABOUT THE RESEARCH

We undertook a comprehensive study of organizational culture and outcomes to explore the link between them. We analyzed the cultures of more than 230 companies along with the leadership styles and values of more than 1,300 executives across a range of industries (including consumer discretionary, financial and professional services, health care, industrials, and IT and telecommunications), regions (Africa, Asia, Europe, the Middle East, North America, Oceania, and South America), and organizational types (public, private, and nonprofit). We diagnosed those cultures using online survey responses from approximately 25,000 employees together with interviews of company managers.

Our analysis highlighted how strongly each of the eight styles defined the organizations in our study. *Results* ranked first, and *caring* second. This pattern is consistent across company types, company sizes, regions, and industries. *Order* and *learning* ranked among the third and fourth most common styles in many cultures.

Culture appears to most directly affect employee engagement and motivation, followed by customer orientation. To model its relationship to organizational outcomes, we assessed employee engagement levels for all the companies using widely accepted survey questions and arrived at customer-orientation scores with an online questionnaire. In many cases we also documented top leaders' individual styles and values.

We found that employee engagement is most strongly related to greater flexibility, in the form of *enjoyment*, *learning*, *purpose*, and *caring*. Similarly, we observed a positive relationship between customer orientation and those four styles plus *results*. These relationships, too, are surprisingly consistent across companies. We also found that engagement and customer orientation are stronger when employees are in close agreement about the culture's characteristics.

Our research was influenced by the work of countless scholars in this field, many of whom are mentioned in this article. In addition, we stand on the shoulders of giants such as David Caldwell, Jennifer Chatman, James Heskett, John Kotter, Charles O'Reilly, and many, many others who have inspired our thinking.

What's Your Organization's Cultural Profile?

Before you begin an initiative to shape your organization's culture, it's important to explore where it is today. This worksheet and the questions that follow can help you formulate a preliminary assessment of your culture and get the conversation started.

Consider how your organization currently operates, what is valued, how people behave, and what unifies them. Partner with a colleague and independently rate each statement according to how well it describes your organization.

Add the two ratings in each row and then rank the eight styles. The higher the total, the stronger the match.

Compare your rankings with your colleague's and discuss the following questions:

What do you like most about the current culture?

What behaviors and mindsets might you evolve?

How effective are your organization's leaders at role modeling the culture?

What are the characteristics of people who are most successful in your culture?

When new people don't succeed in your culture, what is the most common reason?

ON A SCALE OF 1-5, RATE HOW WELL EACH OF THESE STATEMENTS DESCRIBES YOUR ORGANIZATION.

1 = NOT AT ALL WELL 2 = NOT VERY WELL 3 = SOMEWHAT WELL 4 = VERY WELL 5 = EXTREMELY WELL

THE ORGANIZATION IS FOCUSED ON:	THE ORGANIZATION FEELS LIKE:	TOTAL
COLLABORATION AND MUTUAL TRUST 1 2 3 4 5	A BIG FAMILY 1 2 3 4 5	CARING
COMPASSION AND TOLERANCE 1 2 3 4 5	AN IDEALISTIC COMMUNITY OR CAUSE 1 2 3 4 5	PURPOSE
EXPLORATION AND CREATIVITY 1 2 3 4 5	A DYNAMIC PROJECT 1 2 3 4 5	LEARNING
FUN AND EXCITEMENT 1 2 3 4 5	A CELEBRATION 1 2 3 4 5	ENJOYMENT
ACHIEVEMENT AND WINNING 1 2 3 4 5	A MERITOCRACY 1 2 3 4 5	RESULTS
STRENGTH AND BOLDNESS 1 2 3 4 5	A COMPETITIVE ARENA 1 2 3 4 5	AUTHORITY
PLANNING AND CAUTION 1 2 3 4 5	A METICULOUSLY PLANNED OPERATION 1 2 3 4 5	SAFETY
STRUCTURE AND STABILITY 1 2 3 4 5	A SMOOTHLY RUNNING MACHINE 1 2 3 4 5	ORDER

TO SEE AN EXPANDED VERSION OF THE ASSESSMENT, GO TO THIS ARTICLE AT HBR.ORG.

How to Shape Your Culture

First you must identify culture targets. The best ones have some attributes in common: They align with the company’s strategic direction; they’re important to execute; and they reflect the demands of the external business environment. A good target should be both specific and achievable. For example, “We

value our customers” can create ambiguity and lead to inconsistent choices regarding hiring, developing leaders, and running the company. A better version might be “We build genuine and positive relationships with customers; we serve our customers with humility; and we act as ambassadors for our rich brand heritage.”

TO SET A CULTURE TARGET:

UNDERSTAND THE CURRENT CULTURE

Examine your culture—the company’s founding and heritage, its espoused values, subcultures, leadership style, and team dynamics. (Use the worksheet on the preceding page to start the conversation.) Identify your culture’s strengths and examine its impact on your organization today. Interview key stakeholders and influential members of the organization as needed.

CONSIDER STRATEGY AND THE ENVIRONMENT

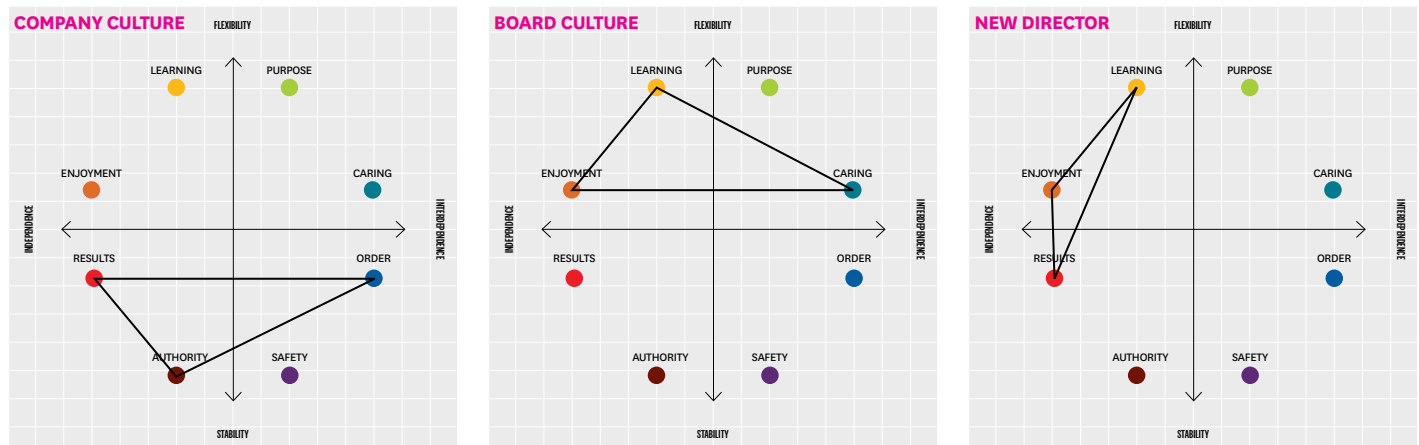
Assess current and future external conditions and strategic choices and determine which cultural styles will need to be strengthened or diminished in response. Formulate a culture target according to which styles will support future changes.

FRAME THE ASPIRATION IN BUSINESS REALITIES

Translate the target into organizational change priorities. It should be framed not as a culture change initiative but in terms of real-world problems to be solved and solutions that create value. Focus on leadership alignment, organizational conversations, and organizational design as the levers to guide the culture’s evolution.

ONE COMPANY’S EXPERIENCE

One large company used its search for a new director as an opportunity to bridge a problematic gap between the company’s culture and the board’s culture. To accomplish this, the leadership first diagnosed the two cultures along with its aspirations for the new director.



Whereas the company was highly results oriented and focused on order, discipline, and execution, the board was far more learning oriented, exploratory, inquisitive, and focused on enjoyment. A director who was results driven and curious would help bridge the two cultures.

Two years after an individual with the desired style was brought in, the board and the management team reported more-effective strategic planning activities and improved company performance. 🎯

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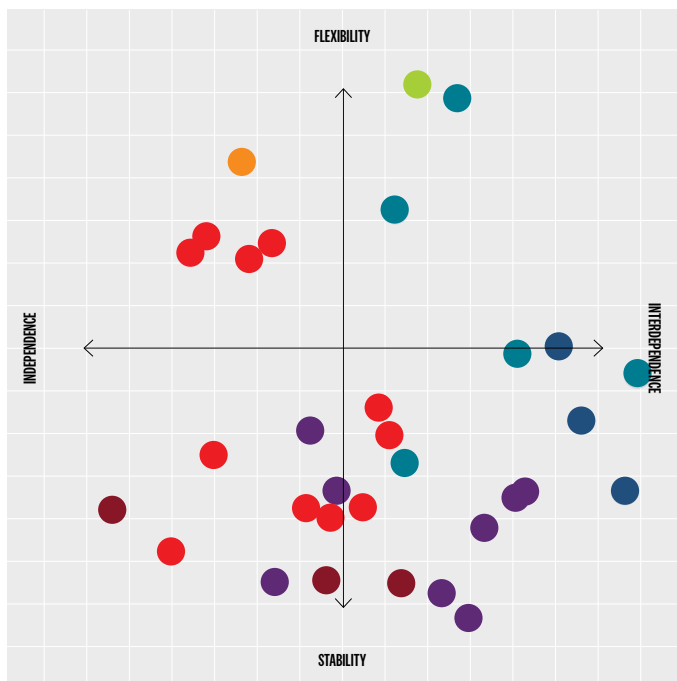
Convergence Matters

When we compared employees' views on their organization's most salient cultural attributes, two types of organizations emerged: *low convergence* (employees rarely agreed on the most important cultural attributes) and *high convergence* (views were more closely aligned). In the two examples below, each dot represents one employee.

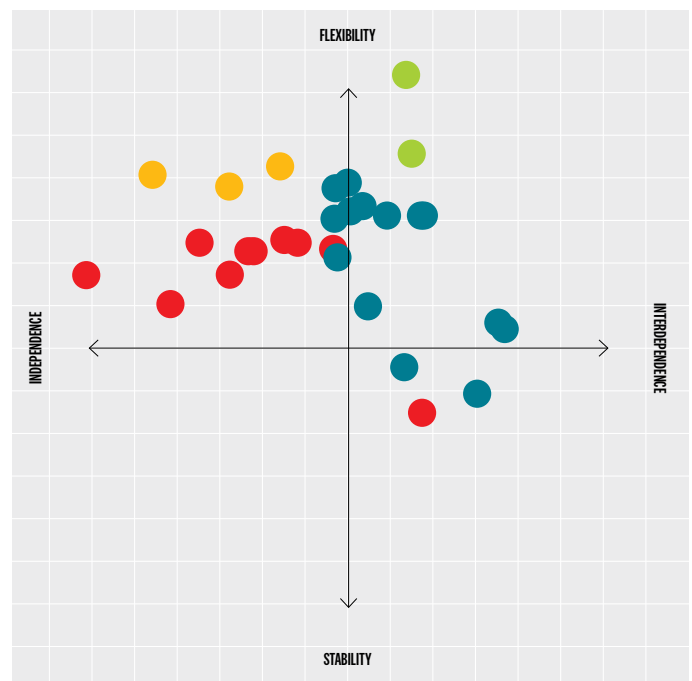
Note that in the low-convergence organization, seven of the eight cultural attributes were cited as most important, and every quadrant is represented. That means employees viewed their company in varying and often opposite ways. Some saw a *caring* organization, for example, while others saw one that emphasized *authority*.

Why is high convergence important? Because it correlates with levels of employee engagement and customer orientation. However, if the culture you have is not the one you want, high convergence will make it harder to change.

COMPANY A: LOW CONVERGENCE



COMPANY B: HIGH CONVERGENCE



● RESULTS ● SAFETY ● ENJOYMENT ● LEARNING ● CARING ● ORDER ● AUTHORITY ● PURPOSE

Context, Conditions, and Culture

Context matters when assessing a culture's strategic effectiveness.

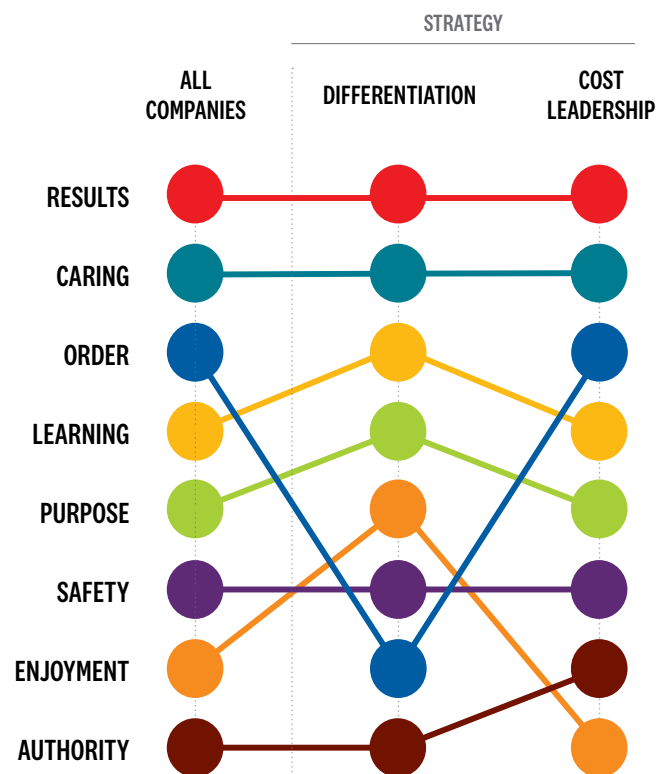
Leaders must simultaneously consider culture styles and key organizational and market conditions if they want their culture to help drive performance. Region and industry are among the most germane external factors to keep in mind; critical internal considerations include alignment with strategy, leadership, and organizational design.

Region. The values of the national and regional cultures in which a company is embedded can influence patterns of behavior within the organization. (This linkage has been explored in depth by Geert Hofstede and the authors of the GLOBE study.) We find, for example, that companies operating in countries characterized by a high degree of institutional collectivism (defined as valuing equity within groups and encouraging the collective distribution of resources), such as France and Brazil, have cultures that emphasize *order* and *safety*. Companies operating in countries with low levels of uncertainty avoidance (that is, they are open to ambiguity and future uncertainty), such as the United States and Australia, place a greater emphasis on *learning*, *purpose*, and *enjoyment*. Such external influences are important considerations when working across borders or designing an appropriate organizational culture.

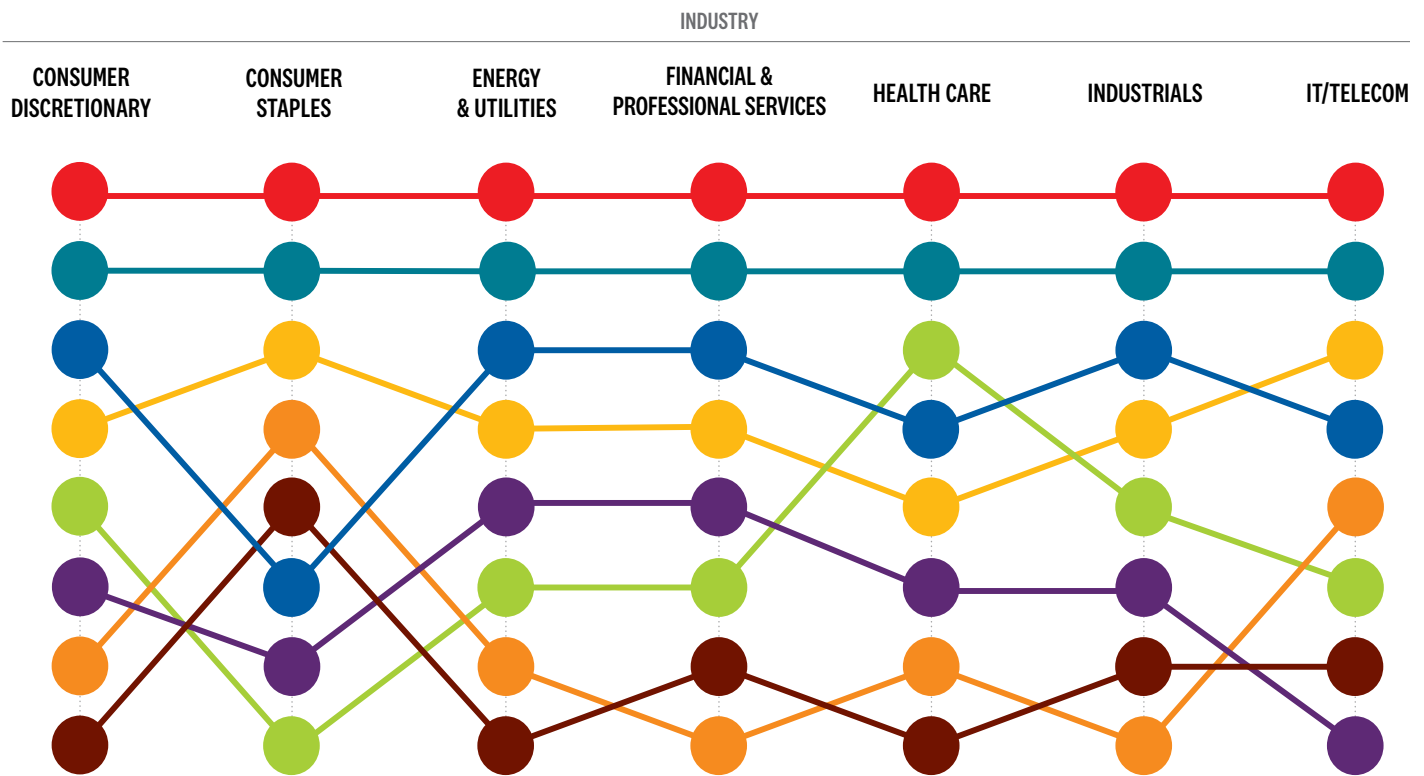
Industry. Varying cultural attributes may be needed to address industry-specific regulations and customer needs. A comparison of organizations across industries reveals evidence that cultures might adapt to meet the demands of industry environments.

Organizational cultures in financial services are more likely to emphasize *safety*. Given the increasingly complex regulations enacted in response to the financial crisis, careful work and risk management are more critical than ever in this industry. In contrast, nonprofits are far more purpose-driven, which can reinforce their commitment to a mission by aligning employee behavior around a common goal.

CULTURE STYLES RANKED BY STRATEGY AND INDUSTRY



Strategy. For its full benefit to be realized, a culture must support the strategic goals and plans of the business. For example, we find differences between companies that adopt a differentiation strategy and companies that pursue a cost leadership strategy. Although *results* and *caring* are key cultural characteristics at both types of companies, *enjoyment*, *learning*, and *purpose* are more suited to differentiation, whereas *order* and *authority* are more suited to cost leadership. Flexible cultures—which emphasize *enjoyment* and *learning*—can spur product innovation in companies aiming to differentiate themselves, whereas stable and predictable cultures, which emphasize *order* and *authority*, can help maintain operational efficiency to keep costs low.



BASED ON AN ASSESSMENT OF 230+ COMPANIES (INDUSTRY) AND A SUBSAMPLE OF 25 COMPANIES (STRATEGY)

Strategic considerations related to a company’s life cycle are also linked to organizational culture. Companies with a strategy that seeks to stabilize or maintain their market position prioritize *learning*, whereas organizations operating with a turnaround strategy tend to prioritize *order* and *safety* in their efforts to redirect or reorganize unprofitable units.

Leadership. It is hard to overestimate the importance of aligning culture and leadership. The character and behaviors of a CEO and top executives can have a profound effect on culture. Conversely, culture serves to either constrain or enhance the performance of leaders. Our own data from executive recruiting activities shows that a lack of cultural fit is responsible for up to 68%

of new-hire failures at the senior leadership level. For individual leaders, cultural fit is as important as capabilities and experience.

Organizational design. We see a two-way relationship between a company’s culture and its particular structure. In many cases, structure and systems follow culture. For example, companies that prioritize teamwork and collaboration might design incentive systems that include shared team and company goals along with rewards that recognize collective effort. However, a long-standing organizational design choice can lead to the formation of a culture. Because the latter is far more difficult to alter, we suggest that structural changes should be aligned with the desired culture.

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