Corporate Culture and Its Impact on Strategic Change

Culture—“the way we do things around here”—provides guidance, whether intentional or de facto, on what is done (or is not), how it is done (if it is), and why it is or isn’t done. Culture permeates every organization, and has the ability to either support or destroy even the most critical change initiatives.

The power of culture is an important consideration when planning change. This paper will help you understand the dynamics of organizational culture and what contributes to supporting or obstructing change initiatives. It will also address whether or not to attempt shifting a culture, and how it should be approached if such an endeavor is warranted.

Understanding how culture is formed and knowing how and when to take it on are essential foundations to successful strategy execution. You can deliver on transformative change promises only to the extent that you build a supportive culture.

The Dynamics of Culture

While there are many viable definitions of organizational culture, within this paper it is important to work with a definition that centers on the relationship of culture to major change. In this context, culture is defined as the patterns of mindsets and behaviors shared by people in an organization. Thus, an organization’s culture consists not only of what is done; it includes why. Corporate culture is, in effect, an organizational self-concept roughly analogous to an individual’s personality. Like its human counterpart, an organization’s self-image develops over a long period of time, although the basic elements typically coalesce during the organization’s formative years. A company’s culture is actually an aggregate of subcultures that have developed in response to unique challenges faced at various times by different groups within the organization. This is why corporate culture is inherently so multifaceted and complex.
Three characteristics are crucial for understanding the relationship between culture and change:

- Culture comprises two components—mindsets and behaviors
- Culture is shared
- Culture is self-reinforcing

**Culture’s Two Components: Mindsets and Behaviors**

An organization’s culture is lived through the **mindsets** and **behaviors** of its employees. The prevailing mindsets and behaviors of an organization help people understand what actions are considered appropriate or inappropriate. This affects daily business operations on two levels:

- **Conscious**—observable, intentional, and direct influences on things like goals, policies, procedure manuals, and corporate philosophy statements; because they are visible, these influences may be easier to change than those that are unconscious
- **Unconscious**—hidden, unintentional, and indirect influences on such things as informal ground rules, unofficial guidelines, or the way things actually are done vs. the formal processes; these influences are difficult to change because they lie below the surface of our awareness and/or we may be reluctant to discuss them openly

For the most part, organizational cultures evolve unconsciously. They are generally unplanned, reacting to short-term demands, rather than according to a long-term view. Over time, mindsets and behaviors develop to meet current challenges; subsequently, the successful ones become reinforced. If, for example, a behavior pattern of “lay low; this change will pass” is demonstrated and numerous change efforts fail to deliver on their promises, a culture of passive resistance is likely to become embedded. Eventually, mindsets and behaviors are taken for granted and become unconscious. Once this occurs, these now-familiar mindsets and behaviors are no longer questioned, becoming business as usual.

Cognitive models, values, beliefs, preferences, and attitudes combine to form mindsets—the mental and emotional structures that guide perceptions, interpretations, and actions. The fact that actions are driven by mindsets places mindsets at the root of culture change, and explains why a focus on actions alone leads to unsustainable change.

There are two key elements of a mindset:

- **Frame of reference**—the way an individual makes sense of situations
- **Priorities**—the relative importance and value of various options

**Frame of Reference**: Each individual has a unique way of comprehending the world. Some people, for instance, are optimists, and focus primarily on the positive aspects of situations. Others are pessimists, and focus primarily on the negative. A person’s professional background, past experience, education, etc. all influence the way he or she views circumstances. The
combination of all the various parts of an individual’s understanding of the world makes up his or her frame of reference. In organizations, consistent patterns of interpretation, supported by organizational communication, rewards, etc., lead to shared frames of reference—the basis for organizational culture.

**Priorities:** When people encounter situations, their priorities guide what they pay attention to, what they value, and ultimately, what actions they take. People face a variety of choices as they go through their day: Should I eat lunch or exercise? Return this phone call or send an email? Take the time—or risk—to raise this issue or let it slide? The pattern of choices people make are reflections of the things they place the highest value on—the things they see as most important. The pattern of shared priorities within an organization, and, therefore, the pattern of choices made about how to spend time and energy, is another important part of the culture.

Mindsets, as interpreted through frames of reference and priorities, drive **behaviors** within the organization. Behaviors are observable actions that constitute the way people actually operate on a daily basis. Whereas mindsets reflect intentions that are often difficult to discern, behaviors can be verified in a more objective manner. Where people park, whom they do and don’t talk to, what they wear to the office, whether they interact with customers in terms of short-term transactions or long-term relationships, how decisions are made, and how conflict is managed are all behaviors associated with an organization’s culture.

To summarize, mindsets consist of shared frames of reference that lead to shared priorities. Within an organization, they serve, along with behaviors, as foundations for understanding and influencing culture. Behaviors, in and of themselves, provide significant information. However, without addressing mindsets (frames of reference and priorities) as well, a complete understanding of the culture will be impossible.

**Culture Is Shared**

Although the combination of these conscious and unconscious elements can be blatant or subtle, culture is always part of organizational life. It’s possible to be unclear about what a culture reinforces, but it is impossible for an organization not to have one. It provides the cohesiveness people need to function together and is conveyed through a number of practices, including the following:

- Oral and written communications, such as presentations and email
- Organizational structure, as reflected by line and staff relationships
- The way power and status are defined, both formally and informally
- What is measured and controlled, such as time, productivity, safety, and quality
- Formal policies and procedures found in employee manuals and official communications
- Reward systems, such as compensation plans and supervisory techniques
- Stories, legends, myths, rituals, and symbols, such as company heroes, award banquets, and corporate logos
- The design and use of physical facilities, including how space is allocated and furnished

While culture is shared, it is not the same across all parts of the organization. Rather, a close look will always uncover a series of subcultures. Ideally, these are consistent with one another, and with the overall organizational culture. For example, if the sales force focuses on building
long-term relationships, Customer Service should not approach customer interactions as purely transactional. At the same time, in well-functioning cultures, each subculture reveals its own mindsets and behaviors that allow its members to function together, and to relate to other areas of the organization. The sales force may invest in significant face-to-face meetings with their clients in order to propose specific solutions to their needs. Customer Service, on the other hand, may work remotely to solve specific problems as expeditiously as possible.

**Culture Is Self-Reinforcing**

Whether the influence is unstated or overt in nature, a corporation’s cultural mindsets and behaviors serve as a powerful means for defining, justifying, and reinforcing ongoing business operations. This self-reinforcing cycle is depicted in the graphic.

Culture provides ways for people to understand important decisions. Based on this understanding, expectations develop that limit possible responses. Those responses cause people to make certain decisions and behave in accordance with those expectations, confirming and reinforcing the culture’s original patterns. This process bolsters a strong corporate identity. However, it can also restrict the introduction of new mindsets and behaviors that may contribute to success in a changing environment.

**Culture’s Impact During Change**

Culture—“the way things are around here”—is often beneficial to organizations during periods of relative stability. After all, culture is self-reinforcing; it operates in ways that ensure its own continuity. Change is best defined as a disruption of people’s expectations. As such, change is intrusive. The bigger the change (the more disruption to “the way things are”), the more intrusive it is. Because culture is self-reinforcing, the more a change confronts the culture, the more likely the culture will work to defeat it.

Unfortunately, many leaders don’t attend to the culture as they should when confronting major upheavals. Sometimes it is out of a disregard for the power of culture to maintain the status quo. Sometimes, culture is seen as “too soft and mushy” to do anything about. Some leaders believe that the culture will change on its own once the new strategy (or new organizational structure, or new technology) is in place. They can also fall into the trap of thinking the investment required to change culture is too high. For others, the process of changing culture is considered just too difficult. Finally, there are those leaders who believe they can avoid addressing culture until the
“real work” of change has been completed (installing the new policies, procedures, etc.). If any of these leaders introduce significant changes, their organizational culture will likely consume the changes and leave their commitments less than fully honored.

The following story highlights the role that culture can play when facing change.

When the British Army first faced the Gatling gun (the forerunner of the modern machine gun) in battle, they were stunned by the enormous number of casualties it inflicted. In the 19th century, the British troops still marched onto the battlefield in long lines to face the enemy. Their bright uniforms and antiquated tactics cost them 500 men in a matter of minutes against the rapid-fire Gatling gun. The last battlefield communiqué from the field commander reveals the way mindsets can block our creative problem solving. The communiqué questioned, “How are we going to get another 500 men?” In the field commander’s mind, there was only one way to march into battle (frame of reference). Replacements were his only concern (priority); alternative maneuvers (behaviors) were not considered.

As this story dramatically illustrates, it is wise to look at organizational culture when facing change. However, any assessment should focus first on whether a culture change is required, not on how to change the culture.

When Is Changing the Culture Warranted?

If you want to implement strategic change, and you are not sure whether a culture shift is needed, ask this question: “What is the degree of consistency between our existing mindsets and behaviors, and the mindsets and behaviors required to realize the promised benefits of the change?” The greater the disparity between the two, the higher the risk of failure without appropriate cultural modifications. On the other hand, if there is a high level of consistency, your existing culture, in all likelihood, will support the new initiative.

Related to this first question is a second one that is equally important in the decision to move forward: “How strong is the existing culture?” Not surprisingly, weak cultures (where people pay little attention to cultural messages) can be changed much more easily than strong ones. At the same time, the stronger the culture, the more important it will be to intentionally orchestrate the needed modifications if the culture is inconsistent with the behaviors and mindsets needed for initiative success.

The more inconsistent the existing culture is with that required for realization, the more difficult, expensive, and risky it will be to change it. Therefore, if the answers to the first two questions reflect a need to bring your change and your culture into stronger alignment, there is a third
question to address: “Is it possible to change the change so it is more accommodating to the existing culture, yet still deliver on the promises that have been made?”

The preferred approach is usually to fulfill your promise of change by recalibrating the initiative itself (“change the change”). For example, this may mean lowering expectations about what will be delivered. (“When we began planning this initiative, we hoped we could increase market share by 25%; now that we are deeper into it, we realize that our gains will be more likely in the 18%-20% range.) Or, it may mean extending your timeframe for achieving your goals. (“We remain optimistic that we can achieve 25% growth in market share; however, with what we have learned, we anticipate it will take four years to do so, rather than three.”)

Unfortunately, many initiatives that are essential to execute can’t accomplish their aim if modified in this way. When this is the case, rather than change the change, it may be time to change the culture. At these junctures, its critical to determine if the existing mindsets and behaviors—and the strength with which they are practiced—will put realization at risk. If they will and the initiative represents a business imperative for the organization, you need to acknowledge that you won’t be able to deliver realization by changing the change itself. Only then should you make the decision to change the culture.

A Successful Approach to Culture Change

As has already been discussed, the self-reinforcing nature of culture will almost always generate resistance toward change. If there is a wide gap between the current culture and the culture required for success, expect a high level of cultural resistance. Quite simply, the culture will not evolve on its own to support your strategic success. This is best understood by looking at the role that momentum and critical mass play in the implementation of change.

The Role of Momentum and Critical Mass

**Momentum** is the forward motion of energy toward the realization of your change. **Critical mass** is the point where there is enough momentum to assume successful realization of a change.

The momentum that is built affects not only the likelihood of achieving critical mass—and realization—but also the investment required to do so. The longer it takes to build momentum, the higher the invoice (the more time and attention sponsors should expect to have to spend on it).

At the individual level, critical mass occurs when people, on their own, begin to develop an internal drive (mindset) toward the desired outcome. At the organizational level, it occurs when the momentum across the organization provides the level of energy needed to achieve true realization results. Building the momentum and critical mass required for success can only happen when the necessary mindsets and behaviors are in place for supporting your new strategy.

Culture can serve either as a catalyst for building momentum and critical mass, or as an inhibitor. Consider the graph below.
• The dotted line represents a change initiative in which the energy supporting the status quo was sufficient to block attainment of critical mass. This pattern is seen when the culture is not aligned with that required for success, and no (or insufficient) effort is made to intentionally re-align the culture.

• The dashed line represents a change initiative that does ultimately achieve realization. However, a prolonged period of time elapses before critical mass is obtained. When culture is allowed to evolve on its own, if it doesn’t block the change completely, it most likely slows it down.

When following this path, the initiative’s sponsors must compensate for the lack of cultural support by spending significant time and energy to ensure that the required behaviors—and ultimately mindsets—are maintained. Consequences—both positive and negative—need to be administered in an ongoing way to ensure that forward progress continues. Greater and greater effort is needed to ultimately build the momentum and achieve critical mass.

• Finally, the solid line represents the best path forward. It is indicative of a culture shift that is intentionally architected and effectively timed. Planning the required culture change accelerates the process of building momentum and critical mass. It is a proactive approach to reinforcing those behaviors and mindsets required for current—and future—success. As such, architecting the culture focuses on more quickly shifting mindsets to support new behaviors.

A Culture Shift Must Be Designed

When the current culture does not support delivery of the promises of your new strategy and you cannot “change the change” while still fulfilling those promises, you should consider changing the culture. In order to build the momentum and critical mass necessary to achieve success—and to ensure that the culture that emerges will also support success—the new culture should be designed as carefully as a new headquarters building or manufacturing facility would be.

Attention needs to be paid to the overarching design of a new culture. Only those aspects of the culture that are not supportive of successfully achieving the strategy should be modified. It is also essential that the new culture be architected at the subculture level to ensure that the local interpretations not only support the strategy, but also integrate effectively with the other subcultures across the organization.
As was discussed at the outset, culture consists of both behaviors and mindsets. Changing behaviors is necessary but not sufficient to build the momentum and critical mass required; mindsets need to be changed as well. It is also important to integrate the culture change into the overall strategy plan. Right timing of culture change can make the difference between achieving change success early, late, or not at all.

**Summary**

Culture, which consists of both mindsets and behaviors, is shared by members of an organization. It functions in a way that is self-reinforcing. As a result, while culture is able to provide a strong foundation for business success in stable environments, it can become a significant impediment to success when executing major change.

Culture change should not be taken on casually, nor should the potential need for it be deferred or ignored. When giving consideration to culture change, it is essential to do so not only at the organizational level, but within the context of subcultures as well.

Assess whether the current culture (mindsets and behaviors) is aligned with the culture required to deliver realization of your initiative. Determine how strong the culture is as a measure of how difficult it will be to change. If the mindsets, behaviors, and strength of the current culture place the initiative at risk, ask whether you should/can change the change. Is it possible to deliver the promised results in a way that is more consistent with the current culture?

Only when this analysis is complete, and no other course to realization is available, should culture change be undertaken. If it is determined that architecting a new culture is necessary, pay attention to appropriate timing so that you are able to build the momentum and critical mass required for success.