

Culture Eats Strategy for Breakfast and Transformation for Lunch

By Gokhan Guley and Tracy Reznik

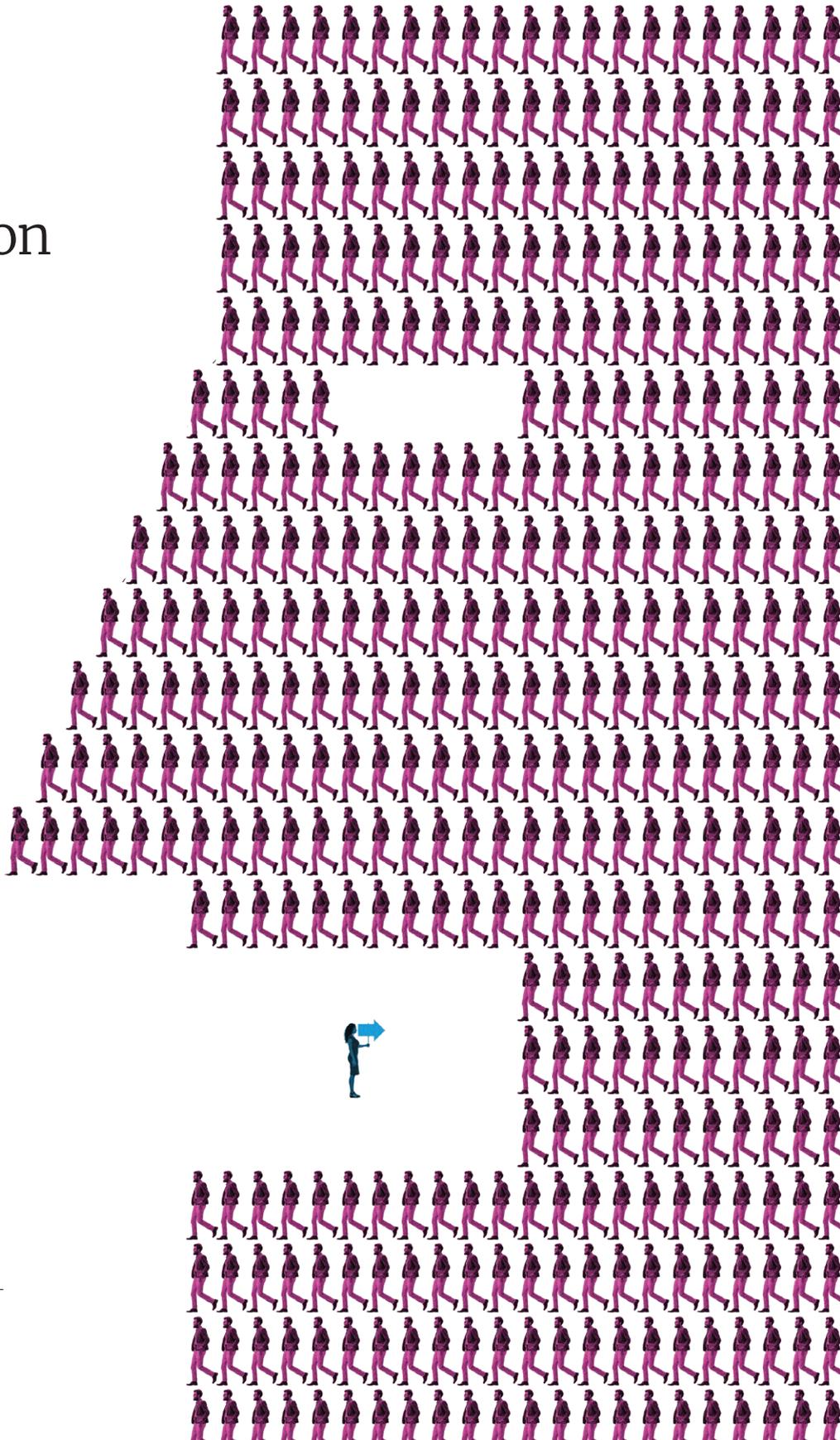
You must have heard the expression “Culture eats strategy for breakfast.” The sentence was attributed to the management guru Peter Drucker in 2006, and made famous by Mark Fields, who later became chief executive of Ford Motor Company.

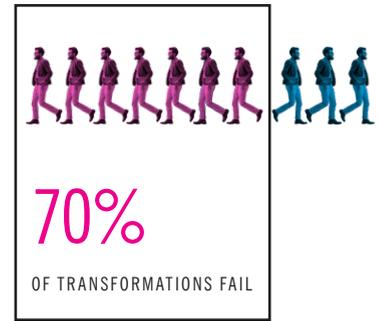
We cannot be sure who said it first, but what that phrase has led us to understand is that culture is a strong enough force within an organization that it can prevent a strategy from being fully realized.

That is a powerful thought and a double-edged sword.

Culture is the flywheel that maintains stability. It creates organizational inertia and a resistance to change—both good and bad.

Like a spinning flywheel that resists sudden changes in speed and direction, a strong culture will help an organization survive bumps in the road. At the same time, it resists deliberate attempts by management to change speed and direction.





If culture is strong enough to potentially derail the strategy of an organization, how can we ever expect a dramatic transformation to take hold? Is culture one of the contributors to the 70 percent failure rate widely attributed to attempts at transformation?

When you hear about transformation, you will often find that practitioners of transformation and organizational change refer to culture, mindset, and behavior in the same breath, as key points of focus.

Culture

Organizational culture is the shared values and beliefs that characterize a company, guide its practices, and set the general attitude across its employees. With its deep emotional roots, culture has enormous influence over how a company's employees interact with each other, conduct business transactions—even what they wear.

Corporate culture is often implied through vision, mission, and value statements, but not consistently defined “on paper.” It develops organically over time from the cumulative traits of the people the company hires, and the behaviors management tolerates.

Culture is passed down through anecdotes and stories employees tell around the proverbial watercooler. Therefore, culture changes, but not suddenly, and definitely not without deliberate and intentional effort.

Mindset

Mindset is usually defined as the underlying, often unstated assumptions and belief systems individuals adopt to process and interpret incoming information. In other words, mindset acts like a filter on incoming information.

Although the mindset is thought about at an individual level and may differ from person to person, it is heavily interrelated with an organization's culture.

In fact, it is the collection of individual mindsets that make up an organization's culture. The only way to change culture is to change employees' individual mindsets to embrace the new, collective values.

Behaviors

We exhibit mindset through our behaviors; this is the only way culture is created and maintained. At an organizational level, mindset may be so firmly established that it creates a powerful incentive within the group not to adopt or accept desired behaviors, approaches, or tools.

The collection of the behaviors based on a fixed mindset can be described by the phenomenon of mental inertia or “groupthink.” At its worst, groupthink may lead to a team that ignores blatant red flags, makes flawed decisions, and confidently marches down a path toward failure. Have you noticed these behaviors in your organization?

Cultural norms and shared mindsets feed off of each other. They lead to behaviors that contribute to the firm's general mood, organizational vibe, and business results. Transformations are desirable when leadership recognizes the need for change—to keep up with the market, for example, or to introduce new products or adopt technology.

Once mindset is aligned with the reasons for transformation, the behaviors must follow. Leaders must model the behaviors that match the desired values of the organization.

In the context of organizational behavior and business transformation, we use a more limited concept of mindset than cognitive psychologists do in their analysis of human behavior. Instead of two main types of mindsets—i.e., fixed and growth mindsets used in psychology—we look at the different ways “employees can process, interpret, and respond to incoming information.”

In the workplace, mindset-driven behaviors can show themselves as collaborative versus competitive, profit focused versus purpose driven, customer satisfaction driven versus efficiency focused, controlling versus empowering, etc.

Considering that even in the context of psychology, people are completely capable of shifting from a fixed mindset to a growth mindset, in the workplace, behavior-specific mindset shifts are completely feasible and highly desirable.

Culture Change + Mindset Shift + New Behaviors = Transformation

The need for transformation usually emerges when groupthink leads the organization away from success, in a direction other than what the strategy intended. Either through a false sense of security or via a disillusioned view of the environment, an organization under the influence of groupthink cannot correctly assess changing market conditions and does not take the necessary steps to prevent failure.

So how can a transformation succeed?

Even though most transformations are triggered by executives in response to internal or external factors, they must be fueled from within as a grassroots effort. A small group of executives alone cannot make it happen without the support of the employees.

Therefore, success depends on the organization’s ability to shift its employees’ mindsets, introduce new behavioral expectations, and implement cultural change. The purpose of a transformation is to operate differently. We can’t transform if we don’t think and behave in a new manner. Albert Einstein acknowledged, “Problems cannot be solved with the same mindset that created them.”



Refer to Jabian’s Engagement Framework (Fall 2016 *Jabian Journal*) as a cultural assessment and change management guide to shifting employee mindsets. The engagement framework calls out the drivers of individual behavior and the levers organizations can pull to change behavior, and ultimately mindset and culture. The engagement framework can be a guide to assessing the impact of the transformation on people in general to understand the tools, techniques, and intensity of the effort required to maintain a productive, engaged workforce that will sustain the changes and reach success.

If the success of the transformation is dependent on employees, how can an organization win their hearts and minds, and accurately relay the importance of transforming into this new way of working and doing business?

Here is a people-centered guide to achieving a successful transformation:

Assess the current organizational culture and the prevailing mindset. As a leader, you must understand the current playing field.

- What are the results from recent employee surveys?
- Do you have value and culture statements posted around the workplace?
- Are your policies aligned with your values?
 - For example, if flexibility is a company value, do you have a work-from-home policy that is in alignment?
- How rampant is the rumor mill? What is being said at the proverbial watercooler? How does it differ from reality?

Set a transformation vision, and a road map to realize the strategy, that is compatible with the culture.

- Culture change takes time. Therefore, the strategy should not be completely incompatible with the current culture if you want to show near-term results.
- This does not mean the culture should not change. The vision and the strategy should be informed by the current culture, and set the initial steps and early targets within reasonable reach, but at the same time include activities to change it.

Identify the desired future-state culture.

- Given its impact on organizational effectiveness, the right culture is critical to realize the future-state vision and sustain results.
- While identifying the cultural traits and behaviors required to fully achieve the new vision, keep in mind that the more changes you make in the cultural norms of your organization, the longer the transformation process will be.

Analyze the gaps between where you are now with company culture and individual mindset and where you want to be.

- Culture is often defined from the top down as leaders articulate the vision for where they want the company to go.
- Leaders proactively acknowledging gaps in culture is the first step to gain buy-in from the workforce to change mindsets and behaviors.

Articulate the “why” for the transformation. Why did you feel the need to transform? Would your employees understand those reasons?

- Multiple levels of alignment must occur for employees to fully understand why a change in mindset and culture is required for a corporate transformation.
- As individuals, they must believe the organization has the capability and capacity to change.
- They must understand the purpose and the benefits of the change, not only for themselves, but also for their team, their department, and the organization.

CURRENT CULTURE

TO-BE CULTURE

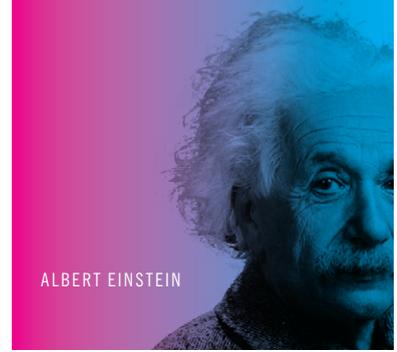


Set targets along the journey



“PROBLEMS CANNOT BE SOLVED WITH THE SAME MINDSET THAT CREATED THEM.”

ALBERT EINSTEIN



- Furthermore, the reasons for the transformation must resonate at the individual, team, department, and organizational levels for true alignment.

Kick-start the mindset and define the behavioral expectations required to align with the “why.”

- This critical early step can reduce the friction and the resistance to the overall transformation.
- For the new vision and the strategy to be understood as intended, and tasks to be executed as required, the mindset, or the filter that helps the employees interpret incoming information, may need to change from the very start.
- In the business behavior context, mindset can shift quickly with the proper training and change techniques.
- Once a “transformation” is announced, a sense of insecurity and ambiguity arises. Clear expectations will alleviate anxiety:
 - Provide examples of how you want employees to behave under specific circumstances.
 - Align those behaviors to the desired culture and the outcomes of the transformation.
 - Recognize and reward employees for shifting their mindset.
 - Repeat, repeat, repeat.
- Update people policies and the infrastructure to align with the target culture. Employees will not be able to shift their mindsets to the new, desired ways of working if the underlying infrastructure and policies do not allow them to develop and practice the new mindset and behaviors without negative consequences.

- The goal is to get to a positive form of organizational mindset and for the aligned behaviors to become habit.

Communicate, communicate, communicate. When you think you have communicated too much, communicate some more.

- The leadership team alone cannot change the culture and cannot transform an entire organization.
- If the leadership team is the only group that understands and rallies behind the “why,” then they are the only ones who can shift to the new mindset.
- Remember that the case for transformation and the new vision associated with it have many layers. After all, you spent countless hours evaluating facts, debating options, refining your thoughts, and wordsmithing your messages. You cannot expect the people who were not with you throughout the process to immediately understand your logic and your conclusions.
- Your audience will likely hear the details one layer at a time. Most people will not even grasp the true meaning of your message until they have heard it multiple times in multiple ways. It will take them even longer to digest the details before your message resonates with them.

The Bottom Line: Focus on Mindset

The core tenet in the expression “Culture eats strategy for breakfast”—attributed to Peter Drucker—is “compatibility.” Like a flywheel, a strong culture will resist most changes, and will strongly defeat a

transformation that is not compatible with it unless a concerted effort is put in place to manage the change.

A well-thought-out transformation strategy focuses on mindset change that leads to behavioral change that enables the transformation.

In summary, consider these keys to successfully manage a transformation:

- Mindset and culture change are critical for the long-term success of the transformation.
- Although updates to vision, mission, and values are great to start with, remember that culture cannot be expressly defined, but only influenced, to evolve in a certain way.
- It is best to start the transformation work with and within the existing culture.
- Highlight and capitalize on strengths of the current culture.
- Start changing mindset with focus on a few critical behaviors and policies.
- Let the successes spread across the organization.
- Use both rational and emotional communication techniques to influence the mindset, culture, and organizational behaviors.
- Execute the technical and business changes competently, hand in hand with the cultural and mindset changes.

Gokhan Guley

gokhan.guley@jabian.com

Tracy Reznik

tracy.reznik@jabian.com