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
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 people can and 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 must stand the fundamentals. Culture, however, is a more elusive lever, because much of it is anchored in unspoken behaviors, mindsets, and social patterns.

Leadership, strategy, and culture are inextricably linked. Founders and influential leaders often set new cultures in motion and set the conditions 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 have fully grasped the multiple cultures within which they are embedded, can sense when changes are 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 conscious of 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, they place too many eggs in one basket. As someone once said, culture eats strategy for breakfast.

It’s a hard way to work. Our way 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 two decades of research on both cultural 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 early empirical observations of human nature—on which our work builds.) Using this framework, leaders can model the impact of culture on their businesses 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—its shapes and attitudes in wide-ranging and durable ways. Cultural norms define what is encouraged, discour- aged, 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 all members with the knowledge and experiences of frontline employees.

**Enduring.** Culture can direct the thoughts and actions of group members over the long term. It endures through critical events in the collective life and learning of a group. Its endurance is explained in part by the attraction-selection-attrition model 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. This culture becomes a self-reinforcing social pattern that grows increasingly resistant to change and outside influences.

**Implicit.** Though 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 that people can sense, despite the lack of awareness. E.O. Wilson has 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 mod- els of how our species live in the world. The list is exactly what we have discovered in our research over the past few decades.

**EIGHT DISTINCT CULTURE STYLES**

Our review of the literature for commonal- ities and central concepts revealed two primary dimensions: the level of people and place and the degree of stability and growth.

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 interdepen- dent. Cultures that lean toward the former place greater emphasis 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 prioritizing consistency, predictability, and maintenance of the status quo—others emphasize flex and adaptability, and receptiveness to change. That those favor stability tend to follow rules, use control structures such as seniority-based staffing, reinforce hierarch- archy, 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 Ernst are among the researchers who employ similar dimensions in their culture frameworks.)

We identified this fundamental insight about the dimensions of people interactions and response to change, we have identified eight styles that only to both organizational cultures and individual leaders. Researchers at Spencer Stuart (including two of these authors) worked together to develop and refined this list of styles across both levels over the past two decades.

Each focuses on relationships and mutu- al trust. Work environments are warm, collabora- tive, and welcoming places where people help and support one another. Employees are united by loyalty, leaders emphasize sin- cerity and trust, and positive relationships. **Purpose** is exemplified by idealism and altruism. Work environments are tolerant, commonly used spaces where people try to do good for the long-term future of the world. Employees are united by a focus on sus- tainability and global communities; leaders emphasize shared ideals and contributing to a greater good. Learning is characterized by exploration, expansiveness, and creativity. Work envi- ronments are inventive and open-minded places where people spark new ideas and explore alternatives.

**As someone once said, culture eats strategy for breakfast.**

By applying this fundamental insight to the business, 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 shared ideals and trust, are more likely to thrive in settings that are more similar than those that are far apart on the chart, such as authority and purpose and 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.
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.

FLEXIBILITY

“Tell me in 10 years what changes the world or that affect the future and we will work to make that new technology happen.”
—Elon Musk, founder and CEO

WHOLESOME PURPOSE

“Most of the greatest companies in the world also have great purpose... make a deeper, more transformative purpose to help preserve and restore the environment in order.”
—John Mackey, founder and CEO

ZAPPOS ENJOYMENT

“Vice President of Culture says it’s a lot more enjoyable when you’re not trying to make more money.”
—Tony Hsieh, CEO

DISNEY CARING

“Always important to be open and accessible and treat people fairly and with respect.”
—Bob Iger, CEO

GSK RESULTS

“Note making in a key function of the commission. And when we are setting the rules for the securities markets, there are many rules the SEC, must follow.”
—Jay Clayton, chairman

LLOYD’S OF LONDON SAFETY

“To protect themselves, businesses should spend time understanding specific threats they may be exposed to and speak to experts who can help.”
—Inga Beale, CEO

WASTE AUTHORITY

“We have a ‘wolf’ spirit in our company that is very clear strategy and no fear.”
—Andrew Witty, former CEO

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.

<table>
<thead>
<tr>
<th>CULTURE STYLE</th>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
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<tbody>
<tr>
<td>CARING</td>
<td>Warm, sincere, relational</td>
<td>Improved teamwork, engagement, communication, trust, and sense of belonging</td>
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<tr>
<td></td>
<td></td>
<td>Overemphasis on consensus building may reduce exploration of options, stifles creativity, and slow decision making</td>
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<tr>
<td>PURPOSE</td>
<td>Pursuit of meaning, idealistic, tolerant</td>
<td>Improved appreciation for diversity, sustainability, and social responsibility</td>
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<td></td>
<td></td>
<td>Overemphasis on a long-term purpose and ideals may get in the way of practical and immediate concerns</td>
</tr>
<tr>
<td>ENJOYMENT</td>
<td>Playful, instinctive, fun-loving</td>
<td>Improved employee morale, engagement, and creativity</td>
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<tr>
<td></td>
<td></td>
<td>Overemphasis on exploration may lead to a lack of focus and an inability to exploit existing advantages</td>
</tr>
<tr>
<td>AUTHORITY</td>
<td>Bold, decisive, dominant</td>
<td>Improved speed of decision making and goal achievement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Overemphasis on strong authority and bold decision making may lead to an autocratic style, conflict, and a psychologically unsafe work environment</td>
</tr>
<tr>
<td>ORDER</td>
<td>Rational, methodical, respectful, cooperative</td>
<td>Improved risk management, stability, and business continuity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Overemphasis on standardization and formalization may lead to bureaucracy, inflexibility, and slowdown in the work environment</td>
</tr>
<tr>
<td>SAFETY</td>
<td>Realistic, careful, prepared</td>
<td>Improved operational efficiency, reduced conflict, and greater civic-mindedness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Overemphasis on rules and traditions may reduce individualism, stifles creativity, and limit organizational agility</td>
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</tbody>
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NOTE: SUM OF PERCENTAGES IS GREATER THAN 100 BECAUSE STYLES WERE COUNTED AS DOMINANT IF THEY WERE RANKED 1 OR 2 OVERALL.
positive organizational outcomes. Consider the case of a best-in-class retailer headquartered in the United States. The company had grown from a single store to more than 200 stores by offering 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. Everyone, from the CEO to the janitor, knew that every salesperson sees customer interactions as an opportunity to create “service stories” that became known and respected 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 approach to its 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 dynamic, uncertain environment, in which organizations must be more agile, learning gains importance. It’s not enough for leaders to develop a 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. As a result, many of the world’s 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.

Almost all companies want to grow and internationalize, 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 revealed that the values and areas of compatibility that could provide a foundation for the combined culture, along with the employees who would have to deal with both companies’ empha- sized results, caring, and order and valued high-quality food, good service, treating em- ployees fairly, and maintaining a local mind- set. But one operated in a more top-down manner and focused much higher on authority, especially in the behavior of leaders.

Because both companies valued team- work and investments in the local commu- nity, the leaders prioritized caring and pur- pose. At the core of this strategy was that they shift from top-down authority to a learning style that would encourage innovation in new and novel systems, such as a new hiring process and work as a new language for the organization in its daily work. They initiated conversations between these two cultures in order to emphasize innovation and exploration. Although it takes time to change a culture, we found that the company had made no- table progress just one year later. And even as they were taking this significant step of ever greater competition and consolidation, employee engagement scores were on the rise. Not only was the company better prepared for re-energized through training and education, but the change occurred across all levels of the organization.

We studied a Europe-based industrial technology company that made a meaningful change, a decrease in authority and results.

A strong culture can be a significant driver, for example in its culture and employee engagement by 20 percent, or in its culture and employee engagement by 20 percent. Yet during a decade of helping leaders design aspirational cultures, we have seen a clear trend toward prioritizing learning. As a result, many of the world’s businesses respond to increasingly less predictable and more complex environments.

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Reinforce the desired change through organizational design. When a company’s structures, systems, and processes are aligned and support the aspirational culture, new and innovative solutions will emerge. 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 reformatting 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 charge of 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 articularization 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.

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 250 companies along with the leadership styles and values of more than 1,000 executives across a range of industries (including consumer discretionary, consumer staples, energy and utilities, financial and professional services, health care, industrials, and IT and telecommunication). 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 35,000 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 engagement, 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.

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