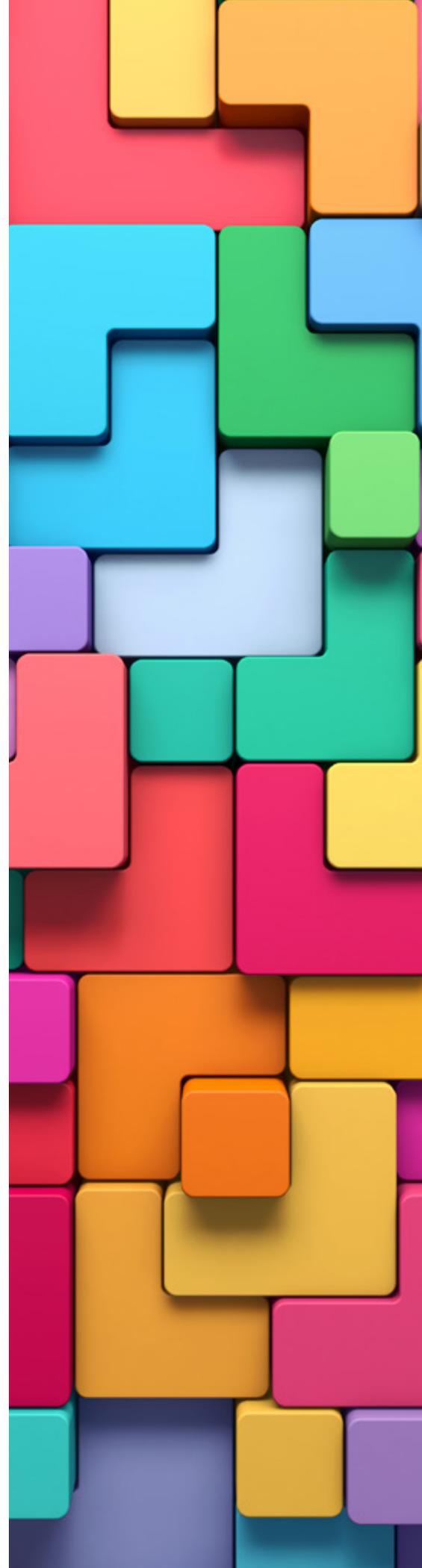


Thinking about culture?

Five questions to ask yourself

An ever-growing body of research points to the positive impact the right organization culture can have in enabling positive financial, employee and customer-related outcomes, while recognition of the destructive impact of cultural dysfunction is growing. As a result, the topic of culture has attracted more interest among business and HR leaders than ever before. Leaders and leadership teams are now even being measured and held accountable for their impact on organizational culture, arguably as they should be.

At Spencer Stuart, culture underpins many of the discussions we have with leaders — not only when we are brought on as consulting partners for targeted culture-related interventions, but also in broader conversations about executive search, assessment, development and succession, all of which are inextricably linked with the organization's current and aspirational culture.



We looked closely at the nature of these discussions in Asia, and found a few common themes around the thinking of business and HR leaders on the topic of culture:

The penny has dropped. Few leaders today need convincing about the importance of having the right culture in achieving organizational strategies. With the *why* settled, we have moved on to talk about the *what* and the *how*.

The language for talking about culture remains elusive. Lack of commonly understood, shared vocabulary and frameworks to describe culture often leads to ambiguity and inconsistency in the way it is understood and explained.

Different people, different perceptions. When asked to identify the most dominant dimensions of the culture in their organizations, it is surprising how frequently even highly tenured members of the same leadership team present misaligned or divergent views.

Striving for the ‘ideal culture.’ Most leaders today display an intellectual appreciation for the fact that organizations can succeed with vastly different types of culture. Yet, the subtle glorification of certain cultural dimensions is evident in most such conversations. Infusing greater learning, innovation and agility into their cultures — particularly inspired by organizations like Google — is a request we frequently come across.

A fragmented, rather than integrated approach to culture. A large number of companies today think about their culture in some context or the other, whether that’s understanding the potential culture fit of new hires, focusing on cultural integration in an M&A situation or aligning cultural strengths to the employer value proposition (EVP). However, few organizations look at culture in a holistic manner, taking into account all the ways in which it manifests itself, evolves and changes over time.

In the last few years, Spencer Stuart has partnered with a number of organizations across various industries in the Asia Pacific region, helping them assess, articulate, build or transform their cultures. We looked back at these and identified five key questions that organizations concerned about their culture must think about:

ARE WE THINKING OF CULTURE AS A MAGIC WAND?

The recent buzz in management literature around the topic of culture has led to a situation in which culture is at once blamed for, and seen as solution to, almost every organizational performance issue. Whilst the criticality of culture shouldn’t be understated, it is important for organizations to also think through other factors that may have the same or larger impact on the problems they are seeking to solve. Spencer Stuart’s organizational health framework can provide useful guidance in this regard. Six key inter-related factors — in addition to the external environment — impact organizational health and performance. These include the firm’s leadership, strategy, people, networks, systems and of course, culture. Organizational

effectiveness and performance could be impacted by any of these, and without looking at the organization holistically, culture-related interventions may be found wanting in delivering the desired outcomes.

DO WE REALLY UNDERSTAND OUR CURRENT CULTURE?

We have mentioned the not-uncommon lack of alignment among leadership teams in the way individual leaders perceive and describe the culture of their organizations. It should come as no surprise, therefore, that there often exist significant differences in the ways cultures evolve and get manifested across different locations, functions, etc., within the same organization. A clear appreciation of these differences and the reasons contributing to organizational sub-cultures (like history of the unit, impact of the leadership, etc.) is essential for gaining a nuanced view of where things stand currently. It is equally important to distinguish between the articulated and the actual, emergent culture, which can be very different. A formal, structured assessment of the current culture, therefore, is a critical first step in any culture-related intervention.

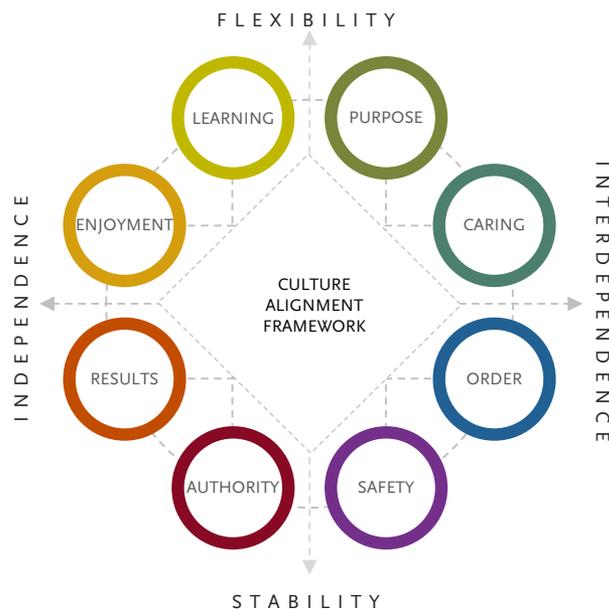
WHAT IS THE IMPACT THAT OUR CULTURE IS HAVING?

In their desire to adopt elements of what they perceive to be the ‘ideal’ culture, many organizations skip the important step of considering how the current culture is affecting various organizational outcomes and, by extension, how changing the culture would impact those outcomes. We use the Spencer Stuart Culture Alignment Framework to help organizations understand the dominant cultural dimensions at play, but also the employee, customer and business outcomes that the culture correlates with.

Culture Alignment Framework

Indicators of Cultural Performance

- » Satisfaction
- » Culture liking
- » Pride
- » Advocacy
- » Loyalty
- » Motivation
- » Unity
- » Clarity
- » Leadership
- » Quality
- » Customers



Spencer Stuart, 2017

WHAT SHOULD OUR CULTURE BE LIKE?

There is no short answer to this, but we encourage organizations to consider the following, when thinking about the culture styles they want to emphasize:

- » First and foremost, the culture must always be aligned to the strategic goals a company is trying to drive. Imagine a regulatory or fraud-prevention body with a culture emphasizing enjoyment and learning, over safety and order!
- » It is always easier to build on what you have, so leverage and reinforce the strengths of your current culture instead of trying to change everything. Culture has staying power; use yours to your advantage.
- » Always consider the trade-offs and unintended consequences of any change. Our culture framework can provide some helpful initial guidance on potential trade-offs and consequences. Broadly, the styles (depicted in the eight circles) that are furthest away (diagonally opposite) from one another tend to emphasize somewhat contradictory cultural behaviors. For example, Results emphasizes an outcome-focus, while Caring emphasizes a relationship-focus. While it is certainly possible to have such divergent elements co-exist as an organization's dominant culture, it requires a careful and deliberate balancing act.

WHAT DOES CULTURAL TRANSFORMATION ENTAIL?

Whilst it is not possible to cover all nuances of cultural transformation in this article, we see the following as fundamentals that organizations embarking on this journey must take into account:

- » Obtaining the buy-in and alignment of stakeholders early in the process — ideally at the point of identifying change priorities. A process of open debate and discussion to jointly agree on the way forward helps drive the engagement of the leadership team and other stakeholders with the change agenda.
- » Synchronizing actions and activities around change. Standalone initiatives, no matter how impactful, cannot drive sustainable culture change. Organizations must think through the changes required in all aspects, to move the needle on culture — the actions of their leaders, the stories that are told in/about the organization, the systems and processes in place, and lastly the capabilities and behaviors of employees.
- » Understanding the readiness of the leadership team for driving the change agenda. Much research has shown that leaders have a disproportionate influence on the culture of their organizations and teams. By extension, leaders whose personal leadership styles and cultural preferences are closer to the cultural dimensions an organization is trying to reinforce, and those who display higher change agility, are likely to be early adopters of the change. Structured assessments of the leadership team on these elements can help to identify the change agents within the company, and highlight when there is a need to bring in fresh blood and diverse perspectives and styles to complement existing leadership styles.

- » Ongoing measurement of the progress. We know what is measured, gets done. Contrary to the popular belief that culture is intangible and tough to measure, we have seen that organizations that are serious about culture transformation are very disciplined about putting in place specific goals and metrics, and regularly taking stock of the progress against these. In identifying these objectives and metrics, we encourage our clients to measure the outcomes, i.e., the actual change in culture after a certain amount of time, and also the roadmap, by having specific, measurable targets against the various actions identified for driving the desired cultural changes.

In summary, while culture change is not a quick-fix for any company, it also doesn't need to be as elusive as it is often made out. Through this article, we hope to provide organizations and leaders with some insights that may be valuable as they think through their culture change journey.

Partnering with an organization in the semiconductor industry to drive culture change

With a change in leadership, a leading supplier of chemicals used in semiconductor manufacturing saw a timely opportunity to proactively shape organizational culture, with a view to aligning the culture more strongly to the future strategic objectives of accelerated growth and performance.

A diagnostic of the company's existing culture revealed a strong emphasis on results, preparedness and process-focus. Taken together, these enabled the organization to deliver superior outcomes with regard to quality and efficiency, but left some room for improvement when it came to agility, customer intimacy, cross-functional collaboration and employee engagement. Recognizing the criticality of the latter aspects for the business to deliver against the significant growth expectations, the leadership team established focused goals for infusing more openness to change and greater collaboration, while reducing risk aversion to some extent.

The two-year-long culture change process started with a change in the vision, and cascaded down through each level of leadership in the action-planning process. The action plan touched upon all key aspects of the organization, ranging from relooking at the company's vision, mission and structures, to clearly defining the behavioral expectations from employees. Rigorous follow-through to deliver on the action plan, supported by focused communication through this journey, has enabled the company to make significant progress toward building a more agile, customer-focused, silo-free and employee-friendly culture — one that provides significant tailwinds in facilitating the company's ambitious business growth plans. Investors have since recognized the company's stronger top-line growth potential and performance, which has contributed to a more than doubling of shareholder value since the culture change program commenced two years ago.

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ABOUT SPENCER STUART

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 56 offices, 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness.

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