

# New rules for culture change

By Diana Barea and Yaarit Silverstone



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With the effects of digital disruption sweeping across industries, very few organizations can afford to stand still. Yet many of the businesses overhauling their strategies have encountered a major stumbling block: their internal culture.

In the past, rigid, command-and-control, top-down approaches were effective for managing employees. But today's fast-paced, digital business environment demands greater collaboration and innovation, and savvy executives already recognize that the workforce of the future will require a flexible, purpose-driven work environment that shows up consistently across the employee experience. Such cultural transformations, however, have hardly been smooth. Training and communication – the focus of traditional change programs – have failed to make culture change stick, with many companies stumbling and floundering. The result? Organizational dysfunction, the loss of top talent, damage to the bottom line, and increasing vulnerability to the competition.

Why is culture change so hard to achieve? Our research, studying culture transformations at numerous organizations, finds that many executives don't fully understand what truly drives culture change, and that's why so many of those initiatives tend to fall short of their goals.

## Leading by doing

When it comes to culture change, executives must lead by doing. Otherwise, all their talk about new values and behaviors becomes just "corporate wallpaper." The problem arises when the new culture requires behavioral changes that are both foreign and challenging for the executives themselves to adopt. A culture transformation can require them to move away from, if not completely abandon, those very behaviors that made them successful on their path to leadership.

To help leaders adopt new behaviors, many companies have used peer coaching and peer-to-peer learning. The objective is to provide a safe environment – "we're all in the same boat" – in which executives can share their difficulties and best practices for how they overcame those obstacles. Reverse mentoring can be effective when the desired skills and behaviors are more commonly found in millennials. In this scenario, leaders are coached by younger members of the organization.

Consider what happened when a major financial institution recently revamped its corporate strategy to focus more on customers, the evolving regulatory landscape, and digital technologies. Delivering on that strategy required a change in the way that its leaders operated. For one thing, executives would now need to collaborate more across different business units and geographies. So the company launched a digital collaboration platform and, to encourage its top 200 leaders to adopt the tool, it implemented a reverse mentoring and coaching program. The initiative was a success – the executives have become active users of the platform and are now its ambassadors, helping pave the way for its widespread adoption by thousands of the firm's employees.

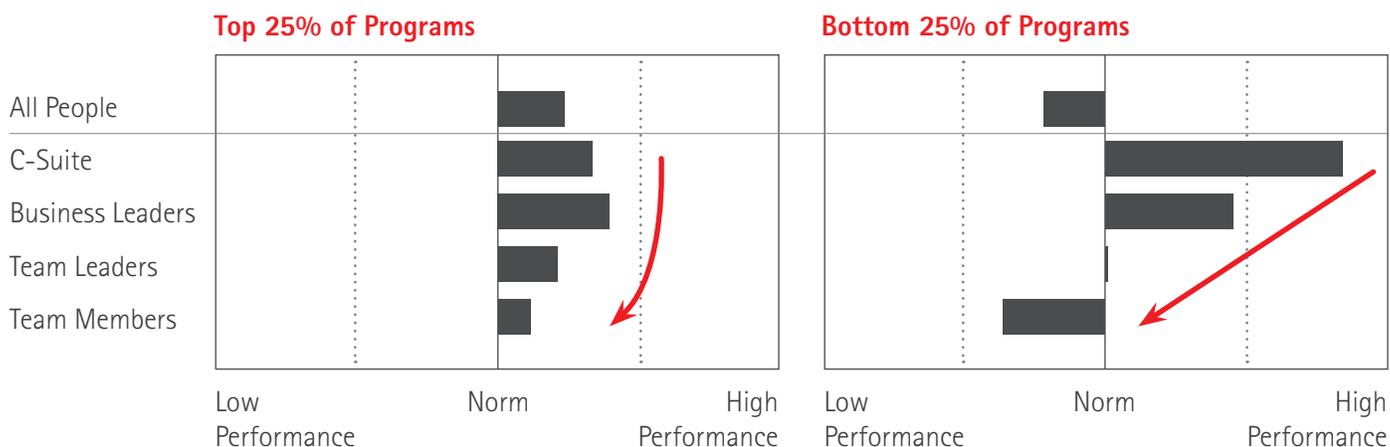


A major financial institution launched a reverse mentoring and coaching program for its top 200 leaders.

## Engaging *all* levels

Leaders believe that, because corporate strategy and vision are their responsibility, they also need to drive cultural changes from the top. But is that necessarily true? Accenture Strategy research has found that driving change too much from the top can actually be highly counterproductive. Consider the following results from our research into the experiences of nearly one million employees involved in change initiatives at more than 150 organizations (see figure). For the bottom 25 percent of those programs, top leadership was actually quite involved in implementing change, but the problem was a severe disconnect lower in the organization. In contrast, for the top 25 percent of programs, leaders at all levels had successfully engaged employees throughout the organization in the change initiative.<sup>1</sup>

Top performers (in terms of business performance) have leaders across all levels of the organization involved in planning and implementing culture change.



Source: Accenture Strategy analysis of Accenture Change Tracking data sets, 2015

Engaging workers on an individual basis is important because organizational culture is the sum of *all* employee behaviors. That is, organizational culture is not created in a leadership off-site on strategic planning. Instead, organizational culture is made up of the mindsets, beliefs, and behaviors of employees throughout the organization who have to implement that strategy on a daily basis.

One lever that many companies fail to engage is team leadership. We can't emphasize enough the power that team leaders hold in unlocking culture changes at the lower levels of the organization. Interestingly, university graduates just entering the workforce are looking for a more hands-on approach from their bosses. According to a survey of U.S. graduates, 30 percent of those who have been in the workforce from one to two years say they want a supervisor who mentors and coaches them.<sup>2</sup>

Furthermore, employees will be more likely to buy into a cultural transformation if they helped shape those changes. In other words, the cultural changes must have employee "fingerprints" on them, and crowdsourcing approaches can be a powerful mechanism for accomplishing this. Crowdsourcing also enables a company to tap into how cultural changes can be implemented at the local level. After all, being more collaborative might mean very different behaviors in the finance group than it does in the sales department.

Crowdsourcing enables a company to see what the new behaviors will look like for everyone on a local basis. Moreover, such approaches can help a company tap into people's creativity and innovativeness. When Zappos, the online shoe and clothing company, was trying to define its corporate culture, CEO Tony Hsieh asked for every employee's input on what the company's core values should be. Then, after Zappos had come up with a list of those values, everyone was asked to change one thing in the company's policies, documents, and processes to make them more aligned to the new values.<sup>3</sup>



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## Showing not saying

From the top of an organization, leaders can describe desired cultural changes in general, but how do these changes manifest themselves specifically throughout the organization? Employees need to know what the new behaviors will look and feel like, so that they can be brought to life for everyone. In essence, the behaviors need to be embedded into every aspect of the organization so that they will eventually become hardwired into what employees do and how they act. This means everything – from hiring and onboarding to performance management, and rewards and recognition. There's work to be done on this front. A recent Accenture Strategy survey found that only 15 percent of leaders felt that reinforcing cultural values and behaviors was an important objective of performance management.<sup>4</sup>

In addition, the desired cultural changes need to be broken down into smaller actionable behaviors that are reinforced across the talent lifecycle. So, for example, instead of simply instructing everyone to collaborate more, managers should publicly reward and champion those employees who do share information. Unfortunately, that doesn't seem to be the case at many organizations. According to a recent Accenture Strategy survey, 65 percent of the respondents said that performance management was not highly effective in supporting collaboration.<sup>5</sup>

It is also important to provide ways for people to practice the new behaviors in a safe environment so that those behaviors can eventually become habit. When the Bank of Ireland wanted to move toward a more digital, customer-centric culture, it implemented a "30-Day Challenge." The program consisted of a series of 30 "micro-actions" over the course of 30 days, which encouraged employees to practice new behaviors and ways of working. One of the exercises



Bank of Ireland's "30-Day Challenge" encouraged employees to practice new behaviors and ways of working.

asked employees to put themselves in their customers' shoes while performing certain activities such as signing up for online banking. These exercises helped employees to gain a fuller understanding of the customer experience, enabling them to better solve problems on the customer's behalf. At the conclusion of the challenge, almost two-thirds of the participants said that the program helped them to think differently about how they should deliver customer service.

## Leading in the digital economy

Due to the rise of digital, organizations are seeing seismic shifts from new competition, evolving consumer demands, and changing employee expectations. As such, leading in the new digital economy will require new employee mindsets and behaviors. Unfortunately, many organizations fall short when implementing culture changes, but it doesn't have to be that way if executives are prepared for the leadership challenges. Indeed, overcoming those challenges and unleashing the potential of the workforce of the future can make all the difference between corporate transformations that fail and those that succeed.

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## Notes

- 1 *Big Change, Best Path: Successfully Managing Organizational Change with Wisdom, Analytics and Insight*, Warren Parry (Kogan Page, 2015)
- 2 Accenture Strategy U.S. College Graduate Employment Survey, 2016.
- 3 "Delivering Happiness: A Path to Profits, Passion, and Purpose," T. Hsieh (Grand Central Publishing, 2010).
- 4 Accenture Strategy Performance Management Study, 2016.
- 5 Accenture Strategy Performance Management Study, 2016.

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