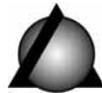


TEN QUESTIONS

Culture Change

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Culture Change

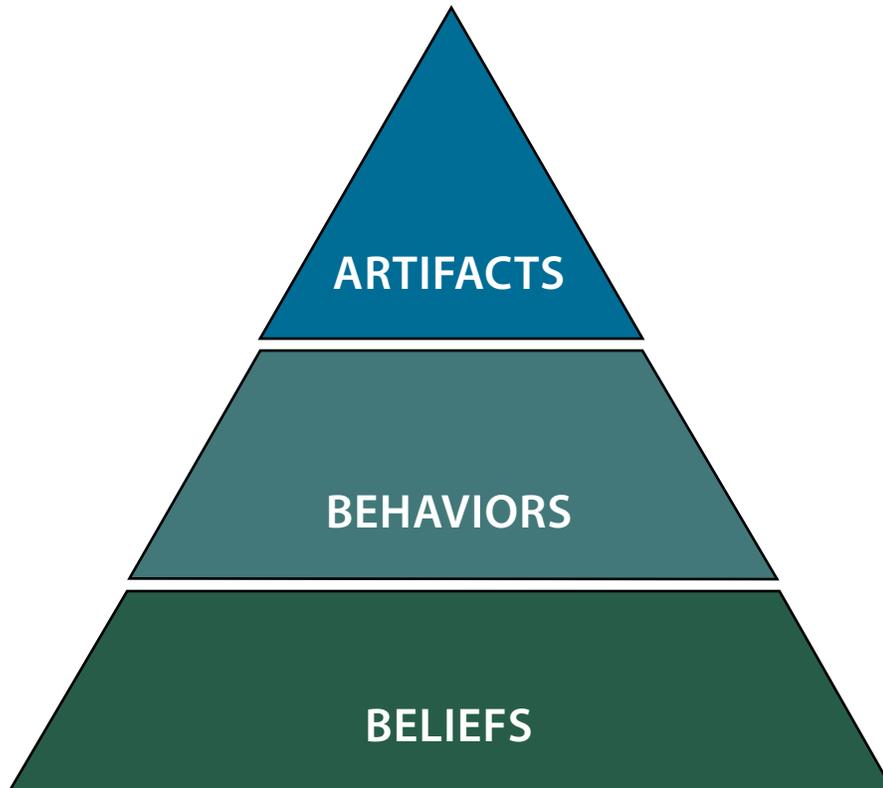
1 • What is it?

Culture Change: An effort led by an organization's leadership to alter the core beliefs, demonstrated behaviors, and existing artifacts of the organization, with the goal to improve performance, ethics, or other characteristics.

2. What comprises an organization's culture?

At its most basic level, culture is comprised of three interrelated elements: 1) beliefs that are commonly accepted within the organization, 2) consistently demonstrated patterns of behavior, and 3) artifacts that reinforce the beliefs and behaviors within the organization.

CULTURE COMPONENTS



3. What role does the “informal system” play in defining an organization’s culture?

When there is great incongruence between the formal system (e.g., published hierarchy, documented policies, stated work design) and informal elements (e.g., who actually makes or greatly influences decisions, policies that are known to be ignored, and the way work is actually performed), people working within the organization tend to default to the informal rules and norms. The informal system is seen as the “insider information” that describes the way the organization actually operates regardless of published value statements or written expectations. There is a natural tendency for insiders to base decisions on how to act consistent with the informal rules. This, in turn, reinforces and further strengthens the informal system.

When there is a high level of incongruence between the formal (what’s stated) and informal (what’s understood) cultural elements within an organization, it is often difficult to unravel why certain behaviors are allowed or why certain decisions are made. The uncertainty and ambiguity this creates disrupts organization performance.

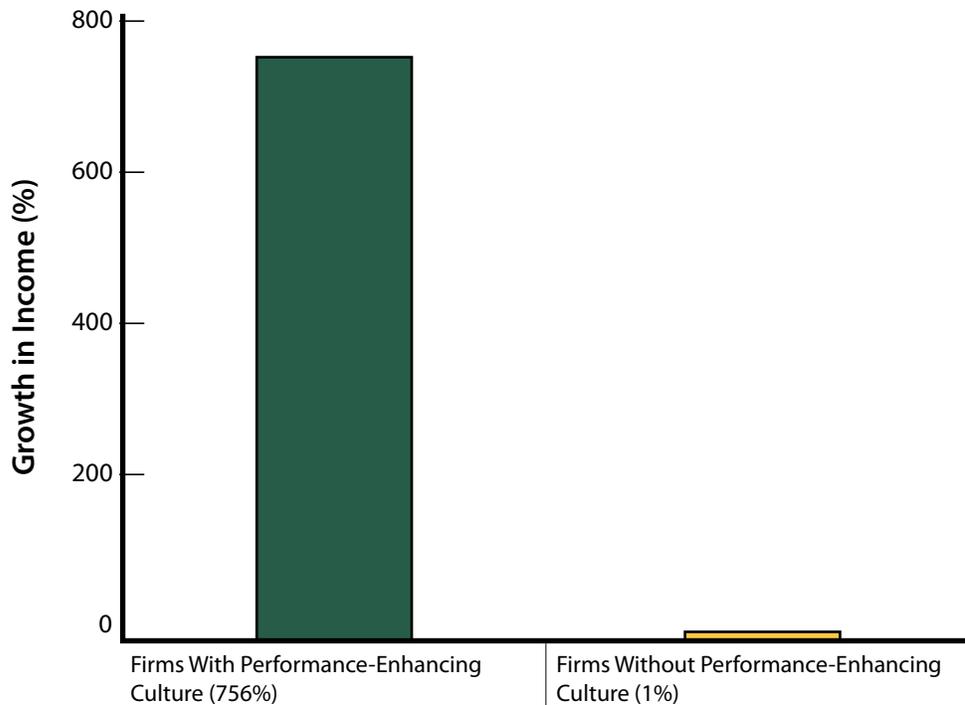
EXAMPLES:

	FORMAL	INFORMAL
Beliefs	<ul style="list-style-type: none"> • The documented core values and/or principles of the organization • The beliefs leaders profess in “town hall” meetings • References to beliefs in global emails across the organization 	<ul style="list-style-type: none"> • The stories of how former leaders really operated and what drove them • The “understood” beliefs that exist (the interpretation of the way things are done) • The beliefs/values individuals are told by their peers when they first enter the organization
Behaviors	<ul style="list-style-type: none"> • Documented policies and procedures managers are expected to follow • Stated expectations of leaders • Formal training leaders attend • Stated criteria for promotions 	<ul style="list-style-type: none"> • The range of behavior managers can display before they are rewarded or reprimanded • Who tends to get selected for leadership positions • Who influences key decisions
Artifacts	<ul style="list-style-type: none"> • Physical layout of the office area • Official posters in the work area • Documented process flow 	<ul style="list-style-type: none"> • Appearance of individual offices • Wall graffiti • The workflow steps that are actually followed

4. How does culture impact organization effectiveness?

Culture can have either a positive or negative impact on organization performance, but it will always have an impact. Some companies consider their culture part of their competitive advantage (e.g., IBM, Apple, Nordstrom, General Electric), while other organizations blame their culture for poor performance. One study that compared the impact of culture on business performance found that strong corporate cultures performed 756% better in income growth over a 10-year period than weak or non-performance-enhancing cultures. Culture is at least as significant as the business model utilized, the key strategies being pursued, and the competitive landscape the organization faces in determining overall effectiveness.

INCOME GROWTH IMPROVEMENT



From John P. Kotter and James L. Heskett, *Corporate Culture and Performance*. Free Press, New York, 1992.

5. What is a “rite of passage,” and how does it impact an organization’s culture?

A rite of passage can be thought of as a transition from one state into another. In many cultures, anthropologists observe specific ceremonies connected with rites of passage (such as children entering adulthood, marriage, parenthood). A rite of passage in modern organizations can occur at any point where there is a significant transition in the employee’s work life. Such significant transitions include such things as new employee orientation (passage from being an outsider to becoming part of the company), promotions (passage of moving up the organization hierarchy), how retirees are treated (passage from employee to retirement), how a crisis is handled (passage of moving from an emergency back to stability). How these transitions are handled has a big impact on how people within the organization come to see what the “real” beliefs and acceptable behaviors are. Thus an organization’s “rite of passage” has a big impact in imprinting the culture on the employee.

Organizations with strong cultures typically have well-established traditions and repeatable processes in areas such as:

SELECTION	What “type” of person is it that the company seeks (e.g., creative, innovative risk-taker or competent, conservative planner)? Is there an interviewing process that looks for certain qualities?
ENTRY	What does the New Employee Orientation tell employees about the organization?
PROMOTION	How are promotions handled? Who tends to get promoted?
DEMOTION	How are people treated when power is taken away?
RECOGNITION	Is it common to see recognition given? How is recognition given? What is being reinforced through the recognition?
CONFLICT	How does conflict get addressed (e.g., up-front or in a passive/aggressive manner; emotionally or rationally)? What are considered “good outcomes” of conflict situations?
EVENTS	What kinds of ceremonial events occur to acknowledge employee contribution to the business (e.g., years of service or technical/educational achievements such as graduation from a technical program)?
IMPACT	To what extent are people given the chance to make a difference? How much autonomy are individuals and teams given?
DIFFICULT TIMES	In difficult times, how does the company treat its employees? How is downsizing handled? How are austerity measures instituted?
GOOD TIMES	How does the company acknowledge success? How are employees treated in good times?
EXIT	How are former employees and retirees treated?
JUST CULTURE	How are people who raise issues or problems treated?

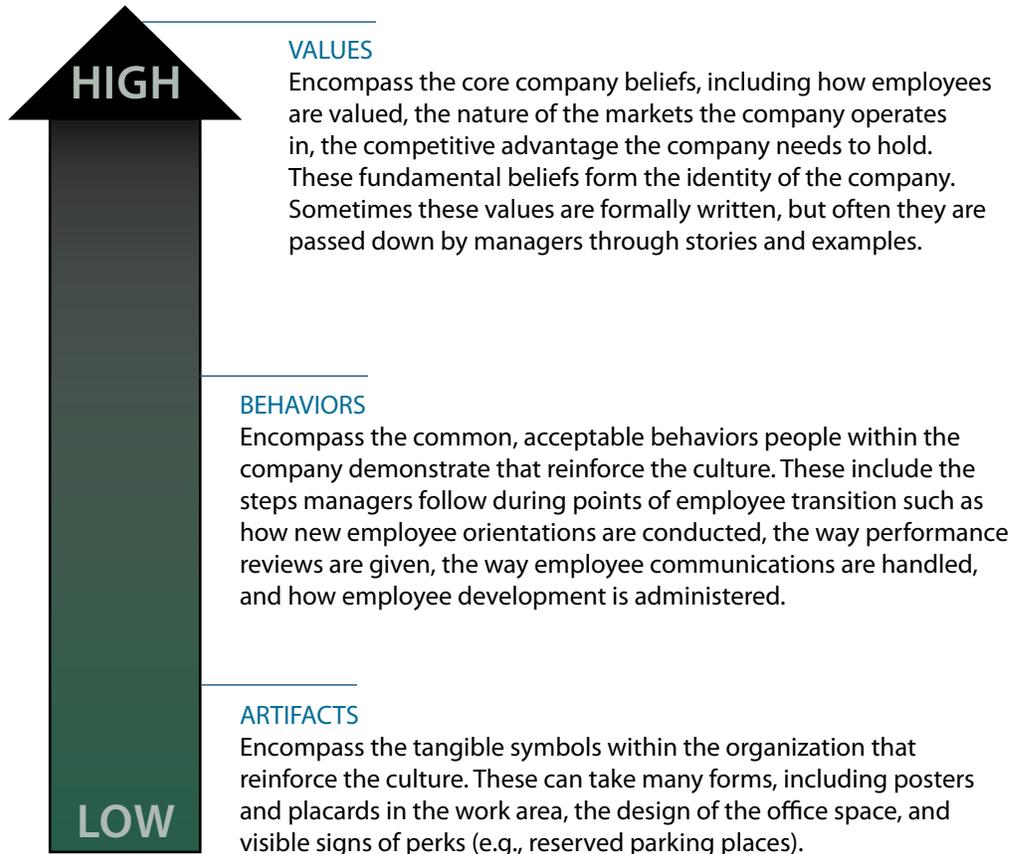
6. Why is culture so difficult to change?

Culture is developed over time, and it establishes the pattern for doing things such as solving problems, rewarding and punishing employees, and making decisions. Even in instances where the corporate culture is weak and largely ineffective, the social norms can be deep-rooted and difficult to change.

Corporate culture begins to develop when the company is first formed. Typically the founder has an enormous impact on the values, accepted behaviors, and artifacts common within the company. If the company is successful, the norms first established by the founder become reinforced and strengthened over time.

The most difficult aspects of corporate culture to change are the underlying values and beliefs. This is because these elements are not necessarily visible; there may be little formal documentation of the core values and fundamental beliefs. Yet these elements are recognized, understood, and used to define actions every day.

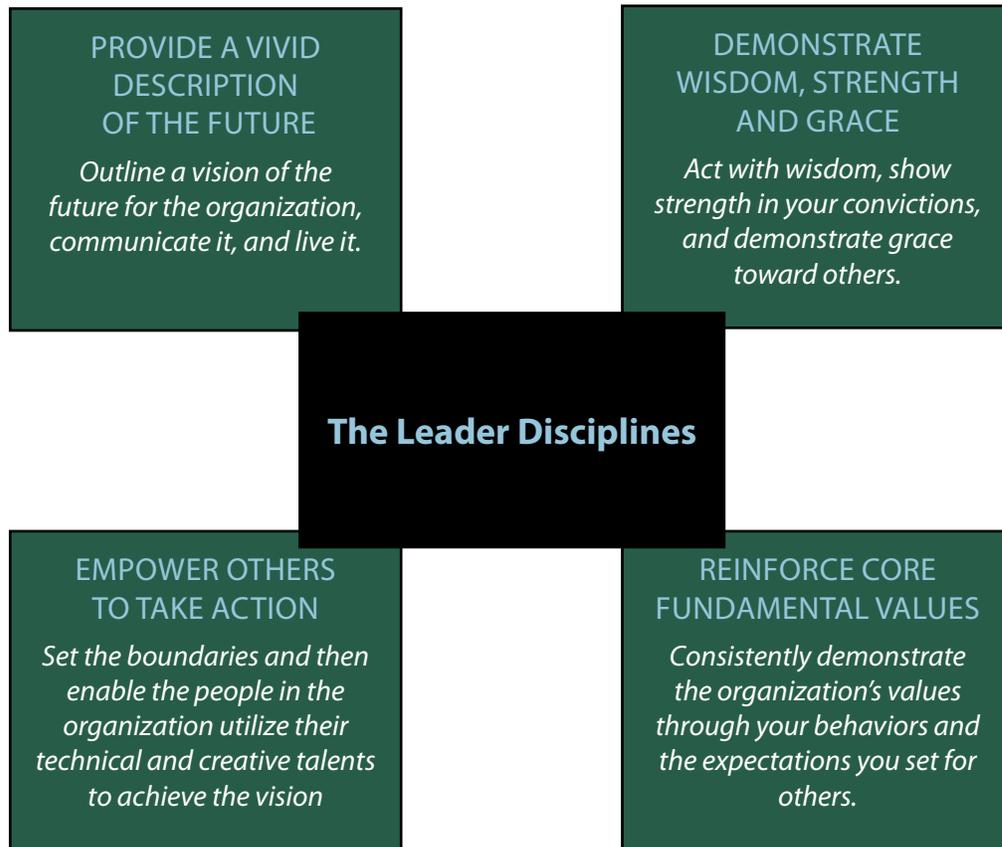
CHANGE DIFFICULTY



7 • What is the role leadership must play in culture change?

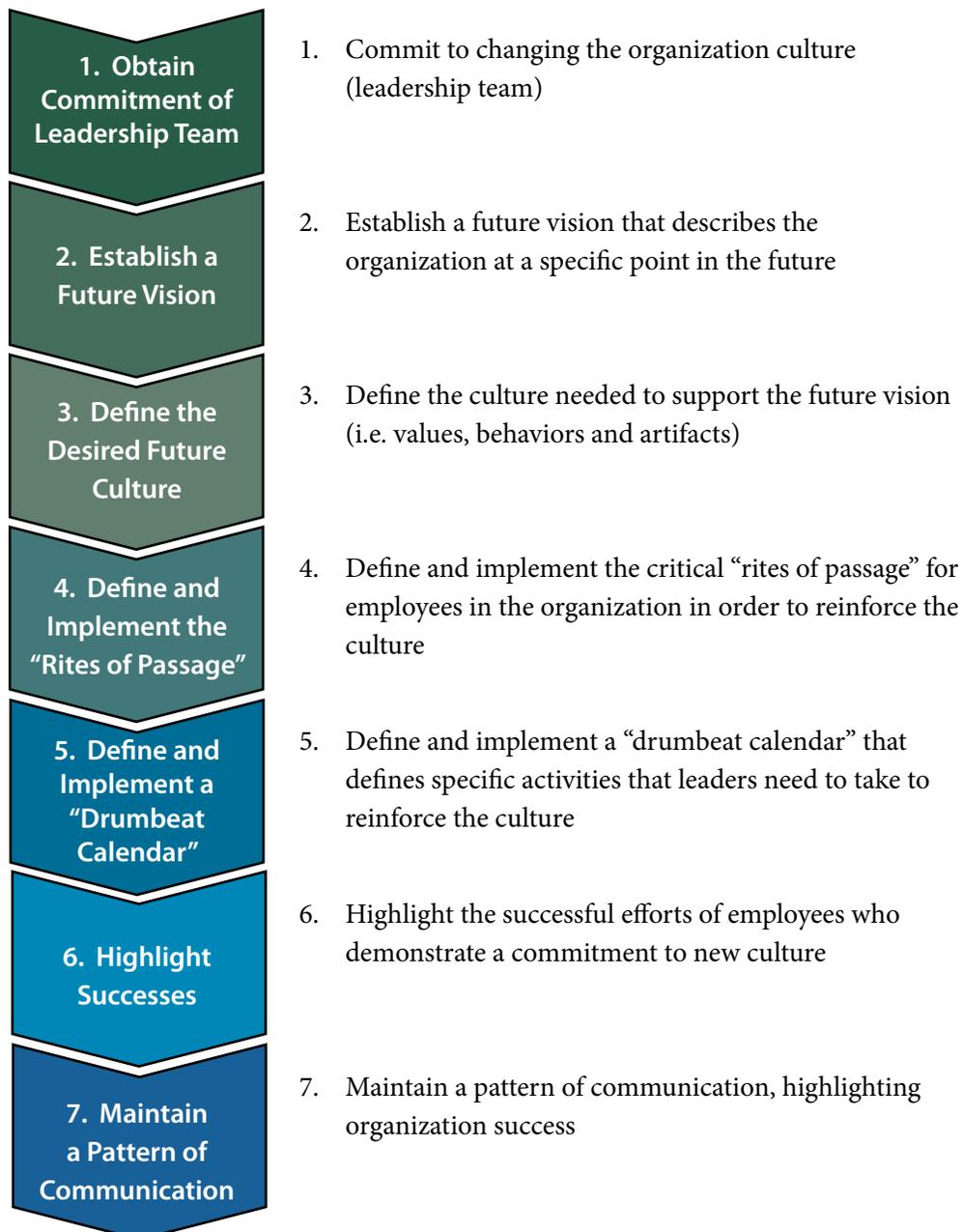
Those in positions of power shape the organization's culture over time. Similarly, those in leadership positions can work to change organization culture by shifting the underlying beliefs, leadership behaviors, and artifacts within the organization. Because culture is a reflection of leadership, it is leadership who, with focus and discipline and time, can ultimately change organization culture.

LEADER DISCIPLINES FOR ENGAGING IN CULTURE CHANGE



8. What are the steps to changing an organization's culture?

Culture change requires numerous steps, but it begins with a senior leadership team recognizing the impact of culture on organization performance and committing to improve it.



9. What impact does one's national culture have on the workplace culture?

The workplace culture will take precedent in influencing behavior over national culture—at least while the person is at work.

An employee will tend to follow the established cultural norms of the workplace when he/she is at work regardless of the biases or tendencies the person has based on his/her national culture. Even if the workplace norms are inconsistent with an employee's national culture, the employee will tend to operate in a manner consistent with the workplace expectations during the course of the work day.

In firms where the employee population is from diverse national and ethnic backgrounds, management sometimes suggests this diversity hinders performance. The rationale is that people are unwilling to step out of the norms of their national culture to become full organization members. In reality, it is much more likely that such organizations have weak corporate cultures that do not value nor know how to effectively utilize the extraordinary potential of a diverse workforce. Employees will align to the norms and expectations in workplaces that have a strong, ethical, performance-oriented culture.

NATIONAL CULTURES WITHIN ORGANIZATIONAL CULTURE



10. How do you measure success of culture change?

Positive culture change leads to improved overall organization performance. Improvements are seen in business, social, and adaptability performance measures. An effort to change the culture of an organization lays a foundation for increased focus, flexibility and responsiveness. Performance measures that organization culture either directly or indirectly impacts include:

Key business performance indicators

- Financial performance
- Quality
- On-time delivery
- Productivity
- Safety

Key social indicators

- Retention
- Job satisfaction
- Service

Key adaptation indicators

- Alignment
- Time to market
- Innovation
- New technology adoption

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