

**Talent Framework**

**The power  
of culture  
transformation**

Successful companies preserve what makes them strong, while altering aspects that impede strategic change. Patience, persistence, comprehensive understanding, and execution are key.



# Introduction

Each year, companies invest millions in growth strategies such as mergers and acquisitions, global expansion, and new market penetration. Yet only a fraction see the results they hoped for. Successful execution of a growth strategy depends not only on the right talent but also on having a culture that drives high performance.

Changing the culture, however, is daunting for any organization. Culture is deeply embedded in values, assumptions, behaviors, and attitudes. It is, in essence, the human glue that makes the company unique.

Turning a culture 180 degrees is neither possible nor desirable. The goal of culture transformation is to preserve those aspects of the culture that made a company strong and at the same time to alter any habits that are impeding strategic change. Finding the perfect alignment between culture and a new strategy takes time. But with persistence and a comprehensive understanding of what levers can steer the culture, organizations can move themselves toward that desired state.

# Execution trinity: culture, strategy, and talent.

Executing a new business strategy requires aligning three key areas: culture, strategy, and talent. A 2010 research study found that alignment of day-to-day work to what the company stands for drives employee engagement (Aon-Hewitt 2010). Organizations with high levels of engagement outperformed the total stock market index and posted total shareholder returns 22% higher than average. Companies with low engagement had a total shareholder return that was 28% lower than average.

In a 2014 Korn Ferry survey, 72% of executives agreed that culture is extremely important to organizational performance, yet only 32% believed their own organization's culture is aligned to its business strategies.

Figure 1

## **Organizational performance emerges from alignment.**



To align its culture with its business strategy, an organization must have a clear understanding of:

- ▶ The type of culture that will drive its specific strategy.
- ▶ The current culture and how it supports or hinders strategy execution.
- ▶ The differences between the two.
- ▶ The levers that will have a powerful impact on culture transformation (potential accelerators).
- ▶ Foreseeable challenges that could derail efforts.

Effectively addressing an organization's culture during a period of strategy change will help maintain high levels of productivity, engagement, and focus—and thus help ensure financial performance. It also helps an organization retain its most valuable asset: its best talent.

# When success hinges on culture change.

Although any change in strategy requires a look at culture, the following are the most common reasons companies must consider a large-scale culture transformation or risk failure and revenue loss.

**Mergers and acquisitions.** Research indicates that 50% of M&As fail and that incompatible corporate culture is the top reason why (Towers-Perrin 2002). When two organizations are joined, there are inevitable changes to the identity and balance of power in the new entity. Despite due diligence research, companies often find that what looked like a perfect match on paper presents a compatibility challenge in real life. People become disengaged, which affects performance and retention. Companies start to hemorrhage talent, and, frequently, the best people leave first. Creating a unifying culture that gains buy-in from all of the legacy talent is imperative.

**Strategic redirection at the top.** A new CEO often initiates strategic changes, but that's just one reason for a turn in direction. Today, public companies are going private, private ones are going public, and others are tactically focusing on speeding up innovation or improving customer service, all of which require shifts in the culture. For example, a manufacturer of computer servers that is shifting to become a cloud service provider has to pivot from being transaction-based to being service-based, which requires a longer-term orientation and more participative decision-making.

**Globalization.** As companies expand their operations around the world, they often must merge corporate cultures and national cultures simultaneously. For multinational companies, national culture has significant influence as an accelerator or derailer of strategy. Bringing multiple global cultures together while leveraging pockets of excellence across the global footprint demands well-planned and well-executed culture transformation.

**Spin-offs and start-ups.** Just as a start-up develops a culture of agility, entrepreneurial decision-making, and short-term focus, a spin-off needs to be intentional in how it builds its own culture. Because the newly independent entity often is managed by people from the parent company, an understanding of which aspects of that former culture to maintain and which to transform is the foundation for success.

**Growth strategies and rapid change.** During periods of significant growth or rapid change, organizations often fear losing the “secret sauce” of their success, which is embodied in their culture. A clear map of the organization’s current culture patterns and the ideal future culture is crucial. Which aspects are essentially the DNA of the organization, and which no longer support the growth model? What new cultural dimensions need to be grafted in to support expansion?

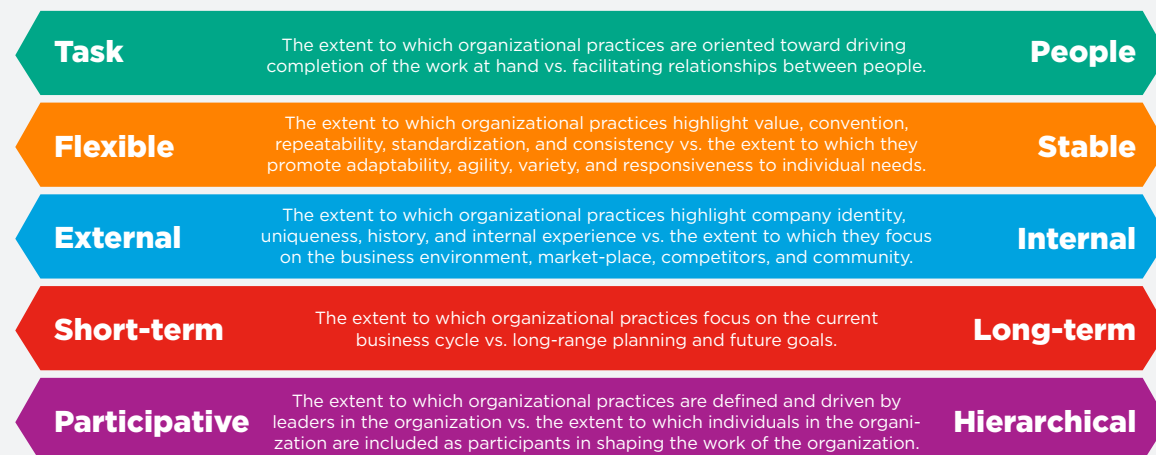
# The cultural framework.

The first stage of transformation is to define the culture that is needed to support the strategy. Organizations must take an uncompromising look inward to obtain a clear picture of the current culture and how it supports or hinders fulfillment of the business goals.

In studying the patterns that connect successful cultures and business strategies, Korn Ferry has identified five dimensions to describe how organizations operate. These organizational attributes manifest in areas such as leadership style, communication, decision-making, and customer interaction. Each represents a continuum between competing values and takes into account the impact of national culture as well.

Figure 2

## Five dimensions of organizational culture.



Unlike other culture models currently in use, this multi-dimensional approach is designed to capture both people's behaviors (what they do) and their values (why they do it). Mapping those interconnecting patterns—how the values shape the culture, how that is reflected in behavior, how behavior is motivated, how that drives culture—provides a comprehensive picture of what needs to change and how that can be accomplished.





# The path to transformation.

Only a third of transformational efforts succeed, according to a survey of 3,000 executives by McKinsey & Co. (Aiken and Keller 2009). Changing its culture is one of the most sensitive and challenging tasks an organization will ever tackle. People are understandably loyal to the existing culture: They bought into it (or even created it) and it forms the basis of their professional identity. Most people also simply prefer the familiar to the unknown risks and uncertainty of change.

Getting everyone on board, from the agile early adopters to the stalwart resisters, starts with the following imperatives:

**Create alignment in the senior team.** The senior team needs to agree on what its members have to do differently to create and sustain culture change. In describing IBM's historic culture change in the 1990s, CEO Lou Gerstner said, "I needed to get my leadership team to join me. We all had to talk openly and directly about culture change—we could not be subtle." Leaders, Gerstner went on to explain, create the conditions for culture transformation by modeling new behaviors and inviting everyone to change day-to-day behaviors (Gerstner 2002).

**Identify a few critical upgrades to the "human operating systems."** This may include how decisions are made, what gets rewarded, how people communicate, or other organizational practices rooted in the culture. What is going to look different about the way the organization gets work done? What policies and systems will support and sustain change?

**Refine the talent strategy.** At this stage, the business strategy and culture framework need to be translated into a talent strategy. There are four dimensions of talent that should be assessed to effect change: Traits and Drivers are more correlated to the culture; Competencies and Experiences will drive the strategy. Organizations also may consider the level and type of learning agility required—how quickly and easily people adapt to change and take on new learning—and understanding an enterprise agility profile.

**Build and acquire talent.** With a clear understanding of who has the Traits and Drivers to be a cultural change agent and who has the Competencies and Experiences to meet the demands of the new business strategy, organizations can tactically fill their talent gaps. Some people can be reassigned to another function, others can be developed, and some new people will be needed. Targeted recruiting is one lever for success. Just as important: New people must be brought onboard effectively if they are to be part of a change effort.

# Change principles to keep in mind.

Whether an organization needs to become more customer-centric, be more innovative and agile, or achieve the right balance of hierarchy versus empowerment, culture change requires a long-term commitment. Happily, it can be done; just look at Nokia, IBM and Dell for proof.

The following principles should guide the process:

**Focus on a few changes at a time.** As a *Harvard Business Review* article observed, corporate culture can't be traded in like a used car (Katzebach, Steffer, and Kronley 2012). Instead, organizations have to swap out only a few components at any one time. Organizations should identify the culture changes that will have the greatest impact and concentrate energy and resources on those two or three initiatives. It still may take 12 to 18 months to alter deeply ingrained behaviors and perceptions, but a focused approach helps the changes stick.

**Provide opportunities to be heard.** People resist being forced to change. When they have a say in the matter, they are far more open to it. Leaders need to ask for input, listen to others' perspectives, and involve them in planning. Some will feel that they cannot make the cultural shifts, and letting them separate from the company in a respectful and constructive way is a must.

**Demonstrate why this matters to employees and customers alike.** The customer may be the organization's focal point, but individual job performance and job security are uppermost in the minds of most employees. People need to know why this change matters and how it will help them do their jobs and better meet customers' needs. Shared values are key: When values are aligned, even major changes feel easier.

**Communicate early and often.** Even the brightest vision of a successful future will stir up doubt and distrust. A communication plan must include engaging messaging and use communication channels that reach all employees. Transparency, consistency, and frequency of communication are all needed to win hearts and minds and to quiet any fears about the culture transformation journey.

Culture embodies every aspect of an organization. You can't change it in a silo, nor can you address its full implications with a narrow approach. You need to be mindful of how one small change will ripple out and impact the way your organization behaves. Bring in a partner that takes a holistic approach to culture change, one that has the expertise and tools to help align business, culture and talent strategies so that your culture becomes the new glue that makes the organization great.

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## About Korn Ferry

At Korn Ferry, we design, build, attract, and ignite talent. Since our inception, clients have trusted us to help recruit world-class leadership. Today, we are a single source for leadership and talent consulting services to empower businesses and leaders to reach their goals. Our solutions range from executive recruitment and leadership development programs, to enterprise learning, succession planning and recruitment process outsourcing (RPO).

## About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth and success.

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