

December 20, 2019

LOL - Culture Change: An Overnight Success Story

“How long will this take?” is a common question concerning culture change. The topic deserves more than a short blog, but I’m in the Holiday Spirit, so here is a short success story to raise your spirits. You’re welcome. 😊

Happily, culture change can move from a grade of “C-” to “A” in less than two years. It did for one of our clients (call them “ABC”). They started their work at the beginning of 2018 and just got their “A” grade at the close of 2019.

ABC is a long-only equity manager with around 100 employees located primarily in one office. Immediately, we have to qualify our “overnight” success story by saying that much larger organizations in multiple offices around the world have a greater challenge to improve as quickly.

The new CEO at ABC is a culture advocate and made it clear to the staff that developing an excellent culture was a top priority. He used FCG’s culture diagnostic to measure ABC’s current culture. The “C-” grade based on the diagnostic motivated him to begin work in earnest. He enlisted the senior team as culture advocates and then asked for volunteers from the staff to also be culture champs. Ten staff members signed up. Importantly, during a Town Hall debrief, all the 100 employees indicated—via anonymous polling—that “ABC should put time and resources to improving the culture.” (Note: the question was not “do you want a better culture?” Presumably that question would get a—duh!—“yes” response from everyone. But rather, should the firm put **time and resources** to improving the culture. One is a freebee, the other has a cost.) The CEO and his staff then put together a plan for implementing culture change.

Four factors initially were instrumental in affecting real change:

1. The CEO is deeply committed to strong culture and to creating a safe environment¹
2. The CEO is a good communicator who practices transparency
3. The senior team and culture champions from the staff took their roles seriously
4. They had a plan and were going to measure results by re-doing the survey

To provide a sense of how much ABC’s culture improved, we’ll show the “before and after” pictures from the first and most recent culture surveys.

Reducing Sludge in the System

Sludge is an important factor in determining the health of a culture. Sludge is defined as the attitudes and behaviors that negatively affect employee engagement and performance. Sludge behaviors include blame, gossip, disrespect, and so on. In the case of ABC, sludge moved down considerably over the two years:

Sludge 2018 (January): 21%

Sludge 2019 (November): 11%

Roughly a 50% decline in sludge, which was attributed largely to ABC’s improvement in implementing their core value of Accountability. Every FCG client has identified Accountability as the key antidote to sludge. ABC was no exception and used Accountability to address and reduce sludge significantly. Accountability aims at changing the mindset of blame to that of taking responsibility. (For more on blame, see FCG’s article on “The Folly of Blame”

¹ For more on “psychological safety” see this Google study: [Psychological Safety Article](#)

published in the *Journal of Portfolio Management*²) Behavior changes included making clear agreements, keeping them, and repairing trust when agreements are broken. Also essential is providing effective feedback when team members are falling short on assignments. Importantly, all of this must be done in a respectful way that does not create a “police state.”

All during the culture change period, the CEO emphasized the importance of psychological safety. Sludge is driven by fear. As staff members feel increasingly safer in the culture—free from intimidation and harsh criticism—the sludge behaviors, like blame, decrease. People move from dreading mistakes to learning from them. Decision making improves.

Core Values

Strong cultures have clear guidelines for positive behavior. The culture survey at ABC provided clarity on which positive values were already embedded at ABC and which ones were desired. During the two years of progress at ABC, the firm moved from three core values (meaning ABC both “had them” and “wanted them”) to six core values:

Core Values 2018	Core Values 2019
Balance (Home/Work)	Balance (Home/Work)
Collaboration/Teamwork	Collaboration/Teamwork
Client satisfaction	Client satisfaction
ABC added these three core values over the two-year period:	Professional/Accountable
	Ethical/Integrity
	Excellence/Continuous improvement

Choosing and defining carefully these values—the rules of the road—increases “workability” at a firm. In other words, the ability for all staff members to work effectively. Not surprisingly, this workability factor has contributed to excellent performance and growth in the last two years for ABC. (Again, in the Holiday Spirit, this will please even firms run by Ebenezer Scrooges, as they will have more money to count.)

Success Factors

The culture survey measures several success factors, like ability to attract top talent and effective decision making. During the culture change period, all these factors improved but four in particular skyrocketed:

² [Folly of Blame JPM](#)

Factor	2018 (% agreed with the statement)	2019 (% agreed with the statement)
We have an ownership mentality, our employees think like owners of the business	25%	60%
Our leaders/department managers communicate well (clear and transparent)	53%	72%
Our culture supports clarity, order, and good communication	53%	83%
Our culture supports effective decision making	60%	79%

The improvement in these factors reflects the efforts of leaders and staff members to shift their mindsets from merely participating in the culture to advocating for a proactive, open, and accountable one. A key element of success was the leaders' approach to culture change: attraction not promotion. Leaders and culture champions were first and foremost "walking the talk" rather than pushing others to change. ("Every action gets an equal and opposite reaction." Push usually results in Push-back.) Positive intentions and energy are contagious and staff members were "catching it" during the change period.

Leadership Choices on Tradeoffs

All leaders face cultural tradeoff choices: are we more long term or short term oriented? Are we more sales-centric or investment-centric? And so on. The survey measures these tradeoffs from the point of view of the staff members on a continuum from mostly one to mostly the other, or a mix of both. In other words: how does the staff view the tradeoff in their working experience? The goal of a strong culture is to be aligned. If leadership says, "we are an investment-centric firm" but all of the staff members believe the firm is sales-centric, then there is mis-alignment. For ABC, the tradeoff results improved in two ways:

1. Staff became more aligned around the leadership choice (saw things the same way).
2. The dispersion around the alignment tightened (the midpoint of the Bell curve was "accurate" and the dispersion around it narrowed).

Alignment around purpose, values, and tradeoff choices all contribute to a highly functioning firm. In ABC's case, the execution of strategy and strong communication about it contributed to the clear alignment. Again, the skills required for this alignment are clarity and communication about the firm's choices—"we are an investment-centric firm"—and execution. Words and actions line up. There is no "Say/Do" gap (i.e. say one thing but do another).

Overnight Success

In the culture change world, ABC achieved “overnight” success. They did it by committing wholeheartedly to the process, measuring it (ongoing “pulse surveys” are a good tool), walking the talk, and, of course, good leadership. In this case, the CEO demonstrated the core values, communicated clearly and openly, admitted mistakes and shortcomings (i.e. vulnerable), and built a strong team of dedicated advocates at the grass roots level. The firm became less fear driven and more purpose driven. Workability improved. Morale rose. Performance strengthened. All good news. The bad news: Santa won’t put these in your stocking. You’ll have to earn them. But as you can see from this success story, it’s not only doable, but in fairly short order.

Wishing you Happy Holidays and success in your efforts to build a great culture,

JW