April 29, 2016

LOL Journal - Comments on HBR's Headline "You Can't Fix Culture"

Ok, when a major business magazine plasters "You Can't Fix Culture" on its cover that hits close to home.[1] I mean, culture is at the core of FCG's consulting work. If you can't fix it—or improve it—then we've been selling snake oil for years. Yikes. FCG argues that all the work we do—compensation, strategy, talent, succession, investment philosophy—must fit with a firm's culture. It all ties together. If a firm's culture is highly collaborative, then design a compensation system that rewards teamwork. Not one that pits team members against each other. (Although entertaining, probably not productive…)

So, breathless, I dove into the article.

The piece starts by stating that many organizations have elevated culture to the "cause and the cure"[2] of all problems. Then, after the setup, the authors state:

> *Culture isn't something you "fix." Rather, in the experience [of CEO's we interviewed], cultural change is what you get after you've put new processes or structures in place to tackle tough business challenges like reworking an outdated strategy or business model. The culture evolves as you do that important work.[3]*

The authors argue that culture is an outcome, "not a cause or a fix."[4] They provide four examples of major firms that have turned business results around. How? By carefully identifying the firm's purpose and then pulling certain levers—decision rights, performance measurement, reward systems, and so on—to address and resolve business issues. Note: culture is never explicitly defined in the article, but the usual definitions seem to apply:

> *Culture = the values, beliefs, and behaviors that are widely accepted at the firm. Or, the "mindset" of the firm. The way that work gets done at the firm.*

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[1] To read the article, follow this link: https://hbr.org/2016/04/culture-is-not-the-culprit
[2] HBR, April, pg. 98 You Can't Fix Culture
[3] Ibid, pg. 97
[4] Ibid, pg. 97

The specific examples used in the article are as follows:

Company & CEO	Business Challenge	Levers Pulled	Cultural Change
Ecolab, Doug Baker	Staying connected with customers while tripling in size	Encouraged more frontline decision making and instituted a more meritocratic reward system	Shift from father-knows-best management to a collaborative and independent workforce
Delta, Rich Anderson	Quick integration of a giant acquisition during a downturn	Shared executive power, built more direct relationships with employees, and focused on accommodating their workplace development and compensation needs	Shift from adversarial management-employee relationship to mutual loyalty and trust
Ford, Alan Mulally	Bringing a global manufacturer back from the brink of bankruptcy	Increased transparency among the unit heads and streamlined business processes	Shift from defensive and disparate to cooperative and connected business units
Novartis, Dan Vasella	Managing a more diverse portfolio of products and customers	Articulated a clear vision, goals, and expectations, and decentralized decision making	Shift from narrowly focused and bureaucratic to a customer-centered and performance-minded organization

Notice in the descriptions above that values and mindsets are indeed part of the culture shifts:

- Collaborative
- Meritocracy
- Loyalty
- Trust
- Performance-minded
- Decentralized decision making
- Supportive rewards approach

So, as I read and re-read the article I understood the authors to be saying that specific initiatives (or "strategies") will result in culture shifts as they are executed. For example, at Ford, Mulally pushed for candor in the executive meetings so that they could honestly address and resolve issues. When staff members were candid, he "praised them for their transparency."[5] And, "in time people realized that being honest allowed them to work together and find solutions more quickly."[6]

At both Ford and Novartis, each CEO emphasized accountability. Mulally "wanted to foster personal accountability: managers had to explain the problems they had and the headway they were making."[7] Vasella emphasized the same point: "employees had to be accountable and act in the customer's best interests."[8] These messages are basic cultural stuff, but the authors emphasize that you cannot do this in a vacuum. In other words, you can't simply philosophize about culture and values, then hope to see change. Instead, leaders must describe the whole picture to team members:

- Here's **what** we need to accomplish,
- Here's **why**, and
- Here's the **how**, i.e. the change we need to see in each of you.

In this regard, the article is useful. Too many leaders believe that FCG can come in, lead a workshop on culture—values, behaviors, expectations, etc.—and then "Presto" the culture will be "new and improved." Amazing! Of course, it won't. Culture must blend with strategy, process, and other systems. It requires careful planning and deliberate execution. Several posts on the article were insightful on these points:

> *So which is more important, culture or strategy? From our perspective, it is difficult to separate the two. When you do, it gives rise to the fallacy in thinking that one is more important than the other. Or, that one produces the other. I often hear the now popular phrase "culture will eat strategy for lunch every day." In a very specific context, I believe this to be true. However, in general, if strategy were the lunch, then culture is how you make it and how you eat it. You can't have one without the other. Strategy informs culture and culture executes on strategy. They are dependent concepts.[9]*

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[5] Ibid, pg. 105
[6] Ibid, pg. 105
[7] Ibid, pg. 102
[8] Ibid, pg. 105
[9] Roger Connors, author of "Change the Culture, Change the Game."

And this one, which makes a similar point:

> *At the core of this discussion is the inherent confusion around the very definition of "culture". As a leader who has focused years of my career managing not only the business strategy, but the way people "think and act" related to the business strategy - the culture of my organization had as much to do with the impact on results as the business strategy itself. The strategy of culture – IS focusing on the way people think and act about the Business…which is focusing on the Business.[10]*

Indeed, after mulling over the article and the comments, I was reassured that FCG is on the right path. By emphasizing the systemic nature of culture—that all the pieces of the system like strategy, process, decision rights must work together—the article promoted our central premise. The pieces must fit together. One comment summed up FCG's viewpoint nicely:

> *We believe this is a very systemic issue, and companies should take it seriously, diagnose it, and manage it. In today's far flung organizations, where companies operate as a "network of teams," culture is often "all you have" to tie people together, so it's a very important and systemic topic.[11]*

Now we're back to David Fisher's quote about Capital Group:

> *Culture is our only competitive advantage.[12]*

Or Ray Dalio's philosophy at Bridgewater:

> *You have to make two things great—the culture and the people. If these two things are great our organization can navigate the twists and turns to get you where you want to go.[13]*

Culture matters. Whatever the debates about "culture eats strategy for lunch, or dinner, or breakfast, or maybe just a snack," the fact remains that strong culture is important. Top investment firms have mindsets like:

- *We will persevere and win (vs. if it's too hard, let's quit)*
- *Our clients come first, always (vs. me, me, me)*

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[10] Yvon Wagner
[11] Josh Bersin
[12] David has said this in presentations and to JW directly, over cocktails.
[13] See Bridgewater's website for Dalio's "Principles" which contains this quote and others on culture. http://www.bwater.com/home/culture--principles.aspx

- *Do the right thing (vs. do what's easy and convenient)*
- *I am committed to learning (vs. I am committed to looking good and knowing the answers)*
- *Take responsibility for all your work (vs. take credit for the good outcomes, blame others for the bad ones)*

Summing up, FCG would agree with this post, from the HBR website:

> *I do not dispute the premise of the article. I do, however, dispute the headline. Culture, a poor culture, will always be the culprit.[14]*

And so I close with a sigh of relief, FCG has not been selling snake oil all these years. Culture matters. It is shaped by leaders.[15] It interacts with strategy, processes, and structures. It must be managed by design, not default. And it must be maintained on a regular basis, like one's health, one's car, or one's garden. No shortcuts. Sorry.

Curiously,

JW

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[14] Mark Bublitz. Note: the cover of HBR April issue reads, "You Can't Fix Culture," but the actual title of this article is "Culture is not the Culprit." Hence, Bublitz's comment that culture—poor culture—**will** always be the culprit.
[15] FCG Partner Michael Falk has a favorite saying on culture: "Shape, shape, lather, rinse, repeat."