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ORGANIZATIONAL CULTURE

Beliefs That Drive Behavior

You're so busy grasping technology in one hand
and science in the other, you have no hand left to
grasp what's really important. It's the human spirit,
that's the challenge, that's the voice, that's the
expedition.

—*John Travolta as George Malley in the
film* Phenomenon

The purpose of this book is to shed light on the dark subject
of culture, which people know in their gut is important but
don't know how to deal with. We bet you have that feeling
too. Academic and technical studies of organizational culture
abound, but few practical readings are available to executives on
leading change in organizational culture. Why so few?

One reason is the common and popular myth that change
in organizational culture is beyond the reach of mere mor-
tals. Executives have come to believe that significant change
in their organization's culture is simply unattainable—or that
if it is "possible," it would take unfeasibly long to accomplish.
But would executives apply this sort of thinking and reach this
conclusion if they were considering a technical change such
as a new enterprisewide system? Probably not. So why is the
transformation of organizational culture regularly dismissed as
impossible? A second reason for the unavailability of practical
information about organizational culture change is that the aca-
demic research community also buys the myth, which adds to

its natural tendency to endlessly seek further proof of ideas from which we can already draw much practical advice.

Thus, we have a cycle of "We don't believe it" from executives and "We can't prove it" from researchers. This book aims to break that cycle. There is, in fact, a stream of research, knowledge, and anecdotal stories that can guide and inform executive options. This book is a step toward making that learning available for practical use now. The point is to understand the cultural, human, and especially the internal side of "how."

To that end, this chapter expands on the idea of culture as an agent of stasis, change, or transformation. The goal is to more deeply understand the power of this often hidden dimension and

Voice of Change

From Glen, CEO of Memorial Hospital, one of the cases in this book:

At a recent health care conference, I tried to talk to my CEO counterparts about organization-level leadership, but they just glazed over—they're still sending a few senior people to training classes and expect things to change. How do you talk to CEOs to get their attention about real change through the leadership culture? I told them we use organization leadership to execute strategy, change everything in operations, and provide a healthy environment to grow talent—but they don't know what I'm talking about!

I tried to discuss the investment of time with them—that time is a resource to develop collaborative leadership culture. All we have is time, and we don't ever run out of that. It's about what you do with the time that counts. We have just kept using time to try new things.

The one thing this organization leadership work does is make the organization fast! Man, every CEO wants that. You want an organization that can move quickly—you want fast, fast, fast. If you need a task force or committee to get things done, and they can move fast, then that's it, because there are so many things that need to get done simultaneously. Organization leadership has made us fast!

how changing it needs to begin Inside-Out. But first, let's listen in on a client's story of chairs and culture.

Belief Drives Behavior

Mike, a vice president at National Bank, a prestigious financial organization, tells the story of what came out of an all-day meeting of a group of vice presidents at headquarters: "We brought in VPs and directors from all our locations. We needed to use the largest conference room in the building and had to get special permission to do so."

At National Bank, "permission" wasn't simply an issue of scheduling. The large conference room was located on the top floor of the building and used exclusively by senior executives, not by vice presidents. The vice president and director offices were on the floors below; lower-ranked employees were lower still, filling in the middle floors; the ground level housed administrative and support operations. The furnishings in the building changed by floor too. The top floor featured leather chairs, high-quality wood desks and tables, artwork, and attractive kitchen and washroom facilities. Below that level, floors housed progressively less expensive furnishings.

The night before the meeting, Mike was working late in his office finishing up his presentation: "A couple guys from our maintenance staff kept walking past my office with chairs from the meeting room down the hall. I didn't think much of it until the next morning when I arrived on the top floor for our big meeting. The maintenance staff had replaced all the leather chairs in the executive conference room with the fabric chairs from our floor."

Here the power of culture reveals itself: no one had told the maintenance staff to trade out the chairs. There was no policy or precedent for doing so. The maintenance crew made its own decision, based on its understanding that certain chairs went with certain levels of status. Without question, they simply

followed that cultural norm. The cultural value of authority and the trappings of status were so embedded in the organization that it didn't even occur to them that vice presidents might sit in executive chairs while meeting on the executive floor.

Whether explicit and conscious or not, belief systems drive behavior. Organizational culture holds your organization's aspirations and the spirit of the place. Its beliefs and values define the organization's core. We use the chairs anecdote here not because it is a spectacular example but because it is a small one, illustrating how endemic the force of belief is within a culture. And when executives embark an organization on change initiatives bigger than lending out a conference room—as big, say, as changing major systems, products, markets, and processes—they are asking people to alter their company's cultural beliefs in some significant way. To implement a strategy that requires people to change the way they do things, leaders need to work beyond the operational plan and plan to change culture as well. Change won't take hold in operations without change in culture to back it up.

Cultures channel choices and guarantee repeated results, whether awareness is present or not. The leadership challenge is creating a culture that supports the new operational direction rather than one that undermines or stalls it. You're more likely to succeed at that if you keep in mind why a culture tends to persist even though it may no longer seem highly productive.

Voice of Change

Have you found yourself among the many who say that for the organization to survive and thrive, we must transform the culture—but that seems impossible? Our experience with leaders in a variety of organizations suggests that you may be capable of much more than you think—but the journey starts with you. To do this, you will be embracing new beliefs as well as letting go of some well-established assumptions from your education and experience that are no longer helpful.

Swimming in the Soup

Culture is basically Inside-Out, subjective in how it influences thought and behavior. Once we are part of a culture, it's not just something "out there." This distinction between Inside-Out and Outside-In is important. We regularly find senior leaders who cannot distinguish an Inside-Out, subjective leadership experience from an Outside-In, objective, analytical management practice. The Inside-Out is basically about perceptions interpreted through social relationships; the Outside-In is basically about tasks. We think that distinguishing the difference between relationships and tasks is the most important thing that leaders do. If you approach relationships as just another task, you are likely one of those people who can't tell the difference between the overt sensory dimension and the hidden dimension of change.

Everyone in your organization swims in its cultural soup. Not only are you and everyone else *in* the culture: you *are* the culture.

Try to think of the difference between being in a culture and being an enterprise software system. Sounds like a silly request? Still, it reminds you that you can't be a software system. You wouldn't want to be. But you are always going to be in and part of the human system in which you operate, strategize, relate, lead, and make sense. So you need to know what culture surrounds you just as you need to know what software you are counting on.

In sum, culture is personal. You'll never be able to entirely objectify it because you're one of its subjects. This is a very different relationship from managing things from the Outside-In, and it's a relationship you need to understand and master because it will make or break the change your organization wants to make.

Culture, Survival, and Bureaucratic Hierarchy

Our introductory definition of culture encompasses two ideas: that beliefs can require certain behaviors and that they can exclude others. It is important to keep the second, limiting

function in mind because in that sense, every culture is inherently averse to change.

In its most basic form, culture is a mechanism for sustainability and survival. "Because it works, we all get paid" reflects our belief in that basic position. Belief is a part of the culture's immune system, so to speak, which rejects alien ways of doing things and protects behaviors that are already accepted. When individuals persistently do things too differently, they risk their own survival within a society or organization.

Conformity and Survival

American courts provide a good example of how Dependent-Conformer logics and conformity to cultural norms set boundaries that may favor survival of a society. If you have ever been called to court in the United States, you've probably heard the call, "All rise!" For what? For the entrance of the judge, of course, the one who makes or governs all decisions in the room and whose level of learning is ritually held above that of all others. If your behavior deviates from his or her standard, you may be held in contempt of court solely based on the judge's assessment, and punished.

In the United States we often complain about the ordeal of visiting government bureaucracies. We describe such trips as visits to the land of the living dead, Kafkaesque daytime nightmares filled with Zombie-like automatons performing their routine tasks in slow motion, devoid of any human connection to the public they're supposed to serve. A primary reason that courts, too many public schools, and other government institutions work in this fashion is that they are driven by law or formal rules. And most U.S. citizens buy into this culture without much question because they see how conformity and rule of law promote general public order—and thereby everyone's survival.

This is not to say that conformist culture is always best even for governmental functions. Many states have adopted less obviously regimented practices, such as easing waiting lines by allowing drivers to make license renewals from their computer.

But the survival factor remains. By and large we accept "how things are done around here," and we fear that change can threaten survival. This is true for the individual who wants to keep her job and get paid, and it's also true for the collective of people who all want the same thing.

Culture Eats Strategy

When a big part of a strategy changes the infrastructure in ways that don't support survival, the culture will kill that change. Culture is the elephant in the room. As one of our clients cheerfully noted, and as Illustration 2.1 suggests, "Culture eats strategy for breakfast."

An organization's culture has the hidden power to devour strategic change initiatives. But it also has the power to cultivate change when it is understood and worked with from the inside. As a matter of enlightened self-interest, the culture can help or hang executives in big change initiatives. The help can be harnessed for your benefit if you are willing.

Your leadership culture may dictate respect for hierarchy so that most decisions are

Voice of Change

When we began working with Memorial Hospital, its leaders mostly experienced leadership as a command-and-control hierarchy; at best, leadership meant joining the ranks for personal success. Today at Memorial, leadership means an alliance designed to help the whole organization win. Can you imagine the leadership collective in your organization becoming a coherent, united force for change? Belief precedes action.

Illustration 2.1 Culture Eats Strategy for Breakfast

Source: Bruce Flye. Used with permission.

made at the higher levels. Or you may have an open-door policy that demands noncritical, positive communications across levels. Your culture may be somewhat clannish and require a high level of involvement, or it may be primarily business and results driven with a no-nonsense market focus. Your culture might even engender and create a bona-fide learning organization.

Whatever kind of culture you work in, it's important to understand its beliefs and practices before you try to change them.

General Electric and IBM: Bureaucracies Transformed

Consider the stories of GE and IBM. If you have followed their histories, you would probably not deny that those two organizations were, prior to being led by Jack Welch and Louis Gerstner, respectively, averse to change. They were overgrown, lumbering corporations whose loyalty to a bureaucratic code was pushing them rapidly to their demise. In both of these Fortune 50 companies, collective behaviors determined by social beliefs limited their learning and channeled their choices toward irrelevance and extinction in the marketplace. Both companies needed to learn new ways to be and do, and both leaders helped them become more limber, independent-minded companies.

New leadership at GE and IBM appears to have transformed them into organizations whose social beliefs expand behaviors and learning, broadening choices and new meaning. At GE, a demand for emergent executive learning changed a set of beliefs about "the way things are around here" toward a performance-based culture. At IBM, emergent social beliefs and behaviors moved from producing a slew of product-centered programs without much accountability toward a service-led strategy and a major reengineering effort that demanded increasingly sophisticated levels of capability. Louis Gerstner (2002) regarded changes in beliefs as key to changing IBM: "I came to see . . . that culture isn't just one aspect of the game—it *is* the game" (p. 182).

If you look at the Fortune 500 today in terms of how their cultures limit or expand their potentials, you can quickly and easily begin to see how different these kinds of organizations and their cultures are. Compare, for example, the U.S. automotive industry and airline industry companies with many of the newer entrepreneurial high-tech companies. Compare them in

view of your own experience. From your customer's perspective on responsiveness and quality, what is it like to drive or to fly with the biggest U.S.-based organizations in the automotive and airline industries? Does that quality of experience compare to the level of innovative product and service support you receive from the top three suppliers of your computer equipment and service?

These two examples come from the private sector, but we assure you that there are most definitely differences in organizational cultures within every sector—public, private, profit, nonprofit—and with those differences come possibilities for transformations in every sector. It's a myth that only the private sector can exercise meaningful and influential change. Transformation depends as much on the type of culture an organization starts out with as it does on the sector in which the organization performs.

The Hidden Is Powerful

Too many leaders, and so too many organizations, have a bias for action. From that point of view, taking action is often the starting point, end point, and every place in between when it comes to organizational change. Action-oriented senior leaders who are faced with a need to create change often adopt furious, extended sprees of change management. They roll up their sleeves and brace themselves for the tough battle ahead, and they focus on the technical systems and process changes required in the business operations. A bias for action becomes an obsession filled with activity and the appearance of progress.

But much of culture is largely unconscious. The way to implement change successfully is to give this hidden dimension of it the same attention as the stuff of operations. To do something different (an external outcome), you must be something different (an internal outcome).

That core of beliefs is so strong that it drives decisions in ways that the decision maker may not even be conscious of

because similar decisions and the process that guides them are practiced throughout the organization day by day and year by year. People become unconsciously competent at valuing the system of beliefs. Because these beliefs are so embedded and because they drive behaviors that determine decisions linked to survival, leaders really have to get people's attention to get them to make different decisions and engage in culture change.

Two primary faculties in decisions are reason and emotions, and emotion appears to trump reason according to multiple streams of recent research in neuroscience. Also, pattern recognition, or the arrangement of data from our environment (how we read our world), repeats patterns of how we see things and eventually, with a lot of repetition, becomes our truth (Hawkins, 1995).

Unexamined beliefs can control an organization and prevent any meaningful change. Years of valuing hierarchy, status, authority, and control—even if unstated—can lead to assumptions and behaviors that are unnecessary, unhelpful, and at odds with stated goals. Interestingly, in Mike's story, the bank's executive team (the "owners" of that top-floor turf) expressed surprise and some amusement at the chairs story, but all of them saw how company culture had driven the decision. If unspoken culture determines who gets to sit in what, just imagine how powerfully it may influence higher-risk, more complex situations.

Your unconscious mind is one step ahead of your conscious mind (Peck, 1992). When decisions are made without conscious reflection, they are in great part determined by beliefs that are unconsciously shared in your culture and the decision patterns already formed and reinforced by shared practices. By increasing your awareness of your experience and your relationships with both people and things, you can expand your conscious realm and get greater access to the power of your unconscious realm. Only through your relationships and the knowledge of cause and effect can you be fully effective in leading change.
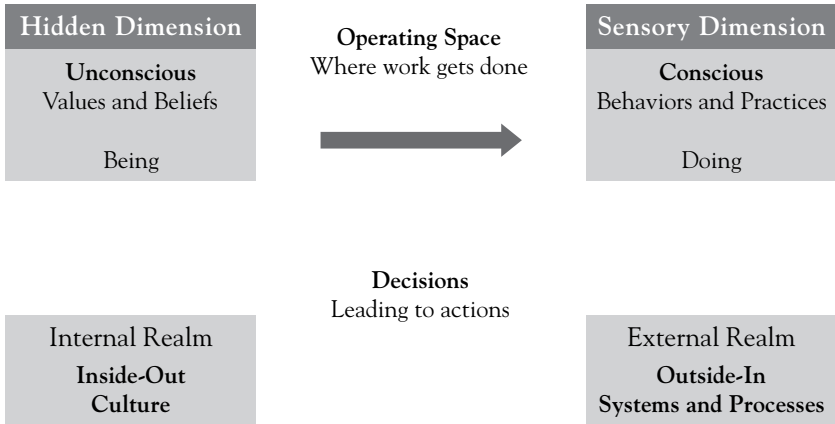
Through our grounded theory research in client work, we've found that individuals and organizations that intentionally unearth and examine beliefs, values, and assumptions are able to address the culture factor as a strategic imperative alongside operations strategy. They draw out hidden or unconscious drivers for what is happening—or not happening—in the organization. So let's look at one way to increase conscious awareness in organizational culture.

Take Time for Learning

Raising awareness requires shifting your sense of time and slowing down enough to reflect on what is actually going on in yourself and with others. Doing so can allow you access to the internal experience of culture. But most people in organizations, including its leaders, don't do that. Instead, culture just happens to them, and they aren't very much aware of it. Or, stated more accurately, they don't take the time to be aware of it.

Figure 2.1 demonstrates the situation. Regardless of how hidden (how conscious or unconscious) our own values and beliefs are, they direct what we do. "Operating space" refers to where and how we do our work every day. In that dynamic space, we make each of our daily decisions, whether or not we are actually conscious of each particular decision. Our mental and emotional boundaries are managed, largely unconsciously, in this space as well. Here also we perceive and react in response to both invitations and inhibitions to change. When you are more aware, the operating space can be a playground for forming new beliefs in action development and change.

We would all like to attribute our decisions to our conscious analytical prowess, backed up by our conscientious study of market demand and supply-side reading of performance numbers in our databases and spreadsheets. But many other things are going on. To the extent that beliefs and values remain

Figure 2.1 Inside-Out: The Driver of Results

Hidden Dimension	Operating Space Where work gets done	Sensory Dimension
Unconscious Values and Beliefs Being	→	**Conscious** Behaviors and Practices Doing

Decisions
Leading to actions

Internal Realm **Inside-Out** **Culture**		External Realm **Outside-In** **Systems and Processes**

hidden, influence passes unconsciously from left to right, and unconscious organizational culture transmits beliefs into observable actions. Beliefs and repeated patterns are the root cause; our actions are the effect. As a rule in daily organizational life, we make dozens of decisions without much conscious observation of them or any conscious truth-telling process within ourselves or with others. What we believe to be true goes mostly unchecked by our reason.

So in the figure, the arrow points to the right. Should an arrow point from right to left also? In other words, don't practices, systems, and structures also affect our values and beliefs? Don't operations affect the culture? They do, but as long as the left, internal side is hidden, our way of detecting or judging its effect is very limited, so we and the organization are simply at their mercy.

We contend that making the hidden dimension less hidden and more conscious does not dilute its power. Rather, it places that power more nearly within a leader's grasp to influence outcomes. As another of our clients observed, "The culture always wins."

In the Long Run

Organizational challenges are human challenges first, and then they are operational challenges for the humans to deal with. Many companies have that backward. The current crisis in most organizations is the outcome of many years of repeated failures of outdated solutions applied toward newly emerging complex challenges. When the heat is on, organizations revert to what they know: managing numbers and structures. We've seen companies on the long, slippery slope of incessant reorganizing. One company executive said to us, "Yes, we've done it so much I think restructuring is the strategy—the only one."

But Tex Gunning (2006), CEO of Unilever, suggests that the ultimate bottom line of a business is whether it survives in the long term, not whether it meets its short-term targets. History shows that most businesses don't survive and therefore don't meet their ultimate bottom-line goal.
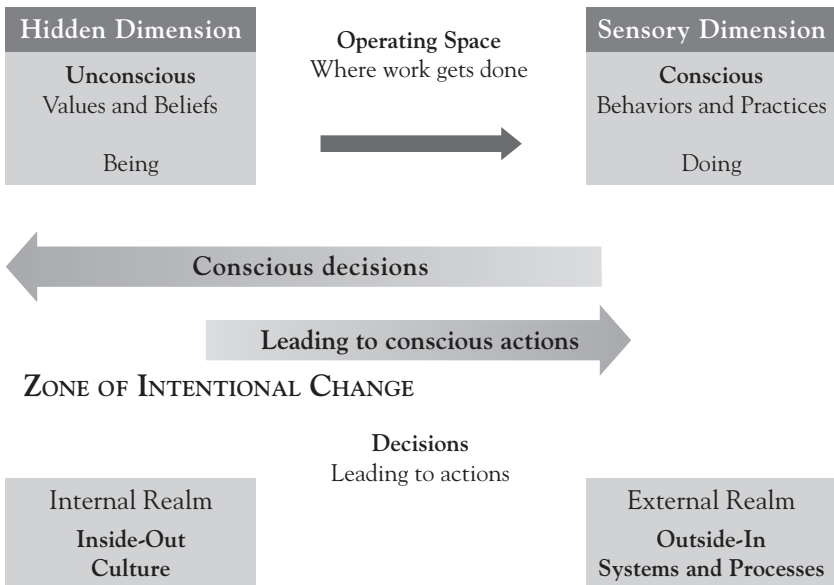
If organizational long-term sustainability is not your ultimate bottom-line goal, then what is? Is not a senior leader's primary responsibility the strategic guardianship of the organization?

Zone of Intentional Change

In Figure 2.2 we add what we call the zone of intentional change to our depiction of how beliefs direct what we do. What we mean to suggest by the zone is that one can increase one's power of conscious awareness within the operating space and so make more of it subject to conscious intentions. By doing so, one also makes the outcomes of decisions more effective in reaching conscious goals. One of the ways we talk about this is "creating headroom," which we discuss in Chapter Six.

By giving more conscious attention and weight to internal dimensions, leaders introduce the possibility of new ways of perceiving, thinking, and feeling about them that can give way to new

Figure 2.2 Expanding Inside-Out Conscious Awareness and Decisions with Outside-In Performance Results

Hidden Dimension	Operating Space Where work gets done	Sensory Dimension
Unconscious Values and Beliefs Being	→	**Conscious** Behaviors and Practices Doing

← **Conscious decisions**

Leading to conscious actions →

Zone of Intentional Change

Decisions
Leading to actions

Internal Realm		External Realm
Inside-Out **Culture**		**Outside-In** **Systems and Processes**

beliefs—and therefore new decisions and new behaviors. Leaders create a larger mental and emotional space for change, allowing unexpected decisions to be made. The bigger the operational change is, the more the culture space needs to expand. You have to grow up into this space as you create it for yourself and for others.

The zone of intentional change represents what we also call intentionality. In Chapter Five, we'll describe intentionality as one of the three key elements of readiness for transformation.

We make our best decisions within the zone of intentional change. You have probably already made several decisions today. Pick one or two of them and pause to examine them. Of each, ask:

How did the norms of my culture determine what I decided to do?

How did the beliefs and norms determine what I did not do but that might have been more effective?

Your answer to the second question may be more revealing than your answer to the first.

Decisions translate cultural beliefs into action. Core beliefs often drive decisions in subtle and automatic ways such that the decision maker is not, or is barely, conscious of them. In other words, the decision may be largely nonrational. It still has its own logic, but not a logic that we command. Actually the logic may be mostly emotional and reactive.

As we noted earlier in the chapter, data are mounting that emotions play a much bigger part in decision making than previously understood, and new studies suggest that emotions rule decisions more than reason does. The research is telling us that parts of the brain associated with early evolution and development of humans honor feelings over reason as a matter of survival. The obvious conclusion of this evidence is that immediate instincts that honor survival are more important than strategic long-term consideration in the immediate reaction to situations that demand decisions (DeMartino, 2006).

Getting a Bigger Mind

Figure 2.2 emphasizes how increasing your conscious awareness both increases your operating space and provides a more conscious bridge of decision making between your being and your doing, or between beliefs and practices. By increasingly opening up your awareness of beliefs, you can be more conscious of and about the decisions you are making and the impact of those decisions on your behaviors and practices. We call this process "getting a bigger mind." It expands your awareness of what's really going on and enables you to perceive more complex interconnections and respond with both long-term strategic acuity and elevated knowledge of how your next decision brings the environment you want to create more fully into existence.

Culture as Your Bottom Line

As a senior leader, the culture of your organization can help you or hang you. Organization cultures have jettisoned as many CEOs, executives, and senior leaders as boards of directors have. Through its survival response to change, the organization's culture will determine the destiny of any executive, no matter how powerful he or she appears to be.

Many leaders who find themselves on the outside have used language that tiptoes around culture: "Innovation is our future," "In challenging times, we need to pull together," "People are our most important assets," and so forth. But after that perfunctory nod toward the human element of change, these leaders quickly move to the operations element of Outside-In structural change depending solely on the usual tools of operations. It is as if they believe that when the job is done right, the culture will follow. Likely, it will not follow, as research on failure rates of structural change bears out.

The Inside-Out approach to culture change fits side by side with conventional Outside-In operational strategies. When leaders examine beliefs and thinking, they increase awareness of why and how they make decisions. They gain new insight into what is working operationally and what is not. You, your team, and the leadership culture can begin to consciously build a bridge between the hidden, internal drivers and the visible, external actions. By using reflective learning processes to factor in the power of culture, people are able to view a situation in a new way. Honoring both sides—integrating leadership and management—provides the magic to face unfolding challenges effectively. This approach creates the space and time and the conscious intention where genuine change and transformation occur.

In the next chapter, we'll start down the road toward an Inside-Out perspective and give you the tools so that you can begin to develop that perspective in yourself. The result will be that bigger mind that makes more of your unconscious conscious and available for transforming organizational culture.

Exercises

Questions

- How would you characterize the current leadership culture in your organization?
- How does your leadership culture enhance or inhibit operational implementation of the business strategy?
- How intentional is your leadership culture in developing itself toward its performance goals?

Culture and Systems Readiness Audit

Fill out the answers to the questions that follow from your point of view. Then do the same process with your senior leadership team or your team at a staff meeting, or both. Discuss from the perspective of why, what, and how to make changes that would increase the success factors for changing your organization and its leadership culture.

Has your senior leadership team agreed on what your leadership collective needs to be capable of? To what extent have you reached agreement?

1	2	3	4	5	6	7	8	9
	Little			Somewhat			Substantially	

To what extent do these agreements incorporate and support leading change?

1	2	3	4	5	6	7	8	9
	Little			Somewhat			Substantially	

To what extent is your vision statement supported by this shared understanding of leadership capabilities?

1	2	3	4	5	6	7	8	9
	Little			Somewhat			Substantially	

To what extent does your organization have an explicit leadership strategy that is connected with and supports the business strategy?

1	2	3	4	5	6	7	8	9
	Little			Somewhat			Substantially	

To what extent does your talent management system directly leverage the collective leadership capability you need to execute strategy?

1	2	3	4	5	6	7	8	9
	Little			Somewhat			Substantially	

To what extent does your organization manifest intentional collective learning that supports strategy, leadership development, and change?

1	2	3	4	5	6	7	8	9
	Little			Somewhat			Substantially	

Journal

Write an assessment of why to change, what to change, and your initial thinking about how to change to move any ratings below 7 in the readiness audit toward the other end of the scale. What role will you commit to play in acting on your analysis and ideas for implementation to bring about change?