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Strategy or Culture? What's Your Leadership Challenge?

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Change was in the wind. As is true for many industries, the insurance industry was facing significant change. Making the shift from a regulated to a deregulated industry seemed a daunting challenge for the 100 year old RockSolid Insurance Company.

The question for the executive team was how to craft a strategy and initiate change in ways that would enable the company to compete successfully into the future.   Despite facing potentially massive disruption, one department, the Tax Department, decided to use this as an opportunity to reflect on their values, strategic goals, and departmental culture. In this article we present a case study and share some thoughts on one of the toughest challenges leaders face, the interplay between successful strategy implementation, and shifting organizational culture.

Leaders are typically quite adept at crafting strategy because of the direct relationship between strategy and results. Strategy provides direction, clarity, and focus for collective action and decision making. Strategy connects people and what they do in their day to day work with the organization's purpose and broader impact in the world. Without a strategy that is clear, relevant, and valid, it can be difficult to motivate and mobilize people to work toward and achieve, concrete goals.

Strategy is important. Leaders are held accountable for setting strategic direction, and considerable time and energy is involved in creating strategic plans. Yet many leaders underestimate the role that corporate culture plays in successfully executing strategy. Culture can be a significant enabler—or obstacle—to building a high-performing organization. Mark Fields, former CEO of Ford said, 'you can have the best plan in the world, but if the culture isn't going to let it happen, it's going to die on the vine' (O'Toole, 2017).

Company culture matters. A Watson Wyatt study in 2002 demonstrated a clear link between high-trust cultures and shareholder return: Organizations with high trust cultures delivered returns to shareholders at a rate three times higher than companies with low trust cultures. Top finance companies with high measures of trust saw 26% higher revenue growth compared to 18% revenue growth on the part of their competitors with lower measures of trust(Peters & Russell, 2017). Furthermore, employees—especially high performing employees-- are more likely to leave organizations with toxic or dysfunctional cultures.

Yet often leaders don't understand culture, nor do they intentionally manage it. Culture becomes something relegated to the human resources department and thus becomes a secondary concern for the business, and business leaders.

How is culture such a mystery?

What is culture? Simply put, culture consists of the shared values, assumptions, mindsets, and behavior that shape what we think, and what we do in organizational life. Culture is formed through the actions of founders and influential leaders who leave their imprint on organizations, fingerprints that may persist for decades. It consists of rituals, customs, symbols, stories, and legends that shape thought and action. Culture is formed through interactions, as people interpret what is expected of them, and how to act as they work together.

Culture can be hard to pin down because it is elusive and multi-faceted, invisible, and unspoken, often taken-for-granted. Culture shows up in a variety of visible and invisible ways, from "how we do things around here"—from how to dress, to how one gets ahead, and when it is safe to speak up, and to whom. It encompasses the "shoulds" and "should nots", the cultural norms that determine how people and their opinions, business acumen, and influence may be accepted and encouraged, or rejected and discouraged within the group (Groysberg, Lee, Price, & Cheng, 2018).

Culture is powerful

Since many dimensions of culture reside in unspoken beliefs and assumptions that are baked into the core identity and functioning of the organization, they can be difficult to challenge or change. Norms may serve to keep us locked in the past. Norms did not evolve for a changing future, they accumulated to preserve the status quo. Culture is powerful because it can constrain or enable strategy.

Rallying organization members for the 'new' direction, explaining 'changed' sets of expectations, or managing disruptive hand-offs in processes and procedures is hard. What makes it hard? The hard truth is that what employees *believe* matters. What people believe is possible, and what they believe isn't, how they listen and interpret, and how they act can either accelerate or block a much-needed strategy.

Leaders who make sure that their strategy, culture, and organizational structures are synchronized have a better chance of strategic success. Leaders who care and nurture their culture, who take a cultural view of change and strategy will be more likely to influence mindsets and shared meaning-making about industry changes and company changes that might otherwise be upsetting and disruptive to productivity.

Case Study: Juggling multiple strategic initiatives in the Corporate Tax Department of RockSolid Insurance Company

As is true in many industries, the insurance industry in the USA faced significant change in the early 2000s as it shifted from a regulated to a deregulated industry. To maintain and expand their profit margins, the company would need to be competitive, and financially astute, in ways that were not necessary in the past.

At RockSolid Insurance Company, the C-Suite faced some difficult decisions to meet the upcoming competition.[1] They needed to select lines and products to invest in, and consider which parts of the company to reduce. RockSolid was one of the oldest, most-respected companies in the USA, with offices throughout the world. Going forward, they wanted to capitalize on emerging markets in the Asia-Pacific region. The corporate culture was one associated with a regulated, financial services company: hierarchical and bureaucratic, formal and conventional. People were expected to follow orders, and not rock the boat.

The Tax Department takes action

The C-suite recognized that to be successful in this new context, it would be necessary to realign the structure of the organization with the new strategy. While the C-suite were making plans for a strategic-structural alignment, the Head of the Tax Department decided to be proactive, and initiated a strategic-cultural change to enable a more proactive financial strategy for the corporation. And the C-Suite had not yet rolled out all of the strategic-cultural, and structural changes they were planning.

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[1] RockSolid Insurance Company is a pseudonym. The case is based on a real-life consulting assignment. The RockSolid Insurance Company engaged Dr. Boucher and her firm Genesis Work, Inc. to provide consulting and coaching support, advice and guidance to the tax department on a strategic-cultural organization change over a period of 5 years (2002 to 2007). The project resulted in increased employee satisfaction and engagement, increased customer satisfaction, and more than $197 M of after-tax value creation.

As part of the Tax Department's vision for the future, the leadership team of the Tax Department generated the desired department-wide values and behavior. The employees fleshed out what each chosen value meant, what kinds of behavior would be exemplary, and which behavior would not be, and suggested ways to be held accountable. They also considered how necessary each value-pledge was critical to individual, departmental, and company success. The end result was a statement of values that would facilitate learning, growth, respect, and dignity for everyone, accelerate a more cash-focused and proactive approach to business, and contribute to a new identity for the department as a valued business partner. Everyone in the department committed to implementing the new Tax Department strategy, to live the values, and to reach ambitious targets for tax savings, process improvements, and customer satisfaction.

In the midst of crafting a new vision and strategic goals for the Tax Department, the C-suite determined that the workforce would be downsized as a result of the industry changes. The Tax Department decided to approach this downsizing across the organization by intentionally choosing to act in accordance with the department's values and their vision of the future as they designed how to restructure the department. They chose to advocate and actively seek other jobs for each and every person who would be downsized. They worked to do this within a specific timeframe, while maintaining the dignity of each person, and ensuring that each employee, and his or her family, would be spared financial hardship.

Challenging cultural assumptions

Tax Department leaders understood that they needed to prepare their team to respond quickly to the rapidly changing business context imposed by deregulation, and that strategy and culture were interconnected. Becoming acutely aware of culture was a priority, they explored six aspects of culture, and used them to shape how they would implement the company's strategic imperatives, as well as deal with the proposed company restructuring.

Here are some questions that helped the Tax Department leadership team challenge the taken-for-granted assumptions that were likely to impede their ability to achieve their strategic goals. You could use these or similar questions to help you challenge the

normative assumptions that may block new and necessary strategic directions for your organization, or to shift the culture in a more positive direction.

Step 1. What is the existing culture?

Inquiring into the existing culture raises awareness about some of the unexamined assumptions, dysfunctional behaviours, and unintended consequences of limiting cultural assumptions and values.

In the discovery phase of the change initiative with the tax department interviews with other divisions and departments of the company revealed some disturbing information. The leadership team was shocked to discover that other departments had a poor opinion of the tax department's responsiveness to their concerns, little awareness of the different and more market-driven pressures upon the business units, and almost no confidence in the tax department's ability to anticipate their short and long-term needs. Being able to see the patterns of responsiveness to the different departments and levels of the organization, including the C-suite, helped the Tax Department to target potential areas of improvement.

- What shared assumptions, values, and behaviors do we use as a response to a strategic change, like the need to become financially competitive and the restructuring of the company in this case study?
- How do we relate to, and work with, other departments across the company, or to other parts of the department?

Step 2. What is the vision for the future?

Once leaders become aware of the current reality, and how they and others have used limiting assumptions and beliefs to shape it, they can loosen the grip that current reality has on their thinking and ability to envision the future. They can then begin to build a future vision that encompasses both desired business results and the desired culture that will enable them to accomplish their goals.

- What is the vision of the future?
- What results do we want to achieve?
- What is the desired culture that would enable realization of that vision?
- What needs to change to support the new vision?

Step 3. What identity do we wish to create?

Disruption is an opportunity for leaders to question and reflect on, the direction for the future, and the identity of the company. Facing difficult decisions about restructuring the company allowed them to consider how they could build on some of the successes of the past, and what they needed to let go of.

- What will be visible about us to others in the marketplace in this competitive reshaping of the company?
- How do we consult with our employees to bring their voices and experiences into forging a new identity and moving forward with restructuring the organization?

Step 4.   How do we live the change we wish to finally see?

Tax Department leaders saw that difficult business changes would be necessary, but did not forget the human dimensions of change. They recognized that mindsets, motivations, and unspoken assumptions can pose significant barriers to successful strategic-culture change. Since cultural norms are implicit, they act as a kind of 'secret code' or 'language' that is shared by a social group. The 'secret code' becomes more visible as a workgroup or system begins to take action toward implementing a strategy.

With a better appreciation of how cultural barriers could impede the realization of a new vision, and successful implementation of the new strategy, the Tax Department leadership team recognized that they and the rest of the department needed to be able to become more effective at *continuing to see and shift* mindsets, hidden assumptions, and implicit beliefs as they emerged in-the moment, when practical and emotional reactions to change arose. As they worked with the employees to implement the strategic goals, they saw that they too, had automatic emotional and practical reactions driven by a past-based secret code. They became more adept at identifying assumptions and mindsets that stood in the way of effective action such as "my way is best because of my subject-matter expertise."

By continuing to examine what had worked in the past and to compare what was in alignment with the future they wanted, they began to find ways to make better

interpretations and paved the way for everyone to adjust to the new reality (Torbert, 2001).

- How could we approach tasks, solve problems and make decisions so we continue to build our capacity as a department to think and act together?
- Which mental models or mindsets are getting in our way, and need to be replaced?

Step 5. What are the long-term implications?

Restructuring an organization through downsizing is a difficult task. What could be done to minimize the negative consequences? Instead of burying their head in the sand and hoping for the best, the Tax Department leadership continued to take accountability for all of the downstream effects of executing on this unwanted, tactical change.

They were deeply committed to the future vision of the organization and as invested in living the values as their departmental staff. To honour this commitment, they were compelled to consider possible actions and reactions on the part of their employees, and thought through how the people who were not asked to leave could react. People trust leaders who think through both the short-term and long-term implications, and who do not hide their own mistakes and humanity and learn along with them.

- How can we act so that whatever consequences we incur, we will do the least harm to people and their belief in the future, to prevent people being catapulted into resignation or cynicism?
- What norms do we need and want to model that could prevail over old ones?

Step 6. How can we consolidate what we learned while changing?

Soliciting honest feedback is critical to learning. The more the Tax Leadership team listened to others and acknowledged their contributions as critical for the success of the company and the department, not just in terms of tangible achievements, but also in terms of *how* people surmounted challenges, the more everyone could name and own the new skills they were building with change.

When leaders become sensitized to how their messages or past actions have been perceived, they can begin to tailor their behaviour to positively affect the desired strategic and cultural impacts. They can use culture change to mitigate difficult corporate events and organizational transitions that may be outside of their control to create and realize a new vision for the future.

- Considering all these things together, how have these actions helped or hindered our ability to move forward together, to implement the changes we envisioned?
- How could we move through this change, and learn from it, so that our skills and cultural grasp on how to shift things can be enduring?

Shift the culture, get different results

With a combination of excellent strategy, and attention to departmental culture, the Tax Department was successful in gaining the trust of employees, renewing departmental values, aligning employees with the overall company purpose and departmental strategic goals, and revitalizing their employees. The benefits of this experience percolated to other areas of the company, as other departments reporting to the Chief Financial Officer, such as Treasury and Actuaries learned from their experience.

One organizational belief that gets in the way of successful strategic change is "leaders know best, it's-not up to me". This belief hogties leaders with the best intentions, as well as employees. This belief system relieves organizational members of responsibility, and contributes to the puffed up egos of managers and leaders. It obscures the need for everyone to think and act in service of what is best for the whole corporation as well as for what is workable for individuals.

Instead of resorting to the belief systems of the past, the Tax Department was proactively engaged in reflecting on the cultural assumptions, norms, values and behaviours that impeded success, and generated those that would enable them to realize a new vision. The managers were successful in modelling the new values and behaviours as they began to implement the restructuring of the department. Surprisingly, the CEO received numerous notes of appreciation from tax department employees who were let go because of the caring manner with which the tax department managed the process. The remaining employees said this experience renewed their faith in the company's leaders, and reinforced their belief in their

departmental managers. The tax department leaders had succeeded in building trust with employees by demonstrating their commitment to people, values and goals (Leibner, Mader, & Weiss, 2009).

Shifting the culture from a passive orientation where employees are overly dependent on managers, to an empowered style that engages everyone in attaining organizational goals, elevates individual and group effectiveness (Cooke, 1997). By learning together, leaders and employees embraced strategic and cultural leadership of the organization. By holding themselves accountable to what they jointly created, they were on the culture-change field of play (Scott, 2019).

Strategy or culture?

Managing and shifting culture is not a 'soft skill' to be delegated to others, but rather a strategic imperative for leaders who wish to implement change successfully, and achieve their strategic objectives. Working with others, they can reshape the culture to create greater alignment between the current reality and the desired future. Leaders want to create high performing organizations that will survive and thrive over the long term.

One of the most powerful ways to lead is by ensuring that the organizational culture is aligned with the strategy.

About the Authors

Romi Boucher, PhD is president of Genesis Work, based in California. Over the past 20 years, Genesis Work has focused on providing change consultancy and leadership development to large Fortune 100 companies and city and county government. Her approach emphasizes helping organizational influencers change the narrative, shift culture, drive accountability, and bring out the best in others for sustainable high performance. Her research focuses on discerning and changing existing conversational patterns to create collaborative relationships and innovation. Romi is an associate of the CMM Institute, a former Fellow, and an active alumna of Fielding Graduate University.

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