The four key principles to successfully leading and sustaining organizational culture transformation

by Dr. Larry Senn
Creating and sustaining a healthy culture takes a comprehensive system of change

When I founded Senn Delaney 37 years ago to solely focus on creating healthy, high-performance cultures and improve the spirit and performance of organizations, I had to do a lot of basic grounding in my discussions with leaders to explain what culture is and why it should be shaped instead of letting the culture shape the organization.

Today, organizational culture has reached a tipping point. In fact, culture was named the most popular word of the year in 2014 by Merriam Webster. It has now become one of the most important words in corporate board rooms, and for good reason. Most CEOs know that culture matters and can have a strong impact on business results. Companies that focus on culture are becoming icons for job seekers, especially the future generation of leaders.

That is the good news. The bad news is that despite this broad executive understanding of culture, and the many studies and books written over decades to demonstrate the link between culture and performance, the fact remains that too many culture change efforts still fail or fall short of their potential.

Culture and engagement is the most important issue companies face around the world, according to the Deloitte Global Human Capital Trends 2015 study of more than 3,300 business and HR leaders from 106 countries.

The study found that 87 percent of organizations cite culture and engagement as one of their top challenges, and 50 percent call the problem “very important.”

More than half of business leaders rate this issue “urgent” – up from only around 20 percent in 2014.

Culture is driven from the top down. Yet most executives cannot even define their organization’s culture, much less figure out how to disseminate it through the company.

Although culture and engagement play such a critical role in business performance, most organizations do a poor job of measuring their achievements or shortcomings. Only 12 percent of those surveyed believe their organizations are excellent at effectively driving the desired culture.

By focusing on driving engagement through the right corporate culture, companies can improve execution, retention and financial performance.

We have shown through our work with hundreds of companies, including more than 100 of the Fortune 500, around the globe that successful culture transformation is possible. How is this done? We have demonstrated along the way that there are four key principles that must be followed for this to occur.

Every company has its own unique culture, defined by a collective set of values and habits that condition actions of people within the organization.

Cultures happen either by default or design. Successful leaders shape their cultures instead of allowing their cultures to shape the company.

Leaders who do this best treat culture as a business strategy, with an ongoing commitment to continually refine the culture in response to major changes within the organization to strategy and structure.

This article describes four key principles for successful culture transformation.

Culture shaping is a process and a journey, not an event

Leaders who have successfully, measurably and sustainably shaped their cultures know that culture transformation is a journey, not an event or series of trainings on how people need to behave and interact. But it is a journey that has a destination but no real point where you can stop the car and say, “I’ve arrived at my destination and can now relax.”

Culture shaping does have a starting point that can be defined. And there is a desired direction or road map needed to head towards. Then there are check points along the journey to see whether you are on the right path or need to alter...
course a bit. But there is really never a true end if culture change is done correctly. Because just as you think, we have really changed the culture here and made the measurable improvement we set out to achieve, then things change again.

There might be a new CEO who wants to change things, or a new strategy to respond to a rapidly changing market condition. Perhaps the company made a major acquisition or was taken over by a very different parent company with a whole different culture.

These events are where a culture can be derailed or the leaders can use them as an opportunity to reinforce the foundational culture it has built, or tweak it to realign with the new situation.

A complete and comprehensive system of change is needed

CEOs who have been most successful at shifting their company culture have an acute awareness of and focus on the following four key principles for successful culture change. A successful culture-shaping process requires an integrated approach that must begin at the top of the organization and be embedded throughout the company.

1) Purposeful leadership

- The CEO and senior leadership team must own and lead the culture-shaping process.
- Leaders need to have a clear, compelling purpose for themselves and their organization, coupled with a strong business rationale to inspire a Thriving organizational culture.
- The process needs to be supported by resources and a systematic execution plan, like any other business strategy.
- Leaders cast a powerful shadow, therefore, the culture needs to be explicitly defined through values and behaviors and modeled by members of the senior team.

2) Personal change

True and lasting change only occurs through our personal insights.

- People need to unfreeze existing habits and make personal behavior change. This occurs on an emotional (not intellectual) level, can only develop through insight-based learning, and is best accomplished in natural work teams to shift thinking and reinforce change.
- The more companies focus on shifting their employee’s mindsets and behavior in a desired direction, the more successful they will be.
- People need to understand the purpose/reason for shaping their culture. They need to be clear on the “from and to” of the journey. They need to understand what’s in it for them to make a personal connection to the desired change.

3) Broad engagement

Momentum, energy and critical mass are needed to engage all employees in the desired culture.

- An integrated process to shift behaviors, reinforce principles, apply learning and measure culture changes should be implemented across the organization.
- Momentum, energy and critical mass are needed to engage people in the culture at all levels of the organization because cultures resist what is most needed.
- The change process should move as quickly as possible from CEO team to next level teams to the whole organization.
- An active, visible group of senior leaders and culture champions, who get the culture, do it and communicate it in actions and words will ensure the culture remains in use.

4) Focused sustainability

Systematic reinforcement is needed at individual, team and organization levels to embed the culture.
4) Focused sustainability

- Systematic reinforcement is needed at the individual, team and the organization levels.
- Institutional practices, systems, performance drivers and capabilities need to drive toward the desired culture — including, but not limited to: communication, training, measurement, rewards and reinforcement, performance management and HR practices, and physical layout.
- Visible application, measureable results with feedback and coaching, rewards and consequences are needed to make the culture real and create accountability.

USAA CEO: Example of a leader who embraces the four key principles of culture change

Our work with USAA, the top-rated financial services company serving military members, has been inspirational and gratifying.

Gen. Joe Robles took the reins as CEO at USAA in 2007 during the severe economic downturn. USAA had a tremendous track record before he arrived, but he recognized that even with its great culture, the company needed to take it up another level.

Robles focused on creating a culture that fosters learning, growth and innovation, all with the focus of making things simpler, better and easier for their customers and employees.

Under Robles’ leadership and stewardship of the culture, USAA has grown 53 percent in members, 45 percent in revenue, 68 percent in net worth, and 59 percent in assets owned and managed — all during one of the worst U.S. economic downturns in recent history.

Robles attributed a big part of USAA’s success to the passionate commitment of leaders and frontline employees to USAA’s six ‘My Commitment to Service’ cultural pillars.

USAA is now a well documented, perennial leader in customer and member satisfaction and loyalty. The “secret sauce” is that more than 23,000 employees serve more than 9.1 million members with compassion and a deep sense of purpose.

As the self-described chief culture officer, Robles understood that it is USAA’s committed and engaged employees who make the difference everyday in the lives of their members.

One of the things that you learn from Robles is how important it is for a leader to have a compelling purpose for their organization in order to inspire their employees in their relationships with their customers. Serving the military and their families exclusively is a unique strategy, but what drives its implementation is the company’s commitment to helping those members in all aspects of their financial security.

Robles was zealous in living the key principles of culture shaping, particularly in how he served as the highly visible leader of the culture. His leadership from “the front,” grounded in that higher purpose inspires and drives the employees even after he retired in 2014.

Robles understood the importance of bringing USAA’s six core values to life with everyone from top to bottom living and modeling them.

He also knew that the journey is never done, and that cultures need to be sustained and invested in, just like every other business strategy.

That is why new employees spend up to four days in orientation, and a big part of that is being grounded on USAA’s culture, purpose and values.

By having a clear focus on the four principles of culture change, Robles led USAA to become one of the most successful and highly rated financial services companies in America.

about the author

Dr. Larry Senn is chairman and founder of culture-shaping firm Senn Delaney, a Heidrick & Struggles company. He has led culture-shaping engagements for the leaders of numerous organizations, including dozens of CEOs of Fortune 500 companies, state governors, members of two U.S. president’s cabinets, deans of business schools and the presidents of major universities. Larry has co-authored several books, including Winning Teams, Winning Cultures and 21st Century Leadership. In 2013, Larry published his latest book, Up the Mood Elevator: Living Life at Your Best.
about Senn Delaney

Senn Delaney is the culture-shaping firm of Heidrick & Struggles International, Inc., the premier provider of Executive Search, Culture Shaping and Leadership Consulting services worldwide. Founded in 1978, Senn Delaney was the first firm in the world to focus exclusively on transforming cultures. A singular focus of creating healthy, high-performance cultures has made us the leading international authority and successful practitioner of culture shaping that enhances the spirit and performance of organizations.

corporate offices

Los Angeles
7755 Center Avenue
Suite 900
Huntington Beach, California, 92647
t (562) 426 5400

London
40 Argyll Street
London
W1F 7EB
United Kingdom
main office line: +44 20 70754260
(from the U.S.: 011 44 207 075 4260)

Web site: www.senndelaney.com
Video channel: sdtv.senndelaney.com

©2014 Senn-Delaney Leadership Consulting Group, LLC. All rights reserved.
No part of this may be reproduced in any form without written permission of Senn-Delaney Leadership Consulting Group, LLC.