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# why culture matters: lessons from an HR executive panel discussion

Culture is critical to organizational success and HR leaders have a strong role to play in fostering a healthy culture, attendees at the 2012 Human Resource Roundtable learned from an executive panel of five senior leaders who explored the implications of culture, why culture should be shaped, how it is shaped, who owns and leads the culture and how to measure a culture.



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HEIDRICK & STRUGGLES

# Culture is critical to organizational success and HR leaders have a strong role to play in fostering a healthy culture

**The 2012 Human Resource Roundtable was held at the Harvard Club in New York City. The Human Resources Roundtable began in 1995 as a way for senior HR leaders to get together to share best practices as well as network with their peers. This year's topic was 'Does Culture Matter? The answer was a resounding yes. This was among many key takeaways for more than 100 executives who attended this roundtable hosted by Mullin & Associates/Linconshire, HRD Consultants and Senn Delaney.**

An executive panel comprised of five senior leaders, whose experience crosses several industries, including healthcare, utilities, professional services and investment banking, shared their perspectives, advice and business examples of why culture matters for their organizations. Panelists explored the implications of culture, why culture should be shaped, how it is shaped, who owns and leads the culture and how to measure a culture.

## Panelists included:

- **Craig Ivey**, president, Consolidated Edison Company of New York Inc.
- **Deborah Zastocki**, chief executive officer, Chilton Memorial Hospital

- **Andy Kaslow**, Ph.D, president, Quantum Leap Advisors
- **Jamie Lane**, vice president, Talent & Organization Development, Hess Corporation
- **Jim Minogue**, managing director and head of Human Resources, Gleacher & Company

## CEOs own the culture, but everyone in an organization leads culture

Senn Delaney partner and executive vice president Mike Marino opened the panel discussion with some grounding on organizational cultures by asking participants: "How many of you have worked in more than one organization? How many of you have noticed different attitudes, habits and ways of doing things? Did that cause different values and behaviors to show up? Culture is the unwritten ground rules. Everyone in an organization leads culture."

Corporate culture is ranked fourth on The Corporate Executive Board's list of top 10 risks CEOs and executives are most concerned with in 2011. It did not even make the list in 2008. "It is a top concern of CEOs yet they don't always know what to do about it or how to systematically address culture challenges," Marino said.

Organizational culture is now well

**"The leader is a critical part of change; they either enable or create the culture."**

— **Craig Ivey**, president,  
**Consolidated Edison  
Company of New York Inc**

researched and strongly connected to financial performance, Marino noted. He referenced a McKinsey Quarterly 2011 article that describes organizational health as being about a company's ability to align, execute and renew faster than competitors to sustain performance, and is the ultimate competitive advantage.

## Why culture matters: A CEO's perspective

"A leader is 100-percent accountable for every success and failure in a business," Craig Ivey, president at Consolidated Edison Company of New York Inc., told the audience. He shared how the utility company is addressing the cultural challenges that arose from an audit by the energy commission. The resulting report reflected improvements or changes in four areas: finance, environmental, regulatory and culture.

According to the commission's findings, there were culture elements that were impeding performance that included unease about change, inability to see root causes, lack of critical self-examination, unawareness of public perception and a mentality of "go along to get along." Ivey told participants that cultural barriers were evident and had to be addressed.

He stressed the importance of culture change being owned by the CEO and top leaders. "The leader is a critical part of change; they either enable or create the culture." He noted that leaders must model the behaviors they want of their employees and they cannot expect employees to do things they wouldn't do themselves as leaders.

## Making the connection to personalize care through culture transformation at Chilton Memorial Hospital

Chilton Memorial Hospital's Deborah Zastocki agreed that the CEO must lead the culture. Cultural transformation is part of Chilton's organizational strategy. Through a partnership with Senn Delaney, she and her vice president of Human Resources led a 'Connecting to



**Senn Delaney Partner and Executive Vice President Mike Marino, right, moderated the executive panel discussion with five senior leaders in healthcare, utilities, professional services and investment banking. Panelists explored the implications of culture, why culture should be shaped, how it is shaped, who owns and leads the culture and how to measure a culture.**

Personalized Care’ culture transformation at Chilton. They focused on a vision of becoming the local, preferred provider of high-quality, personalized care and a mission of promoting wellness and providing compassionate care and healing.

Part of the process included creating new shared values and customer service standards linked to operational priorities to improve how ‘we act together’. Critical leadership factors and strategic skills were identified and connected to the new shared values, which further connected to performance. A visual map/model of leadership and communication helped align and engage everyone in the organization around the new culture.

Each department and individual created a statement on how they would support these operational priorities. This not only increased performance results but also had a positive impact on employee engagement scores, Zastocki noted.

The Chilton cultural transformation involved focusing on how each leader

behaves as opposed to the latest management skills training. Without this focus, organizations with many initiatives will end up with “frantic activity without alignment and commitment,” Zastocki warned.

**The role of the chief human resources officer in creating or leading a culture transformation**

“If we do nothing, the culture still exists. Cultural and change leadership must be a key HR competency because it is clear HR plays a vital role, said panelist Jim Minogue, managing director and head of Human Resources at Gleacher & Company, an investment banking firm.

Minogue shared his conceptual model for building a sustainable HR strategy, noting that culture drives HR strategy. Within this model, business strategy defines corporate culture and drives HR strategy, which determines key HR practices, policies and processes needed to support the culture.

Jim has five steps he uses to create an HR

**“Cultural and change leadership must become a key HR competency because it is clear that HR plays a vital role.”**

— Jim Minogue, managing director, head of HR, Gleacher & Company

strategy. The first is identifying key HR practices and then prioritizing them for impact. Once alignment with the desired culture and senior leaders has been assessed, an implementation plan can be developed and executed upon.

He referenced the HR competency model developed by University of Michigan busi-

**“Culture change requires a holistic view. An organization cannot change just one aspect, but must align systems, skills, staff, strategy and shared values.”**

— Jamie Lane, VP,  
Organizational Development,  
Hess Corporation

ness professor and author David Ulrich. Ulrich’s model has the HR leader as the foundation for driving policies and practices, systems and processes and organizational capabilities. Ulrich notes that HR’s ability to define, create, manage and change culture has become a unique source of competence that HR professionals must demonstrate. Minogue encouraged HR leaders attending the roundtable to embrace their responsibility to be bold, stay on track and help teach leaders to connect and engage with the culture.

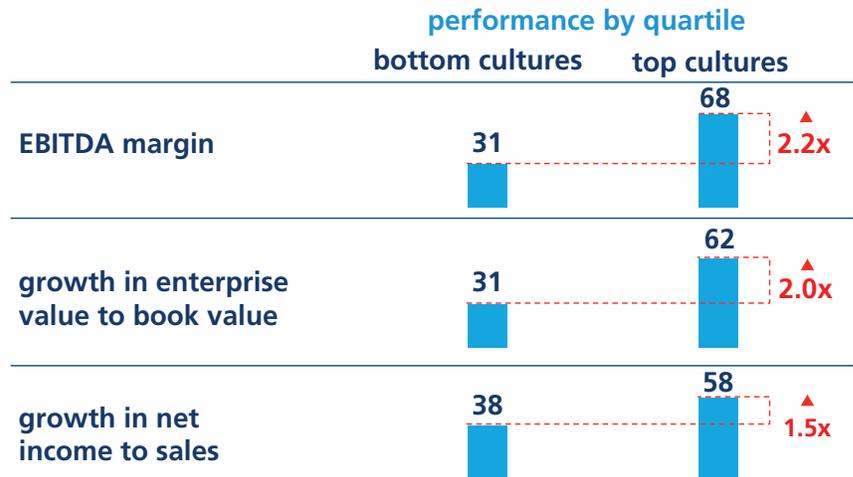
### Organizational Development's role in leading culture

“Performance is formed within the context of culture. Culture change is a long-term proposition and requires a long-term plan,” stated panelist Jamie Lane, vice president of Organizational Development at Hess Corporation, a global energy company.

Cultural change requires a holistic view, she said. An organization cannot change just one aspect, but must also align systems, structure, skills, staff, strategy and shared values. Lane shared the McKinsey ‘7S’ organizational analysis model, which puts shared values at the center, supporting and driving all aspects of the organization to get sustainable results.

Lane believes that human resources and organizational development help steward culture work through the organization by driving performance at individual, team and organizational levels to meet and exceed goals.

## culture versus financial performance



Organizational health: The ultimate competitive advantage. Scott Keller and Colin Price, McKinsey Quarterly June 2011

**Organizational culture is now well researched and strongly connected to financial performance, and is the ultimate competitive advantage. Senn Delaney's Mike Marino referenced a McKinsey Quarterly article describing organizational health being about a company's ability to align, execute and renew faster than competitors to sustain performance.**

## the changing landscape of corporate risk

2008 risk ranking	2012 risk ranking
1 international operations	1 IT security
2 project management	2 international operations
3 extended enterprise	3 excess cash
4 data privacy	<b>4 corporate culture</b>
5 fraud	5 compliance
6 compliance	6 strategic change management
7 IT	7 third-party relationships
8 business continuity management	8 cost-reduction pressures
9 shared services	9 HR
10 tax management	10 social media

**The Corporate Executive Board’s annual list of top 10 risks CEOs and executives are most concerned with is very different for 2012 compared with corporate risks at the start of the 2008 financial crisis. Corporate culture was not even on the radar in 2008; this year it ranks fourth on the list.**

## building a sustainable HR strategy: a conceptual model



Jim Minogue, managing director and head of Human Resources at Gleacher & Company, shared a conceptual model for building a sustainable HR strategy, noting that culture drives HR strategy. Within this model, business strategy defines corporate culture and drives HR strategy, which determines key HR practices, policies and processes needed to support the culture.

Any culture change will require numerous initiatives to create and sustain change along with solid project management to carry through, said Lane.

When it comes to organizational design, Lane stated that a change of structure may be a quick way to initiate change, however, it is not always sustaining unless there is alignment with other levers of change, such as compensation, training and other aspects of change that engage at the individual and team levels.

### The strongest cultures survive because they adapt

In his presentation on culture, leadership and performance, Quantum Leap's Andy Kaslow quoted Charles Darwin to stress the point that businesses, like humans, must adapt to survive: "In the struggle for survival, the fittest win at the expense of their rivals because they succeed in adapting themselves best to their environment." The most significant, long-term challenge for companies is leadership succession and adaptability to an ever-changing environment, he said.

Great companies must always adapt, and

that can be the biggest challenge for leaders.

For example, IBM mainframes were a growth industry and became IBM's greatest strength and greatest liability when the environment changed. Lou Gerstner needed to dramatically transform IBM's culture and strategy from a hardware to a software and services business while preserving its core values.

Innovation, diversity, risk-taking and entrepreneurship top the list of characteristics of adaptability. Kaslow likened cultural health to Darwin's theory of survival of the fittest: "Change or die is an organizational imperative, just as it was a biological imperative." He said innovation is the lifeblood of successful companies and organizational sclerosis and cultural arrogance are the greatest threats.

### How do you diagnose and measure a culture?

Senn Delaney's Mike Marino concluded the panel discussion by describing how diagnosis and measurement of culture is a critical first step toward building an agenda for change. That process starts

with defining what you want in terms of values and behaviors relative to the desired culture and diagnosing the current state of the culture and the behaviors that may need to shift.

The desired culture is expressed through values and behaviors created by the executive team. For people to live those behaviors and make the culture a way of life, they need to first go through an unfreezing approach where they become more aware of their behaviors and engage in, reflect on and make personal (emotional) commitments to how they operate.

Measuring cultural shifts must take place on three levels, Marino noted:

- individual: values and behaviors, embedded into process that gives feedback, starting with senior team
- team: measured against values and behaviors
- organization: engagement surveys alone don't really measure culture. An option is to create a culture survey or add key culture questions to an engagement survey.

# Learnings from the 2012 HR Roundtable:

## What is culture?

- Culture is creating a sense of who you are as an organization and representing that culture in everything that is done in the organization.
- Culture is the history of the organization that defines how things get done.
- Culture is the attitudes, belief sets, values, written ground rules, and unwritten ground rules that set the tone of the organization.

## Why does culture matter?

- A healthy, high-performance culture impacts financial performance and increases employee engagement.
- Companies with a strong culture perform better, are more resilient and last longer.
- Culture is a top concern for CEOs and is a critical part of a CEO's strategic focus and business model.

## What is the role of the chief human resource officer in creating a culture?

- Culture drives the human resource strategy and the human resource strategy drives the culture.
- The chief human resource officer, in partnership with the CEO, is a key leader of culture change at a very high level.
- The chief human resource officer should guide and coach to the kind of culture that will help the organization succeed and help sustain that culture.
- The chief human resource officer should "model" the desired cultural behaviors through the management of his/her human resource organization.
- Key competencies for a chief human resource officer leading a cultural transformation are courage and boldness.

## How do you change a culture?

- It may be necessary to use a "burning platform" to create change.
- The CEO must cast the leadership shadow and "walk the talk" for the desired culture and values or they will be seen as unimportant.
- In order to change a culture, key leaders must be emotionally committed to personal change.
- Leaders must inspire people to change and build trust so that people will follow them, even to places they may not want to go.
- Culture transformation must be part of the organizational strategy.
- People must have a personal connection to the values for behaviors to change.
- Culture change can occur from the top down or from the bottom up; it is important to engage people at different levels of the organization to embed cultural change.
- Culture change and leadership succession are important and connected.
- Define the characteristics of the culture that are to be maintained and enrich those characteristics.
- Use on-boarding and mentoring to communicate and embed the culture.
- Bring the desired culture to life by celebrating the success of those individuals who demonstrate the new values and behaviors.

# About the human resources roundtable hosts

## **Senn Delaney**

Founded in 1978, Senn Delaney was the first firm in the world to focus exclusively on transforming cultures. Senn Delaney's comprehensive and proven culture-shaping methodology engages people and measurably impacts both the spirit and performance of organizations. Learn more at [www.senndelaney.com](http://www.senndelaney.com).

## **HRD Consultants**

Led by founder and president Marcia Glatman, HRD Consultants is a nationally recognized retainer search firm that focuses exclusively on executive-level human resource professionals. Learn more at [www.hrdconsultants.com](http://www.hrdconsultants.com).

## **Mullin & Associates Ltd**

Mullin & Associates is the premier global provider of individual outplacement solutions that focus on the individual and offer progressive winning strategies. Learn more at [www.mullinassociates.com](http://www.mullinassociates.com).

# About the panelists

## **Craig Ivey, president, Consolidated Edison Company of New York Inc.**

Craig Ivey is president of Consolidated Edison Company of New York (Con Edison), a regulated utility with 14,000 employees serving New York City and most of Westchester County. The company is a subsidiary of Consolidated Edison, Inc., one of the nation's largest investor-owned electric utilities. Ivey joined Con Edison in November 2009 after serving as a senior vice president in two different roles at Dominion Virginia Power since 2006, first as an SVP of Electric Delivery, then as an SVP of Transmission and Distribution. He had risen through a succession of increasingly responsible positions at Dominion, where he developed a reputation for emphasizing safety, operational excellence and leadership.

## **Deborah Zastocki, president and CEO, Chilton Memorial Hospital**

An accomplished administrator, nurse, teacher, and author, in 2004, Deborah Zastocki joined the ranks of only 25 other female hospital CEOs in New Jersey. Under Zastocki's leadership, Chilton has focused on making itself a workplace of choice for staff, the preferred choice for patients and the facility of choice for physicians. She implemented numerous organizational strategies that have dramatically impacted employee, patient and physician satisfaction. For the past five years, the hospital has demonstrated consistent improvement in all dimensions of employee engagement moving in this last year from 29% to 33% of employees actively engaged, surpassing the healthcare norm.

## **Andy Kaslow, Ph.D, president, Quantum Leap Advisors**

Dr. Andrew Kaslow is an internationally recognized leader in human resource management and executive and organizational development. He heads a global management consulting firm, Quantum Leap Advisors, based in New York City. He has served as the chief human resources officer for four global companies: Time Warner, Vivendi Universal, Alj and Beckton Dickinson. Kaslow held senior HR leadership positions at PepsiCo and TRW and was a founding partner and managing director of the QuanStar Group, which provided strategic advisory services to innovative companies. Kaslow is a valued advisor to chief executives, boards of directors and senior leaders for his effectiveness in managing complex success issues, organizational crises and transformation transactions.

## **Jamie Lane, vice president, Talent & Organization Development, Hess Corporation**

As vice president, Talent and Organization Development for Hess Corporation, a global, integrated energy company based in New York City, Jamie Lane has responsibility for learning and leadership development, talent management, succession planning, assessments and organization development. Lane joined Hess in September 2011 from Ingersoll Rand where she was vice president of Talent and Organization Development. Previously, she was vice president of Talent Management and Development for Miller Brewing Company and vice president of Learning, Talent and Organization Development for Fifth Third Bancorp. Earlier, from 1998-2005, she held a number of senior roles in leadership, learning and organization development at Motorola. Lane served in learning and organization development roles for two years at McDonald's Corporation.

## **Jim Minogue, managing director and head of Human Resources, Gleacher & Company**

Jim Minogue is managing director, Head of Human Resources and a member of the senior management committee for Gleacher & Company, a publicly traded investment bank. He has responsibility for leading the Human Resources function in support of the firm's strategic plan designed to focus on high-growth businesses. Previously, he was founder and managing director of Excelsior Advisory Group LLC, providing advice on HR, organizational and strategic issues to several financial services firms. During 2011, Minogue served on the interim head of HR for Golub Capital. Prior to managing his own consulting firm, Jim was the regional HR head for UBS Financial Services in the Americas. He has also held senior HR positions at Brown Brothers Harriman & Company, Arthur Andersen, Swiss Bank Corporation, Smith Barney and GE Capital.

## about Senn Delaney

Senn Delaney, a Heidrick & Struggles company, is widely recognized as the leading international authority and successful practitioner of culture shaping that enhances the spirit and performance of organizations. Founded in 1978, Senn Delaney was the first firm in the world to focus exclusively on transforming cultures. More Fortune 500 and Global 1000 CEOs have chosen Senn Delaney as their trusted partner to guide their cultural transformation. Senn Delaney's passion and singular focus on culture has resulted in a comprehensive and proven culture-shaping methodology that engages people and measurably impacts both the spirit and performance of organizations.

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