

Organizational Transformation – Corporate Culture

How to lead an organizational culture project

Discover the key steps to diagnose, transform and anchor a strong organizational culture, aligned with your strategic objectives and conducive to sustainable performance.

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OUR APPROACH

A company's culture is the way it does things. It is values, behaviours and rules, written or unwritten, that guide decisions and relationships at work. This is what defines what is accepted or not. A strong culture motivates, attracts the right talent and improves performance. A toxic culture pushes the best to leave.

Companies with a strong culture grow 4 times higher than others. Yet, only 31% of employees say their company's culture is truly engaging with them. (Xpertize Research Institute)

1. Observe how the work is actually done

From a strategic point of view, several key issues must be taken into account. What is the specificity of each corporate culture and what are the essential elements to be preserved, as they intrinsically contribute to the value of the organization? How can the different entities enrich each other culturally? How can each benefit from the integration of the values and practices of the others?

From a tactical perspective, it is essential to understand how work is done in each entity: what are the management practices and labour standards. How are decisions made (e.g. centralised or decentralised)? How are teams motivated (by financial, emotional, or other incentives)? And how is accountability ensured—individually or collectively (as a team)?

A methodical approach is required to diagnose existing crops. Leaders' intuition is not enough to fully understand cultural differences and harmonize them.

This would have helped avoid misunderstandings and create objective bases for structuring discussions around facts, rather than anecdotes or personal beliefs.

There are a variety of diagnostic approaches: interviews with management, focus groups with employees, surveys. Surveys allow you to collect opinions from a large number of employees, while giving everyone the opportunity to express themselves. While one-on-one interviews and focus groups offer more specific information, they are less effective at spotting organization-wide trends. The best approach is a combination of diagnostic methods.

However, the structure and terminology used in these methods must be consistent. The goal is to create an evidence base on existing cultures and develop a common language to better understand similarities, identify opportunities, and identify differences that could lead to friction.

2. Setting the right priorities

Once leaders understand the existing cultures, they can begin to define immediate cultural priorities, focusing on two main axes. The first is where culture can help maximize the value of integration (e.g., moving towards a high-performance culture to achieve ambitious goals). The second focuses on areas where companies need to manage significant differences in the way they work in order to create a single, high-performing organization.

Based on the results of the diagnosis, the management team must develop a point of view on these developments. This reflection should include the heads of the different entities where possible, as leadership alignment and exemplarity are essential for the successful implementation of the project.

To truly grasp the essence of the challenge, the leadership team needs to understand how they have traditionally worked and ask themselves if this is still the right way to do things for the future. It is essential to take an introspective approach that allows us to ask the right questions: "What have we done right? What could we improve? And, honestly, does the culture we want to establish match the culture we inherited? »

The next step is to formalize a specific set of managerial behaviors or practices that will strengthen the new organization. Articulating these behaviors is crucial to translate changes into concrete and practical actions. For example, one of these evolutions could be to move from performance management, where roles and responsibilities are unclear, to an approach with clearly defined roles and specific performance objectives for each employee.

Cultural artifacts—such as a new vision, mission, and values, reinforced by symbols, emblems, and branding—can help signal and encourage these behaviors. These artifacts, which are important prerequisites for successful cultural transformation, must be developed with a clear idea of the behaviors they aim to reinforce.

The management team must also quickly adopt these new behaviors. A cohesive and compelling change story must be developed collectively, and each member of the leadership team must personalize it with their own experiences. They then need to use that story to engage employees at every opportunity.

Once the management team agrees on the desired behaviors, a comprehensive change plan, structured around cultural themes, should be developed. Each theme can then be broken down into concrete initiatives: activities and actions that will constitute the change plan and will be monitored by key performance indicators (KPIs). For example, the target state might be to create a more agile, performance-oriented sales force that can work together to cross-sell. This can be translated into supportive cultural themes, such as working well together and making decisions quickly. For each theme, specific initiatives and metrics must be developed. Taken together, these themes and their initiatives promote desired behaviours and support the overall goals of integration.

Responsible business leaders should drive all initiatives, rather than delegating them to HR or communications departments. These initiatives should include a combination of "hard" (such as structured incentives) and "soft" (such as communication and celebration) measures. It's important to remember that cultural change in an organization often requires a lot of incremental and mutually reinforcing progress. Many of these initiatives will be—and must be—very tactical. For example, introducing a disciplined approach to meeting management can help ingest a culture of respect for each other's time.



Clearly defining decision-making rights can directly increase the sense of accountability and simplify decision-making. But the real power lies in the cumulative effect of these individual actions, so they must be part of a structured approach.

3. Anchoring and supporting change

Once a series of coherent themes and initiatives have been identified, these elements must be integrated in a sustainable way into the new company's operating model and into its daily practices. The redesign of policies, processes and governance models must reflect these essential cultural aspects if change is to continue. For example, nurturing a culture of respect could take the form of company policy statements and values, but also of evaluation criteria in individual performance reviews and compensation calculations. At the end of each governance meeting, participants could reflect on how they felt respected by others during the discussion.

It's a process that has been mismanaged in several cases, such as that of Daimler-Chrysler. The merger of the two companies did not effectively merge their cultures. Chrysler's more open and decentralized culture came into conflict with Daimler's more hierarchical and centralized management, which led to a breakdown of trust and a failure of integration. The lack of a shared vision and willingness to work together was a major factor in the failure of this attempt at cultural fusion.

In some cases, cultural integration initiatives are successful in strengthening the new organization. For example, in the Volkswagen-Skoda merger, Volkswagen did a great job of incorporating Skoda's best practices without imposing an overly rigid structure. On the contrary, Volkswagen has opted for a mentoring system and a sharing of managerial responsibilities, while strengthening production and quality within Skoda. This allowed for a complete transformation of Skoda's reputation, which became a respected brand thanks to the successful integration of the two cultures.

To manage cultural integration appropriately, the leadership team must also ensure that the right messages and behaviors are propagated throughout the new organization. It goes far beyond just conveying messages at all levels. Formal structures aren't always the best way to influence an organization, and leaders don't always understand who the real influencers are. By identifying the most influential employees, leaders can recruit them as agents of change and provide them with the training and skills needed to effectively fulfill this role.

This worked well during the *Renault-Nissan* merger, where "cultural ambassadors" were appointed on both sides to ease the transition. The success of the alliance was largely based on this collaborative approach, which made it possible to merge the best practices of both companies, while respecting the cultural specificities of each.

Companies must monitor the implementation of themes and initiatives with the same rigour as they apply to their financial objectives. The example of *Deutsche Bank-Bankers Trust* illustrates this well: the integration of different cultures (German and American) was closely monitored, with particular attention paid to trust and mutual dependence, which facilitated cultural alignment and strengthened the company's long-term performance.

It is also essential that managers take responsibility for this approach. By closely monitoring initiatives and proactively addressing friction points, the leadership team ensures that cultural transformation is progressing effectively.

Initiatives should include a mix of concrete measures (e.g. structured incentives) and more subtle measures (such as communication and celebration).

This is all the more crucial because changing a company's culture often requires small, incremental and reciprocal gains. For example, a change in the way meetings are organized can introduce a culture of respect for other people's time, and a clarification of decision-making rights can increase the sense of empowerment while streamlining the decision-making process. But the real power lies in the cumulative effect of these individual actions, which must be integrated into a structured approach to ensure their effectiveness.

A merger or reorganization represents a unique opportunity to transform a newly combined organization, shape its culture around strategic priorities, and ensure its health and performance for years to come. By establishing a clear evidence base and understanding of existing company cultures, leaders can use a common language to define the cultural direction of the new successful organization. An aligned leadership team can begin to embody the specific behaviors needed and lead a clear program of initiatives that communicates and anchors those behaviors more broadly. By tracking the impact of these initiatives, companies can take additional steps to course correct if necessary.

As we've seen, over the long term, companies with aligned corporate cultures and strong organizational health achieve, on average, a total shareholder return that is three times higher than companies with cultures and organizational health that aren't closely linked. Given the magnitude of this benefit, cultural alignment must be at the heart of any business integration.

Hire the Right People, They'll Build the Right Culture

A company's culture is not simply a list of values displayed on a wall. It is alive, influenced by each recruitment. The concept of "garbage in, garbage out", which comes from the IT world, illustrates this reality well: if you integrate employees whose mindset and behaviors do not match your vision, your culture will suffer, no matter how hard you try afterwards.

Hiring in line with culture

Patagonia is a perfect example of the importance of culturally aligned recruitment. The company does not look for its talents in the "Wall Street Journal" or via headhunters, but in a network of outdoor enthusiasts. The idea is simple: a company that designs products for nature lovers needs to hire people who share this passion.

This approach helps managers make clear hiring decisions. A technical expert who hates sleeping in a tent won't be a good fit, while a motivated mountain biker with less experience might thrive. Culture is not only defined by abstract values, but by concrete choices in hiring.

Managing Those Who Don't Stick

Hiring the right people is essential, but so is knowing how to manage the wrong ones. Some companies, like Shopify, see themselves as a team rather than a family. Their founder, Tobias Lütke, insists that a company cannot afford to keep employees who are detrimental to the collective dynamic, even if they are performing well.

Netflix takes a similar stance: "No shiny bad guys; The cost for teamwork is too high. If a talented but toxic employee is tolerated, he or she risks rubbing off on the rest of the team. Culture is a contagion effect: both positive and negative behaviors spread quickly.

Making Culture a Strategy Engine

A strong culture is not only based on individual attitudes, but must be aligned with the company's strategy.

A classic management dilemma illustrates this issue: An employee presents a bold but expensive idea. You think she's going to fail. Do you reject it or do you give it the green light? 68% of managers choose option A, preferring to minimize errors. Yet, in industries where innovation is paramount, failure must be accepted as a step towards success.