

## Spark Culture Change

Changing employees' behaviors can be hard without the proper guidance and incentives. To produce high value and sustainable change, connect new behaviors with measurable business goals. This article was written by Claudio Avila Tobias and first appeared in *Talent Management* in August 2013.

Many companies undertake culture change programs to improve organizational effectiveness. They embark on top-down programs that communicate desired behaviors with the expectation that employees will apply them to their daily jobs, and that results will come sometime in the future. However, many of these push programs fail because changing behaviors is hard when employees don't see immediate results from, or positive feedback for, their efforts.

Programs are often more successful when they combine business results and behavioral change because they reinforce each other in the short run, and can sustain organizational effectiveness in the future. Companies that successfully implement these types of programs also have the potential to achieve higher return on investment.

Consider the following scenario. In 2008, Jaime Paredes, the new CEO of Zurich Latin America, was striving to build the company's Latin American division. He was challenged to re-establish profitable growth. A few weeks into the job, he realized he had to change the company culture. First, he wanted people to pursue broader sources of revenue rather than rely on traditional, less profitable lines of business such as auto and home insurance.

Second, employees had to take responsibility for end-to-end profitability because each function is doing its own job and there was no clear accountability for each function contribution to the company's overall profitability. Third, employees needed to collaborate across countries and functions to take advantage of products and talent already successful elsewhere in the organization.

Companies normally tackle this kind of challenge by defining the behaviors, communicating them, and reinforcing them with external incentives such as performance management, learning and development programs or posters that communicate the organization's values.

It's a leap of faith hoping people will adopt those behaviors and results will eventually follow. It's kind of like pushing the behaviors and inflicting culture change on employees. At its best, this strategy will result in compliance and modest results, where employees behave a certain way because they have to, but they likely will not internalize the new values to guide behavior (Figure 1). As a result, changes may not stick. Eventually, if there is no continual reinforcement, employees will revert back to their old behaviors.

Figure 1. The Push Model



Source: Schaffer Consulting, 2013

Consider the CEO in Latin America. He challenged a number of his managers to grow the business by introducing higher margin products. He also added a breakthrough condition: each manager was to show significant results in 100 days. Accomplishing these goals required people to work in entirely new ways and change their mindsets. They had to move away from the low-performing products they knew well, rethink pricing, make alliances with other companies to reach new customers, and market and sell in non-traditional segments.

One team looked for products to differentiate the company and attract new types of customers from the corporate sector. The CEO's goal was to build a new business worth \$ 40 million in three years, but he wanted the team to make tangible progress in 100 days. The team found they could use knowledge from other parts of Zurich and proposed the CEO to launch coverage for directors and officers, a new higher margin product for the company. The team aimed at generating an immediate sale of a \$ 1 million. To do this the team collaborated with managers from Europe, Asia and several Latin American countries to develop the products. The product was registered in record time, and the team sold the new coverage to two corporate clients within the 100-day challenge period. This first success reinforced the new behaviors put in practice by team and exemplifies a push/pull strategy for effectiveness. The following year, the team pursued more growth by identifying other high margin opportunities, speeding up product design, and continuing to improve collaboration across functions and regions and its focus on profitability. These activities helped the business line become the largest of its kind in Latin America.

Another team added long-term savings to an existing life insurance product in Chile, which significantly increased the company's assets under management. A third team partnered with a retailer in Brazil to access the mass market, adapting existing products into simpler and low cost personal lines. Many other initiatives were implemented over the course of two years starting in 2008, collectively generating new sales of \$200 million and molding the new culture.

Large numbers of people can be engaged in cultural change and results quickly while generating significant performance and organizational effectiveness. In 2002, growth was a top management priority at Avery Dennison, a global office supply company. Although it enjoyed enviable profitability levels, growth was elusive, so the management decided to initiate a process to increase sales in ways that also would build a sense of urgency, increase internal collaboration and fuel closer interaction with customers.

The organization asked three divisions to implement this strategy and generate tangible results in 100 days so that teams had to demonstrate how those strategies would work, partner with real

clients, and build learning into it.

“The 100-day deadline drove an incredible amount of creativity. People took some risks” said Avery President Dean Scarborough. “Even in markets that we considered quite mature, we found ways to grow because we were getting closer to our customers and partnering with them. We found ideas for what they needed that we could supply.”

“The projects interconnect the functions and [the] inter-functional teams got everyone out of their silos, building a collaborative understanding across functions,” said Terry Schuler, Senior Vice President of HR.

Senior managers devoted a certain amount of energy to supporting the effort. One or more senior managers were represented in many of the 50- and 100-day team project reviews all over the world. At each of these reviews, six or seven teams, each with five to eight people, had the chance to tell their proud stories to senior management and to interact with them.

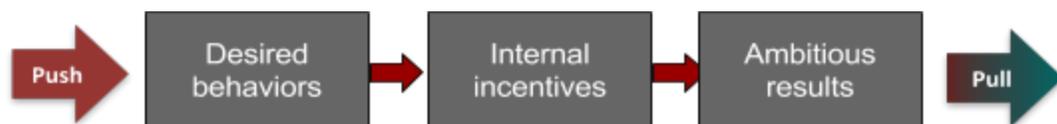
Those projects generated \$50 million in revenue, and within a year almost every employee was doing something similar around the world. By 2004, the company was on track to a record \$150 million of incremental sales resulting from the projects.

Creating a culture like this is a goal for many companies. Yet the changes did not come from a push program for cultural change; new behaviors were driven by efforts to improve company performance.

In both stories it was the challenge to achieve stretch business goals that formed and reinforced the new desired cultural behaviors. This is a pull strategy – to respond to a leader’s challenge to perform at a higher level, people must step outside of their current behavioral paradigm and work together in new ways.

For managers who want to increase organizational effectiveness, use a balanced pull/push strategy to drive the required cultural and behavioral shifts involved (see Figure 2) at the same time. Here is how to do it.

Figure 2. A Balanced Pull/Push Strategy for Organizational Effectiveness



Source: Schaffer Consulting, 2013

**Inspire people.** Explain why shifting the culture is so important for the company’s strategy and clarify what kind of culture is desirable. For instance, becoming more adaptive would mean things employees and leaders would be more open to change,

taking informed risks and better able to anticipate challenges and embrace innovation. Or, mastering execution would mean getting things done quickly, and making effective decisions and taking deliberate action. Once this is clear, help people make the connection between those behaviors and the type of results the organization must deliver. In this context, desired results serve as both the direction and the incentive for cultural change.

**Challenge people.** Make specific demands for employees to achieve ambitious short-term results that will elicit the new behaviors, and will make culture change real and practical. For instance, consider growing sales by capturing one key client from a competitor in 100 days, versus a modest goal of continuing to sell to existing customers. This ambitious goal will require a manager to look at the challenge from a new perspective, consider innovations, take risks, and make decisive actions. The more ambitious and challenging the goals are, the more employees will get excited and will want to pursue them.

**Develop people.** Leaders should be ready to model desired changes, as they will have an important role in reinforcing the new behaviors. Spend time with people re-programming the basic assumptions that guide successful behaviors. This is where the traditional push approach comes into play. The model detailed in Figure 3 may help.

Figure 3. The Manager's Dialogue for Change



Source: Schaffer Consulting, 2013

Leaders who want to drive cultural change need to shift their own mindsets to be successful. In a combined push-pull approach, culture change is more than an imposed means to accomplish results in the future. Culture change is both an enabler and an outcome of employees' experiences working to achieve extraordinary results.

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