



THE 7 THINGS

Organizations Get Wrong About Culture

TRANSEARCH
EXECUTIVE SEARCH & LEADERSHIP CONSULTING

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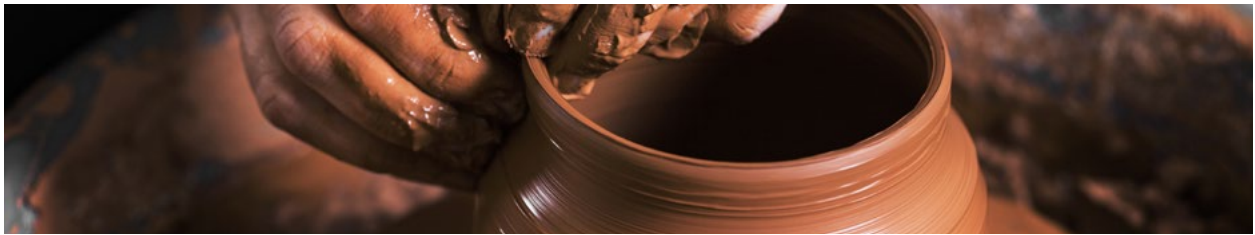
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“The only time the formal organization holds sway is, for a brief time, on the 29th February.”

From our own research and that of others, only 20% of organizations manage (meaningfully shape) their culture. The other 80% are caught up in, what can be best described as, “cultural drift.” The assumption is that even if, as a business, we don’t spend much time on it, our culture will, magically, end up where it needs to be. Good luck with that!

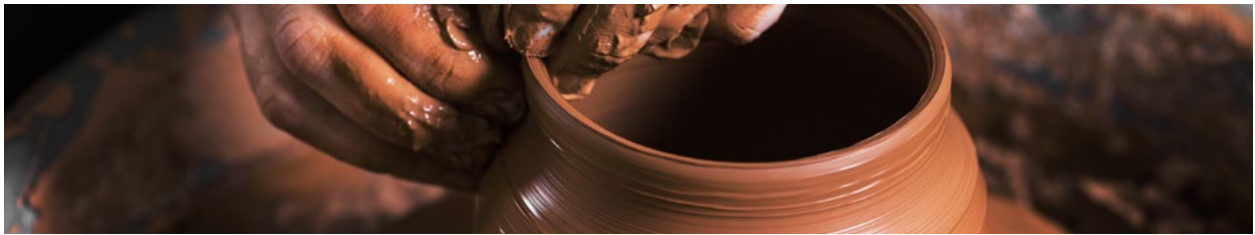
Cultural drift isn’t an abstract concept. It’s a mindset that carries with it a good deal of performance baggage:





- If the competition is managing its culture and you are not, you are clearly at a significant competitive disadvantage.
- In that lack of culture fit is the main reason why a new executive stumbles, a talent acquisition process that sets aside culture is ignoring the biggest recruitment risk factor.
- Long after the strategy has been challenged, rewritten and then abandoned, what remains is the organization's culture. A succession process that draws heavily on strategic assumptions while paying scant attention to tomorrow's needed culture is the business equivalent of stepping into traffic with your eyes closed.
- To take advantage of artificial intelligence (AI), companies are going to have to retool their organization structure. Work on organization design that eschews a deep dive into the culture demanded is a mistake waiting to happen.
- Large organizations spend between 1% and 5% of their total annual revenue on leadership development. Part of that investment addresses immediate business shortfalls. The balance focuses on creating tomorrow's organization today, which is a contentious agenda if the future culture you need to create is based on little more than opinion and conjecture. For leadership development read "coaching," "mentoring" and "building the team." See point **#6**, "Avoiding Measurement," below.





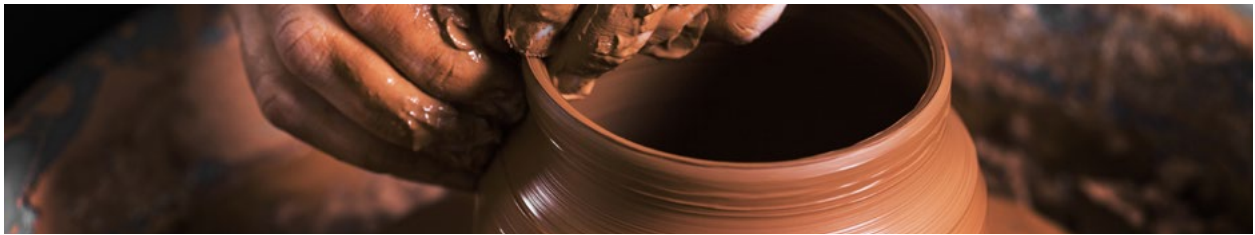
The pragmatic reality is that even those organizations that do claim to manage culture don't always get it right. From our experience, there are seven things that organizations get wrong when it comes to culture:

1. Managing culture from the inside-out.

Boeing, GE (in the Jack Welch era and in the decade that followed), Nokia, BlackBerry, IBM and Kodak are classical examples of managing the business from the inside-out. Kodak is a case in point. Its downfall was the digital camera – a technology it invented but failed to capitalise on.

Managing culture from the outside-in means acting on up-to-date intelligence and practical insight in six critical arenas: (i) the emerging social, political and economic context; (ii) what tomorrow's customer's want to buy and **how** they want to buy it; (iii) what emerging technology has the capacity to change the competitive landscape; (iv) the availability of top talent to support the business you need to create; (v) the emerging needs of all of the key stakeholders; and (vi) how the capital markets view investment and opportunity in your business sector.





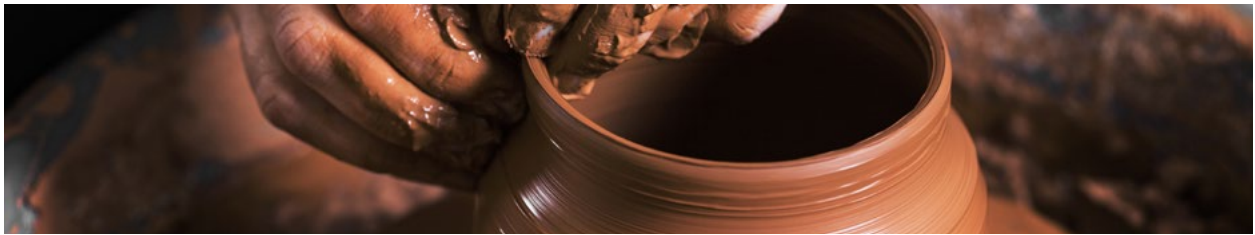
Forget notions of “if we make it they will come.” When and only when you understand the forces that shape the future can you refine the business model, develop a winning value proposition, invest meaningfully in business development, start to address uncertainty and instill boldness. The context as framed by the critical arenas is, of course, a prerequisite to assessing the culture you need to move towards.

2. Short-changing the informal organization.

There are two interdependent organization cultures. One: the culture that emanates from the top of the organization and that dominates the culture conversation between the Board and the top team.¹ The other? The informal organization: what people inside the organization believe. In particular, what middle managers assume has primacy in day-to-day decision-making. And here all is far from well. In study after study middle managers are shown to be the least engaged group. Disengaged, disappointed and discombobulated are the appropriate behavioural descriptors.



¹ Although shareholders regard culture as a shared responsibility between the Board and management, it's often the case that the latter know very little about how the organization's culture unfolds on a day-to-day basis. Part of the dilemma is that in the US, for example, only 8% of Boards have an HR representative. Packing the Board with financial experts may reinforce the illusion of governance but, in a turbulent world, does little to support the top team as they strive to create a strong and agile culture.



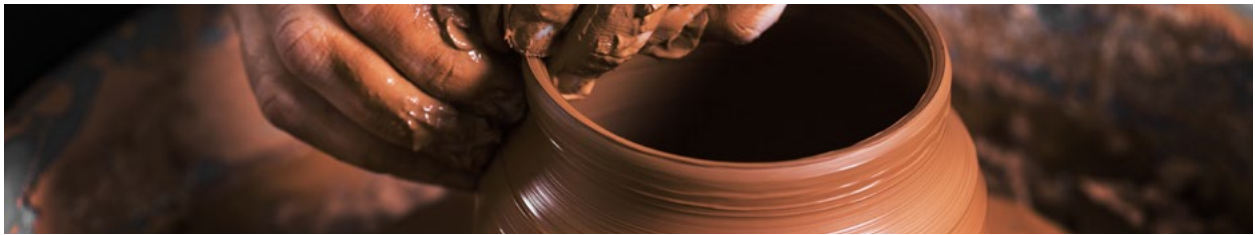
The only time the formal organization holds sway, even for a brief time, is on the 29th February. No matter how smart they are, those that create the strategy can't actually deliver it. Similarly, culture has little to do with what's on the website and is far more about employees' collective sense of belonging (or not).

If the typical employee doesn't buy in you don't have a culture, you have an internal power struggle that management can't win. I spent a decade of my working life managing hard-core industrial relations on both sides of the Atlantic. What I took from that experience is that leaders don't get the informal culture they want; they get the informal culture they deserve.

3. Failing to recognise that culture is a system.

The cardinal – and common sin – in culture is to adopt an incremental approach. Consider what happens when a well-known consulting company cleverly outlines its expertise. The suggested cultural intervention? To help the client rework their organization's values. *Caveat emptor*: let the buyer beware! What's on offer is the corporate version of marketing a life-changing drug without exploring the potential and harmful side-effects.





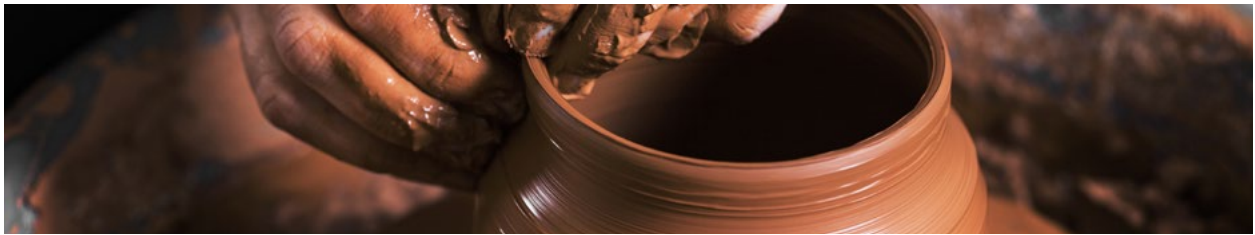
Culture is a system and, like any system, change one thing and everything else is impacted. By way of example, a clock is a system (mechanical). Damage or leave a piece out and it's, literally, not going to work.

You can't, of course, work on everything at once. You can, however, embrace helicopter thinking; a Gestalt learners view of how all of the critical pieces combine. Think of a wedding photograph. The bride and the groom will be the obvious focus but leave out either mother-in-law at your absolute peril.

4. Values confusion.

Go to any business meeting where culture is the topic and “values” are sure to be a central topic. The problem? Values confusion. Personal values and organizational values are very different. The former are how people choose to live their lives. Organizational values represent what has primacy in decision-making within the business. To wit, use the term “values” with employees in a multicultural city like Toronto, Melbourne, New York or London and expect to be knee-deep in confusion.





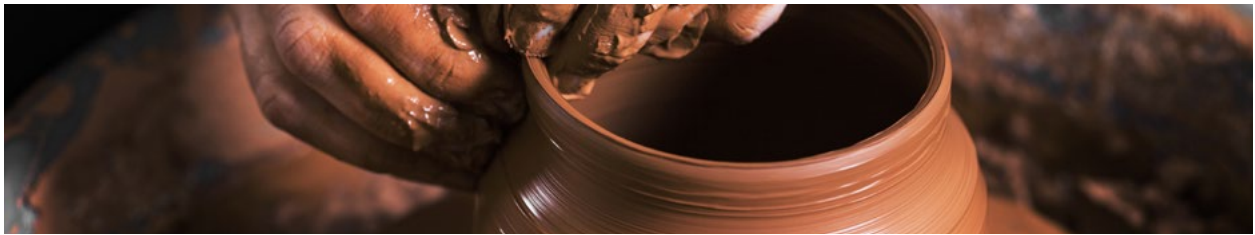
And what, for example, does “values-based hiring” mean? By way of intent, it’s a common term that implies a recruitment approach that looks beyond skills and seeks to align the candidate’s personal values with those espoused by the organization. A task that sounds helpful but, in practice, is far from easy. In a multicultural environment one is confronted with a plethora of personal values. Moreover, even those assessment tools that claim to identify personal values suffer from significant cultural bias; assumptions drawn from the background of the author(s). The concern doesn’t end there. Self-reporting makes values assessment tools unreliable.

Clearly, confusion between personal values and the organization’s values is to be avoided. A way to overcome this dilemma is to clearly separate the two by describing organizational values as “guiding principles.” It helps to go even further and outline the guiding principles in outcome terms. What does “innovation” really mean? “To deliver at least one new product into the market every 18 months” is far more meaningful. Keep in mind, if you can’t measure it, you almost certainly can’t manage it.

A simpler and more effective approach to hiring, for example, is to simply explore the question, “Does the candidate’s background and work history suggest that they would be anything less than fully committed to the organization’s guiding principles?”

The organization’s values (guiding principles) should describe what makes the organization special; what distinguishes it from the competition. Sadly, that’s rarely the case and, more often than not, there is a disconnect between what top leaders say and what employees’ actually do. Shockingly, a major research project conducted in 2020 by MIT with 500 major corporations found no correlation between the published values and the extent to which employees believed the company lived up to those values.²

2 *When It Comes to Culture, Does Your Company Walk the Talk?* (2020).



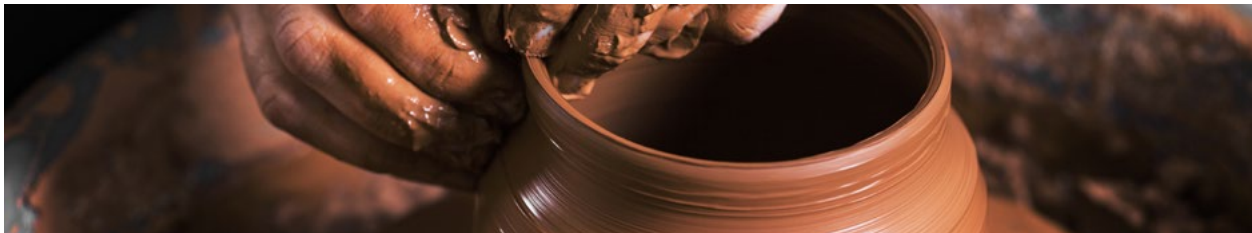
5. Misreading what the term “brand” means.

Brand simply means **Better Results And No Disappointment**. Brand is a promise: an overt commitment to two very different constituencies. The first constituency: the group who buys your offering. The purpose of business? To create tomorrow’s customer. It follows that the most impactful business development is delivering on the market-facing brand promise.

The second constituency is the workforce and especially those who interface with the customer. And here the Golden Rule is, “If the brand promise doesn’t come to life within the organization, it won’t work in the marketplace.” By way of example, promoting the quality of the product is unsustainable if, at the same time, the quality of work life within the organization is found wanting,

I worked for a major European client whose brand promise was “speed and simplicity”; qualities that were a million miles away from how the business actually operated. Because a critical piece of their culture was misaligned, regardless of the significant investment made in the product, the firm was continually playing catch-up to the market leader.





6. Avoiding measurement.

Why measure culture? There are two seminal pieces of research on organization culture. The first by Harvard Professors John Kotter and James Heskett (*Corporate Culture and Performance*, 1992). In a study of 207 large US companies, they found organizations with a strong and agile culture realised 12x the stock price growth of organizations that lacked that discipline.

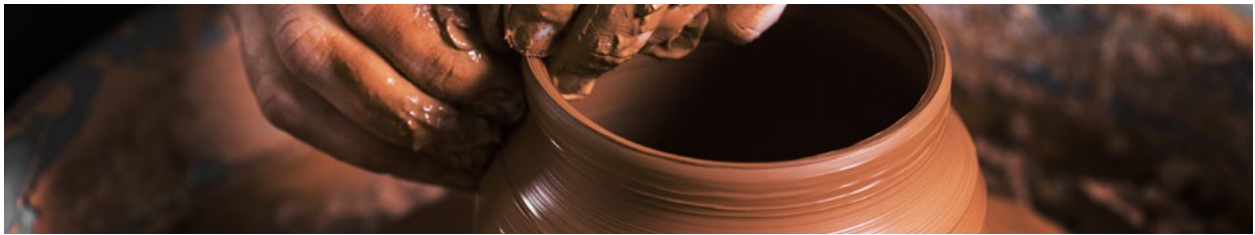
A more recent study by Carolyn Dewar, Martin Hirt and Scott Keller (“The Mindsets and Practices of Excellent CEOs,” October 2019) found that CEOs who insist on rigorously measuring and managing all cultural elements that drive performance more than double the odds that their strategies will be executed. And over the long term, they deliver triple the total return to shareholders that other companies deliver.

There are four simple rules for culture assessment. One: it has to capture both the current and **needed** (not aspirational) culture. Two: it has to be built around business terms commonly used by a top team. If the language and terms used in the assessment sound like they belong in the second year of a psychology class – they belong in the second year of a psychology class. Three: different groups (e.g., the Board, middle management, customers) each need a different assessment tool. Four: the ubiquitous engagement survey assesses no more than 15% of the factors that shape culture. Even more misleading is when “somewhat engaged” and “highly engaged” are consolidated and, in doing so, produce a false positive. According to Gallup, engagement globally represents 21% engaged, 62% not engaged and 17% actively disengaged. Comparable numbers for the US and Canada are 31%, 52% and 17%.³

7. Trying to align culture with strategy.

It was the late Peter Drucker who came up with a phrase that anyone who works in culture can expect to hear early on in their career: “Culture eats strategy for breakfast.” It’s provocative, it’s catchy – and it’s wrong! If they clash, culture will always win out but we need both strategy and culture. Culture, unless complemented by a well thought through strategy, is a journey without a destination.

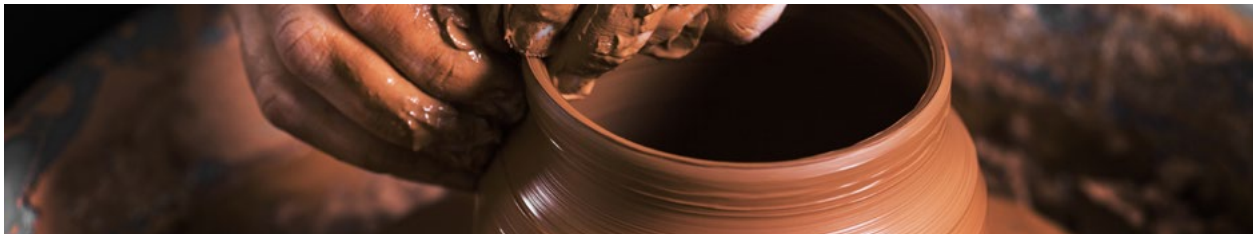
³ Gallup, *State of the Global Workforce* (2025).



For several decades business schools preached that “strategy drives culture.” First you outline the strategy and then build the culture such that the strategy will land. This could be a reasonable philosophy in a steady state world, but it makes no sense when the strategy is, at best, a work in progress. In a turbulent world we know the strategy will change. Meanwhile, attempts to change the culture every time the strategy is revised is to sow the seeds of “chaos.”

Imagine a very different process. A philosophy where culture enables strategy. Step one, develop the needed culture but in doing so emphasise agility and speed of learning. Step two, build a series of strategic scenarios that, because the culture underscores agility and speed of learning, unfold as the changing environment demands. The advice here is that the next time you schedule a strategic retreat allocate the first day(s) to culture.



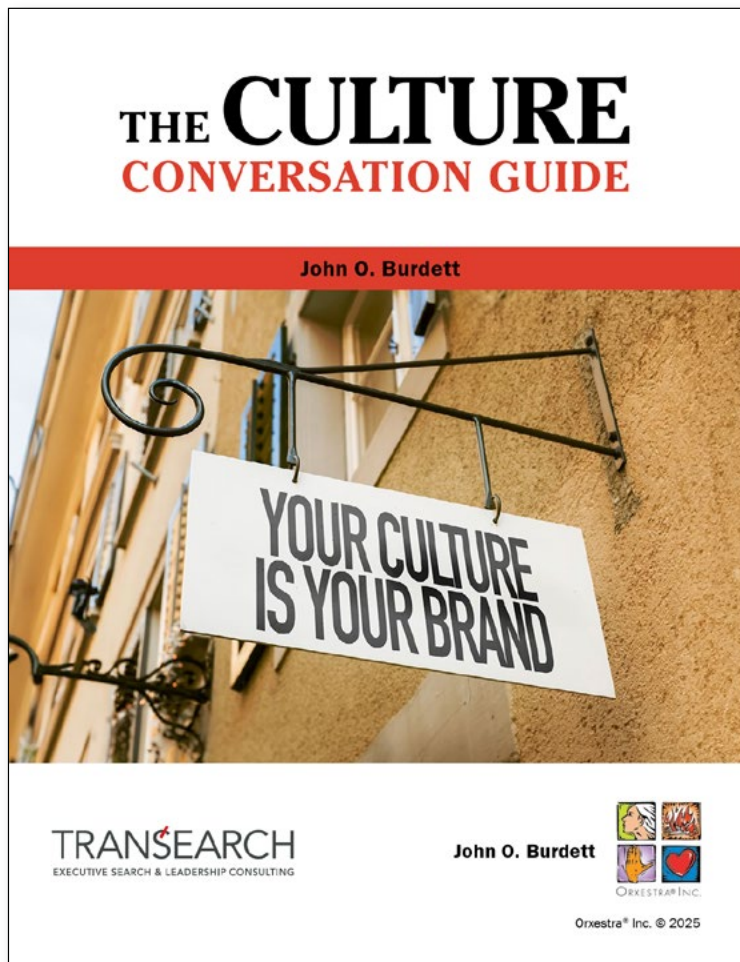
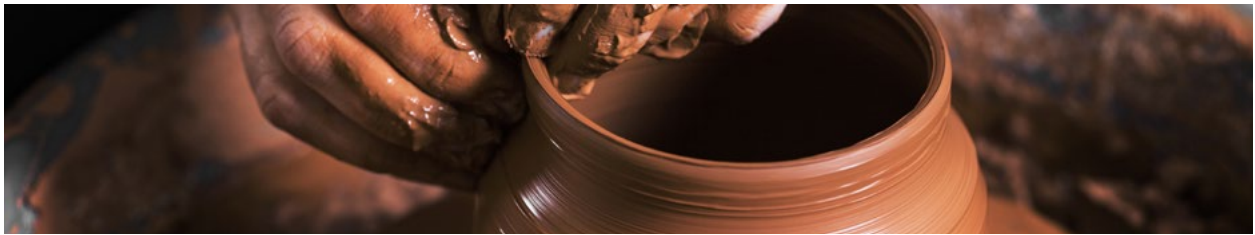


Conclusion

You *deliver* performance, you *play* music and you *shape* culture. Essential to all three are leadership, tone, timing and understanding the needs of the audience. The baton wielded by the orchestra leader is visible. In business the leader influences the performance with a hidden baton: character, caring and delivering competitive advantage. Talent is a gift; character is a choice. “People don’t care how much you know until they know how much you care.” – Theodore Roosevelt. And as the late Peter Drucker was quick to point out, “If you can’t differentiate yourself, you are in the wrong business.”

At the very core of the leader’s performance is culture. Get it wrong and you are digging a deep hole for yourself that is difficult to climb out of. Get it right and a sense of belonging, innovation and organizational agility move centre stage. That said, a system (culture) involves a good many moving parts. The seven pivotal issues outlined in the text are, from our experience, where leaders tend to stumble.





The Culture Conversation Guide

For a deeper dive into culture, see *The Culture Conversation Guide* by the author, featured on the TRANSEARCH website www.transearch.com/orchestra/downloads

Read the Guide



John O. Burdett

*“Culture —
if you don’t
measure it,
you can’t
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- John O. Burdett

JOHN O. BURDETT has worked in over 40 countries as an executive and as a consultant for businesses that are household names. He continues to work on leadership development and organization culture for some of the world’s largest corporations.

In 2019, his work with ABB’s top 240 executives received a major international award for the most innovative leadership development initiative of that year. His ongoing partnership with TRANSEARCH International means that his proprietary work on talent acquisition, in any one year, successfully supports many hundreds of top leadership appointments on six continents.

He has written extensively on executive coaching and was awarded international coach of the year by the Finnish Institute of International Trade. Business graduates at the University of Texas indicated that his material on coaching was the single most valuable learning source they took away from their undergraduate degree. He has also coached numerous executive teams

around the world in how to coach. He currently coaches a select group of CEOs.

Apart from a range of corporate leadership workshops, he has taught at business schools on both sides of the Atlantic. His work on the MBA program at the University of Toronto received a teaching excellence award. John holds a doctorate in management development and is a Fellow of the Chartered Institute of Personnel and Development.

In addition to numerous business articles and twice being awarded article of the year by MCB publications, John has published 16 books on leadership, talent management, coaching and organization culture. A number of them bestsellers. His most recent book is a fully revised version of his international bestselling book on executive integration: *Without Breaking Stride*. To download his current business articles go to www.transearch.com/orxestra/downloads

