



AN UNPOPULAR CORPORATE CULTURE

Do not destroy your best strategy

By Professor John Weeks - September, 2008

IMD

Chemin de Bellerive 23
PO Box 915,
CH-1001 Lausanne
Switzerland

Tel: +41 21 618 01 11

Fax: +41 21 618 07 07

info@imd.ch

<http://www.imd.ch>

When Dick Clark took over as CEO of Merck in 2005, he was asked about his strategy for restoring the pharmaceutical company to greatness in the face of lawsuits over its painkiller Vioxx, expirations of patents on some of its most profitable drugs and a weak product pipeline. His strategy, he said, was to put strategy second and focus on changing the company's insular, academic culture. "The fact is, culture eats strategy for lunch," Clark explained. "You can have a good strategy in place, but if you don't have the culture and the enabling systems that allow you to successfully implement it... the culture of the organization will defeat the strategy."

Growing importance of a popular corporate culture

Gone are the days when organizational culture could be dismissed as a fad or ignored as being either too soft to matter or too hard to manage. Gone too are naive notions that any one type of organizational culture is best. Rex Tillerson, CEO of ExxonMobil, describes that company's top-down command and control culture of consistency and discipline as "the source of our competitive advantage," and has made it a priority to reinforce it. Meanwhile, Robert Iger and Steve Jobs, in their discussions about the acquisition of Pixar by Disney, have been concerned with avoiding an Exxon style command and control culture. Jobs says that, "Most of the time that Bob and I have spent talking about this hasn't been about economics, it's been about preserving the Pixar culture because we all know that's the thing that's going to determine the success here in the long run."

How do we decide which elements of an organization's culture are worth preserving and which we should change?

How should we respond when negativity becomes a part of the culture itself and the organization develops a culture of complaint? To answer these questions, I spent a year studying a large British retail bank. Never once during the fieldwork that I conducted in the bank did I hear the firm mentioned in a positive light. There were none of the claims common in some organizations about the culture making for an interesting and pleasant place to work or serving as a competitive advantage. Indeed, very little positive was said about any aspect of the bank. Negativity, on the other hand, was common. Its managers and employees complained that the bank was too bureaucratic, too rules-driven, not customer-focused enough, not entrepreneurial enough, too inflexible, too prone to navel-gazing, too centralized—and too negative.

Common wisdom in question

What made these complaints so interesting was that they were not accompanied by any expectation that things were going to change. Despite having spent large sums on repeated (and sometimes overlapping) programs of culture change, the common wisdom held that managers and employees come and go, assets are acquired and disposed, the organization is periodically restructured, jobs redefined, and processes redesigned, but “the bank hasn’t really changed in 300 years.” When change did come, people proved remarkably adaptable. They quickly found new things to moan about.

Why do people complain when they don't expect complaints to lead to change?

They do so because they expect those complaints to do something else. Mark Twain famously said that everybody talks about the weather, but nobody does anything about it. People may complain about their company in the same way we complain about the weather: incessantly and with good humor.

The social function of complaints

Complaints like these draw people together with their allusion to shared experience and shared suffering. The recitation of innocuous complaints becomes part of a comfortable routine that puts people at ease with one another. The complaints can help strengthen social bonds and build a sense of community. Complaints may also have another social function: deflecting blame and avoiding responsibility. One of the great things about working for a company where everybody acknowledges that things are wrong, is that when things don't work, we can blame the company and its culture. Managers may build local loyalty with their team by blaming the company for decisions rather than taking personal responsibility for them. It may seem that if everyone is complaining then there must be momentum for change, but ironically the more complaint there is sometimes the easier it is for individuals to avoid having to change.

Positive energy on a company's good points

This points to an unexpected key to changing an unpopular culture. The change must start not with the classic steps of generating dissatisfaction with the status quo and a vision of how things will be better in the future. Instead it must start with positive energy about what is good about the company, what is worth keeping, and a vision of what will be protected in the midst of change. When Lou Gerstner took over IBM in 1993 he found a company full of complaint yet also complaisance. Transforming IBM required an enormous amount of change and took close to a decade. That change, however, started with Gerstner's bold decisions about what would not be allowed to change. Confounding the expectations of analysts and the business press, Gerstner would not break up IBM, he would keep the company together as a one-stop provider of solutions for customers. IBM would reinvest in the mainframe, it would remain in the core semiconductor business, and it would protect the fundamental R&D budget.

The key lesson Gerstner learned in his time with IBM, as he later reflected, was the importance of culture. "Until I came to IBM, I probably would have told you that culture was just one among several important elements in any organization's makeup and success—along with vision, strategy, marketing, financials, and the like... I came to see, in my time at IBM, that culture isn't just one aspect of the game—it is the game."

Professor Weeks teaches on the Advanced Strategic Management and Orchestrating Winning Performance programs.

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