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IN THEORY

THE WRONG WAYS TO STRENGTHEN CULTURE

The three missteps that thwart many efforts

COMPARED WITH SOME other activities of business leaders, such as hiring the right talent and setting strategy, changing corporate culture can be especially challenging. Culture is amorphous; there are no direct levers for shifting it in one direction or another. Indications are that CEOs are putting a higher priority on this aspect of leadership than in the past. According to a study by the research and advisory firm

Illustrations by LARS LEETARU

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Gartner, CEOs mentioned culture 7% more often during earnings conference calls in 2016 than in 2010. In surveys both CEOs and CHROs say that "managing and improving the culture" is the top priority for talent management. But the data suggests that there's lots of room for improvement: Each year companies spend $2,200 per employee, on average, on efforts to improve the culture (much of the money goes to consultants, surveys, and workshops)—but only 30% of CHROs report a good return on that investment.

When trying to spearhead culture change, many leaders use the wrong tools. Having surveyed more than 7,500 employees and nearly 200 HR leaders at global companies and conducted in-depth interviews with 100 HR leaders, Gartner has written a report identifying the most- (and the least-) effective ways leaders try to transform culture. To increase their odds of success, the report advises, they should avoid three mistakes.

Don't use simple adjectives to describe culture. Because culture feels "squishy" and hard to describe, leaders tend to resort to a generic, overused set of adjectives: Cultures are said to be high-performing, collaborative, innovative, customer-focused, entrepreneurial, results-oriented, transparent, or trusting. Gartner studied how companies using these various buzzwords compared with one another on progress toward revenue goals and found no significant differences—meaning that none of the labels creates an advantage. One reason: Often the chosen buzzword is at odds with how the company actually operates. That causes what Bryan Kurey, Gartner's managing vice president for HR research, calls a say/do gap: Employees see leaders' cultural aspirations as hypocritical.

Instead of using a single adjective to describe the culture you aspire to, *illustrate* it by acknowledging an important tension. "The tension is about the intersection of the ideal and present realities and how those play out day to day," Kurey says. Talk about wanting to create a "culture of innovation" might sound fanciful and out of touch if the business currently devotes 80% of its resources and personnel to existing product lines. The CEO should instead speak to the tension: "We support a culture of innovation while continuing to seek growth and profits from legacy businesses."

Other tensions evident in most businesses include the need to achieve both short- and long-term goals and an emphasis on results and accountability while also caring about employees' well-being and work/life balance. Explicitly recognizing such tensions avoids the disillusionment that can result when employees see leaders espouse one set of behaviors but live by another.

Don't measure culture with data alone. Because culture feels intangible, many companies depend on employee surveys when trying to quantify what frontline people think about it. Often the surveys overrely on measures of employee engagement. Firms also commonly look at turnover rates as an indication of culture and morale. But those numbers can provide false comfort. "The feedback gets sanitized at the leadership level, even if you're not trying to do that," Kurey says. "Data gets aggregated and averaged and becomes a little generic." Gartner suggests that companies include open-response questions in their surveys and ensure that leaders see some of the raw feedback. Smart leaders also go beyond periodic surveys, providing an atmosphere of safety that allows employees to speak up at any time without fear of reprisal.

Such unfiltered feedback is especially useful given that many employees feel disconnected from leaders' cultural aspirations. Gartner's research shows that on average, 69% of employees don't believe in the cultural goals set by their leaders, 87% don't understand them, and 90% don't behave in ways that align with them. By closing these gaps, Gartner says, companies are 9% more likely to meet or exceed their annual revenue goals. And having a qualitative sense of how employees are feeling can help them do so. "CEOs must not only encourage the unvarnished truth, but also create an environment that demands it," the researchers write.

Don't forget to alter policies to support cultural change. It's all well and good to talk about a company's collaborative culture. But if that company uses a forced-curve performance management system—in which a certain percentage of employees must receive low marks—it has created an environment in which workers must compete against one another for high marks, undercutting collaboration. Similarly, companies might declare themselves to be customer-centric but clamp down on the expense account spending necessary to let sales reps travel to meet customers face-to-face. "This is the area where leaders are least consistent—putting the operating model behind the culture," Kurey says.

To drive change, leaders must align what they say, how they behave, and how their companies operate in terms of processes, budgets, and policies. Many companies overlook the third item. "The 'operate' component has the biggest impact on workforce-culture alignment, [but] leaders are least focused on the most important aspect of role modeling," the researchers write.

Good leaders recognize that although aspirational talk about culture may originate in the C-suite, the actual culture manifests in cubicles and on shop floors far from top leaders' purview. That disconnect makes it essential that CEOs do more than talk a good game. "As the leader, you need to set up the structures, processes, and incentives in your organization and put your money where your mouth is," Kurey says. "That's the part of leadership people often miss—enabling your organization to actually adopt the new culture you seek to have."

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ABOUT THE RESEARCH *"Three Culture Conversations Every CEO Must Have with the Head of HR," by Gartner (working paper)*

IN PRACTICE

"It's Not a Win-Lose Situation"

In 2012 the Guatemalan family-owned conglomerate CMI hired ***Oscar Rivera*** *as its first-ever chief culture officer. Since then he has led a cultural transformation process to adapt how the firm's 37,000 employees work. Rivera spoke with HBR about the challenges of the effort and how he measures success. Edited excerpts follow.*

What about CMI's culture needed fixing? We are a highly diversified conglomerate, with six businesses that were very siloed. The company had been taking steps to create more synergies, such as implementing a companywide IT system, transforming the HR function, and consolidating purchasing efforts. Those projects had trouble getting traction, and our family owners concluded it was a cultural issue that CMI needed to resolve.

What did you do first? We needed to hear what employees thought and help them find a way forward. Over 18 months we held more than 30 workshops that included the company's top 300 leaders. The dialogues recognized the tension between the benefits of behaving more like a single company and the facts that each business is unique, the people

running it have special expertise, and they need to run it with some autonomy. So there was some resistance to change.

How did you overcome that? Through dialogues in the workshops, people recognized how siloed we were and concluded that what had gotten us here would not take us into the future. The leaders realized we would be more successful if we became more focused on managing synergies and value chains. And we urged everyone not to think of this as a win-lose situation, where the company is going to be one way or another. For example, you don't need to focus on either short- or long-term goals; you try to balance them. There are many examples of how ideas that are in tension can coexist.

How do you ensure honest feedback on how employees feel about the culture? We do surveys that yield data, but comments really matter too. Twice a year all employees attend a workshop at which they talk about how they are living our values. The focus isn't on teaching behaviors; we want people's opinions, and the workshops are the main source of feedback on the transformation. Sometimes comments correlate with the survey data; sometimes they don't. The most important thing is listening to what people have to say.

What's an example of how you changed processes to support the culture shift? In collaboration with our head of HR, José Miguel Larios, we proposed changing how we measure and recognize the performance of our top 300 executives. In the past it was focused on short-term and individual business results. The new system introduced two significant elements linked to how the entire company was performing over the long term and how the overall cultural transformation effort was progressing. That reinforced the idea that people weren't doing this because it was politically correct. There were benefits to individuals.

What's the return on the time and money you've invested in this? In 2012, when we asked employees to describe our culture, the majority said it was coercive. By 2017 more people described it as "democratic" and "visionary." We invested about $50 million in the overall transformation project. We'd hoped to earn that back in 10 years; we managed to do it in seven. We're no longer organized around our six businesses; today we think of the business as two large platforms. We're starting to have conversations to make the two platforms unique but collaborative. The work on culture is never-ending.