Cultural Transformation
Accelerate organisational change to drive sustainable results

Malmö Executive Summary
Introduction

Making lasting change to a corporate culture is a tough task. Organisations seeking to adapt and grow in a disruptive world cannot force through change purely by relying on technical approaches such as restructuring and re-engineering. Culture is shaped, forged and transformed by its people and the expected (and accepted) behaviours of the leaders. And when the business landscape and strategy changes, culture must change too.

Many companies today are struggling to implement business culture transformation programmes, and lack the requisite leadership skills. Old habits and old ways of doing business die hard. Yet in a rapidly changing, volatile world the need for flexible, adaptive, creative business cultures has never been more important.

To address these issues, the Center for Creative Leadership, in partnership with CorporateLeaders, hosted a ‘Cultural Transformation’ Roundtable Meeting in Malmö, Sweden. This was the first in a series of events hosted across Europe and the Middle East. The meeting was keynoted by Alexander Krujatz, General Manager at Sandoz Nordics, and David Altman, Executive Vice President and Managing Director (2016) at the Center for Creative Leadership (CCL) EMEA. The meeting also included roundtable discussion leader and moderator Christel Berghäll-Högström and Jasmine De Clerck, Regional Directors from CCL.
Cultural transformation journey

Alexander Krujatz, General Manager at Sandoz Nordics, opened the meeting with a story about his organisation’s cultural journey. Sandoz is a division of the Novartis Group and a global leader in generic pharmaceuticals with annual sales in excess of USD 10 billion. Rather than being tasked with a turnaround when Krujatz became General Manager in 2015, he was given the helm of a company that had “never been doing better”. In a sense his mission was to “continue winning”, or “repeating the magic for the next five years”. “What role is culture playing on that type of journey?” asked Krujatz. “What’s the role of talent, what’s the role of teams, what’s the role of leadership?” He offered the metaphor of a sailboat. “It’s all about the small but important sails - how to tweak, set, turn down, pull up the different sails to make this ship move as fast as possible. The reality is, you never really know which of these sails are dragging you backward. It needs all of these sails to work seamlessly together with a crew that is really good in operating these sails in a way that the boat moves with the winds as swiftly as possible.”

On closer inspection of the business he inherited, one pillar of their business was accounting for most of the sales. It was growing at a healthy pace so pretty much in line with the overall growth and took up reasonable resources. However, there were some other areas that were much smaller but consumed a lot of resources. So all of a sudden the picture looked different - the ship was “not very balanced”.

“You need to decide how many of your crew members you send behind each of the sails. Where do we change the crew and the way they operate?” The answer was a programme called ‘Nordic Mission’. The entire staff was asked to literally draw a picture together. “They were working on a 4 x 6 metre wall outlining this picture,” informed Krujatz. “Industry trends, status today, where do you want to go? What are the focus areas? What is needed to get there? What are the global priorities? What are the barriers and behaviours?” The drawing they came up with is still up on a wall at our offices in a place of pride. With the help of CCL, it was then translated into action points where “we identified five pillars: strengthening existing strongholds, rightsizing areas of engagement with low profitability, expanding areas with profitable growth, executing on product launches, and building new capabilities.”

To ensure these weren’t just buzzwords, “it was really important to take the first step to show that change is happening,” said Krujatz. “We undertook a restructure of one particular business segment in the Nordics. We had to let people go. This was hard to communicate, it was hard to do these cuts again in a context of a company flying in terms of success. But these areas were not successful and their prospects were not good. So we had to take the step.”

Starting a change journey by making a cut, not an investment, was an unexpected move. “But we shared with the organisation where we were going to redeploy these resources. We learned there were better, more profitable and more promising areas. Rightsizing one area and then a focused reinvestment into another area. It was a clear change in the way this company works.” A change in the management team then followed to underline the change of direction. “To go from a more silo type of thinking into ‘okay, let’s embrace the change and work together’. New joiners needed a helping hand to be part of the team. This also helped the more senior members of our management team to help me in integrating the new colleagues into the team.”

The company has since changed from the one Krujatz joined of “winning through execution - act fast, fix as you go, don’t think too much, stay lean - at the expense of planning or thinking ‘are we actually on the right track for the long term?’” Now, he says, “I think we have a more mid-term focus. ‘Make a difference’ is more important than ‘be fast’ these days. Speed is actually an outcome of being better prepared and not a means of doing things.”

* McKinsey - Survey April 2015: How to beat the transformation odds.
It serves as a modern business parable of the importance of business culture. Peter Bregman shared his culture change story in his Harvard Business Review blog in 2009 about an interaction he had with a senior leader of a professional services firm. "I’d like to talk to you about a big project," the leader told Bregman. "We need to change our culture." The firm, recounted Altman, was on the one hand exhibiting positive business results, yet employee satisfaction was low and turnover rates were high. It was known as a bad place to work. "The head of the firm told Bregman a story about a client meeting that had been scheduled on the day one of his employees was getting married. The employee was told to attend the client meeting because there was enough time for her to get to the wedding after the meeting. The message was clear.

Getting the culture right is a prerequisite to achieving successful transformation.

"Think about the stories of your team or organisation. Is there a compelling story about where your organisation is headed? Are the stories being told now inspiring or uninspiring? What new stories need to be told to reinforce the desired culture of the organisation?"

It is hard to achieve sustainable change or transformation without compelling stories. "How many have heard someone say, “That’s the way we do things around here?” asked Altman. When someone says that, it gives you a window into the culture of the organisation.

"If you don’t have a culture that is aligned with your business goals, whatever work you do on your business strategy, business processes and performance management will not be effective," said Altman. "Transformation leaders increasingly understand that getting the culture right is a prerequisite to achieving a transformation. Part of the culture analysis is to critically analyse the values that will drive the desired culture.”
Altman’s work at CCL includes helping company leaders identify aspects of their current cultures that are getting in the way of the transformation they desire. One likely offender is “groupthink”, said Altman, “which occurs when group members try to minimise conflict and reach consensus decisions without critical evaluation of alternative viewpoints. A team infected by groupthink avoids raising controversial issues or alternative solutions which can result in a loss of creativity and independent thinking. This is the risk of hiring people who think and act just like you, trying to create harmony, being conflict averse, and failing to engage in critical thinking.

“At CCL, we believe that building great organisations is about building vital and vibrant cultures that drive results and provide the foundation for transformation,” he said. “While the work of culture change and transformation is not rocket science, it won’t be successful without careful thought, hard work and a focus on unleashing the creative potential of people in the organisation.”

*David Altman, EVP and Managing Director (2016) at the Center for Creative Leadership (CCL) EMEA*
Putting theory into practice

One of the delegates opened the ensuing roundtable discussion with the challenges of combining international cultures across his business. “I was working on a complex project where we had French and Swedish cultures mixing. The French were really interested and intrigued by the flat hierarchy that is prevalent in Sweden because that creates a lot of opportunities for individual growth. A young, talented member will quickly be able to show their talent and develop their career. The Swedish were curious when the French spoke about ‘agility’ as an important feature as they didn’t like that word - it sounded like a dog-training situation.” The importance of language and cultural understanding can often be missed, especially during mergers and acquisitions with foreign companies.

Establishing a new culture, informed a shipping executive, can also take constant, sometimes laborious, repetition of the key messages: “the key for the transformation that we experienced was actually to stop the leaders behaving in a lot of these same ways, and to get the top six of us to be trainers, one week every month for three years, and to communicate two things: this is our strategy, and these are the behaviours and the culture we’re driving. That’s all we were speaking about for three years.”

Christel Berghäll-Högström, Regional Director at CCL and moderator of the event, took this idea and asked the room, “how do we coach our managers so that they are very well aware of how they use their authority to empower their organisation?”

“Water flows downhill,” answered one executive. “If you say the culture is how people behave when you think they’re not looking, then you’ve got to make sure that at the very top of the organisation you’re insistent, persistent, and consistent in driving the same way. People will follow that. They won’t follow a training program. It’s only worked for me when it’s started at the top.”

A former head of OD and HR in the room reflected that, “for most of my career, something I’ve found myself saying a lot was that most change efforts fail. It’s the most clichéd statement ever and by definition I must have failed more times than I succeeded. But it’s about the journey. A culture is never static, and it may be that some part of what you do may fail, but the culture moves along, no culture stays static. We probably don’t give ourselves credit for contributing some way to the ongoing cultural change.”

The habits of the organisational culture can support, or defeat, the efforts of an organisation to execute its vision and strategy.

In summary, said another executive, organisational change is like “a peloton of a bike race. You have domestiques, they’re servants that are there to help the leader of the team save energy and succeed, and you have people alternating who is in the lead. Sometimes culture is at the front of the peloton. Sometimes strategy is. It’s back and forth. They’re in it because they are interdependent.”

* McKinsey - Survey April 2015 : How to beat the transformation odds
Conclusion

It’s everyone’s responsibility

Much like the Tour De France itself, cultural change is both a race and a journey; and while there are stage wins to celebrate along the way, you must ultimately start again year after year. Teams must also be able to reflect on their performance openly and honestly. The true test of a culture is, in the face of something going wrong, do people feel able and supported to raise issues, or feel they have to cover them up? It is what David Altman calls ‘the bystander effect’, when people do not step in to help someone in danger if others are present, or a belief that ‘someone else will take care of it’. In workplaces, the most important reasons cited for not acting are the fear of loss of important relationships in and out of the workplace, and a fear of “bad consequences”.

McGregor and Doshi wrote in the Harvard Business Review (November, 2015) that “Culture is the set of processes in an organisation that affects the total motivation of its people.” It is culture, therefore, that best represents the shared assumptions, beliefs, words and actions of organisational life. If we want individuals who are as proactive with their ideas as they are willing to highlight mistakes and problems, then they must feel supported by the corporate culture. They must be the culture. The good news is that, if that is not currently the case, then transformation is possible. The ‘way things are done around here’ are hardwired – but they can be rewired. Cultural transformation, as shared by the speakers and delegates at this Executive Roundtable Meeting, can – if done successfully – create visible change in the underlying beliefs and assumptions that drive behaviour and business performance.

“Culture is the set of processes in an organisation that affects the total motivation of its people.”
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CCL is redefining the field of leader development beyond individuals to embrace the leadership development for you, your business and the world that together set direction, obtain alignment and commit to imperious change results. CCL believes that organisations need to bring leadership development and capability to the next level of maturity while implementing strategic imperatives. Organizations who can successfully navigate these turbulent waters will be successful in managing complex changes they face.

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