

STRATEGIES FOR CULTURE CHANGE

Culture Change Lessons Learned at Ford

When Alan Mulally joined Ford in 2006 it was close to bankruptcy. It had lost 25% of its market share from 1990. It had a wide portfolio of vehicles but few made sufficient margins, brands were not producing well and the need for capital infusions was continuous. Development time lagged, labor costs were exceptional and operating margins were uncompetitive. At his retirement in 2014, he was lauded not just for the financial constraints that he brought to the company but for the culture change which has led Ford back to market leadership.

Alan Mulally was a master at culture change. First, he drafted and widely articulated his vision of One Ford where everyone in the enterprise and its partners were One Team, leveraging knowledge across groups, focusing on what customers needed and bringing financial excellence to all aspects of the business. He immediately started to create conditions to propel new thinking and behaviors. For example, when he arrived meetings were described as mortal combat where leaders fought for self-preservation. Mulally quickly introduced new meeting norms to create a safe environment where data could be explored without blame. He focused everyone on what the customer needed and valued and made sure behaviors supporting collaboration and innovation were encouraged and rewarded. Mulally introduced new meeting, planning and innovation practices and strengthened trust and candor. He redesigned structure and systems. Overtime he let go talent that did not display One Team behaviors. The result is a vibrant innovation culture balanced founded on trusting relationships and financial discipline.

Building on culture strengths and making the culture changes required to execute strategy and achieve an organization's goals is a complex task. It demands the ownership, action and accountability of business leaders in partnership with Human Resources. Culture is 'sticky' so focusing on one approach such as communication or leadership workshops is rarely sufficient to sustain culture change. In this paper, we share some of the strategies that can be used to strengthen culture and build the positive dynamics needed for business outcomes.

CREATE A FUTURE FOCUS – LINK STRATEGY, BRAND AND CULTURE

- **Unite around the purpose for strengthening culture** - Paint a picture of future culture needs based on purpose, strategy and business outcomes. Communicate the future state culture needed for longer term success broadly and consistently so that employees hear the same thing from all leaders. Be clear and concise.

ASSESS YOUR CULTURE – KNOW HOW IT OPERATES TO SUPPORT STRATEGY

- **Identify culture strengths and development needs** - Conduct a culture assessment so that leaders understand culture strengths and the way they operate to support and impede future success, as well as culture development needs related to strategies and. Look beyond engagement to areas of culture needed to support high performance and strategic imperatives. With disruptive external change and new kinds of competitors, what was sufficient in the past may not be sufficient for tomorrow. Pay attention to how your organization is supporting innovation, collaboration, productivity, customer experience and agility.
- **Provide data for action** - While it's important to look at enterprise culture strengths and development needs, sub-cultures also play a role in strategy and goal execution. Provide meaningful current culture data to top executives and their leadership teams so that they can see how aligned their group and/or functional results are with enterprise results and if an additional culture priority is important for their area of responsibility.
- **Frame the need for culture work** - When the current culture brought past success, it's hard to feel safe about embracing a 'culture change'. Use positive, future focused language such as 'leveraging current strengths', 'evolving to deliver new kinds of strategies' and 'building new kinds of culture muscle'.

SET CULTURE PRIORITIES – FOCUS ON ONE OR TWO ONLY

- **Focus, focus, focus** - Culture is sticky. Identify 1-2 priority areas and focus on these for one year to get substantial change that sticks. Build cohesion across the executive team, first that these priorities are the areas that will be acted on, resourced and measured. For large organizations, each group or function with specific needs may need identify another culture priority. For example, a new acquisition may need to focus on Process Discipline in addition to the Cross-Boundary Collaboration priority established for the enterprise.
- **Direct attention at what's most important** - Complete a quick audit all of the changes to the organizational system underway. Root out those that are misaligned or will consume resources that should be directed to supporting the culture change. For example, if the priority is strengthening cross-boundary collaboration, halt the new bonus scheme that does not reward this and examine every all managers meeting for where and how collaboration can become part of the agenda.

- **Be clear** - Describe a small set of key behaviors to illustrate what beliefs and behaviors will be valued. Have conversations about what to 'stop, start, continue'. For example, Alan Mulally focused on objective, 'no blame' behaviors when reviewing data and results.

CREATE YOUR CULTURE CHANGE GAME PLAN – MAKE IT EXPLICIT

- **Identify 4-6 action strategies for each culture priority** - Anyone who has tried to diet or become more fit knows how difficult it is to change habits and routines. Work with leaders and their teams to develop 4-6 specific action strategies for the coming three months. These become the team's culture playbooks. Facilitate planning where everyone commits to doing these behaviors or practices over the three months. List week by week what this will look like in action. When it gets too complex, strip it down and make it more targeted. Roll the plans forward with weekly, monthly and quarterly check-ins.
- **Accelerate by focusing on high-leverage inter-related practices** - Use inter-connected day-to-day practices and routines to encourage valued behaviors, beliefs and assumptions. For example, for a team wanting to improve execution discipline, this may mean having a Monday morning cross-departmental meeting (a practice) to coordinate work, a Friday team conference call to review progress (a practice) and a monthly feedback session (a practice) to discuss improvements that could be applied to next month's work. Each of these managing practices focuses on the same two connected behaviors: being accountable and using constructive feedback. When the team develops the plan, they own and hold themselves and each other accountable for progress.
- **Use new practices to send signals that something needs paying attention to** - Changing a long-established routine that is locking in the old culture and impeding development of new culture strengths can send signals across the organization. For example, at IBM in the 1990's, monthly reports were cleansed of any incomplete or failed activities. Executives were in the dark. The reports were cancelled and replaced by a new, more transparent approach to monitoring that shocked many. Some changes to routines are significant and create upheaval and pain. Some create incremental change. Choose which strategy is needed knowing that transformational change does not come without pain.
- **Keep it simple** - Integrate culture development into daily routines. For example, at Ford Mulally introduced a simple red, yellow, green scorecard for monitoring goals and then had the team work hard at reviewing progress using objective data without blame.

- Identify pivotal groups of influencers Look for groups with influence and lots of relationships within and across groups to lead the way. At Ford, Mulally started with his executive team and then moved to Product Design.

USE THE AMPLIFYING EFFECT OF LEADER BEHAVIORS – ROLE MODELS

- **Role model desired behaviors** - Like ripple effectives on a pond, leader behaviors shape the culture of the organization. Leader behavior tells us what is desired and valued. Help managers lead the way. Use leadership meetings, development programs and coaches to improve self-awareness and understand more about the link between culture, strategy and leadership behaviors.
- **Create a feedback rich environment** - Use self-assessment, round tables, surveys and feedback sessions to help people understand how their behaviors are perceived by others and what the consequences are of specific behaviors.

ALIGN THE ORGANIZATION ‘SYSTEM’ – SUPPORT DESIRED BEHAVIORS

- **Architect structures, processes and artefacts to reinforce behaviors** - For new behaviors to take root a work environment is needed where these are supported and positively reinforced. To expect otherwise is unrealistic. For example, if there is the expectation that people will make decisions that benefit other groups but at times negatively impact their own department, then the right goal setting, measurement and reward structures need to be in place to support this. Identifying the elements of the ‘system’ that support and impede the desired behaviors is the first step. Taking action to align these elements with a focus on those that are most critical for adoption and sustained change is an essential part of any culture development plan.

MAKE IT PERSONAL - TAP INTO VALUES

- **Talk about the link to personal values** - Most culture development efforts rely on personal and group motivators and let the value of personal experience with desired behaviors reinforce new ways of doing things. At times however, there are people who are uninterested in the behaviors or resist changing their beliefs. In this case, connecting the desired behavior to an individual’s personal values can be a powerful means of helping them see how this can be positive for them. Have discussions with such individuals around

organization purpose and how their personal values connect to this. Talk about what they want personally, long term, from their lives and allow them to make their own links between desired and current behavior. Refrain from lectures or advice as this is unlikely to change thinking; this must be a dialogue. If there is no alignment between personal values and the desired culture, behavior change will be difficult to sustain. Perhaps the fit between the person and the organization is just no longer there.

MAKE CHANGE DESIRABLE - TAP INTO INTRINSIC SATISFACTION

- **Use positive feedback** - Most people want to do well, put in a good day's work and be proud of their achievements. Research shows that people have a powerful desire to do what is right and want to hear that they are on the right track from their manager and particularly their colleagues on a regular basis. Build in lots of feedback loops. For example, to close the weekly team meeting, ask who needs to be recognized for demonstrating behaviors important to the desired culture. Allow time for people to learn about the behavior and how it was applied.
- **Build pride in individual and team accomplishment** - Research also reveals that people whose work requires conceptual thinking are motivated by purpose, autonomy and mastery. Help people tap into these three powerful factors for intrinsic motivation. For example, a leader might realize that the new behavior is going to create some pain before it becomes a habit. He or she might make mastery fun by creating a game around it, increasing individual and team targets over time, posting daily results and having some friendly competition across groups. What could be an unpleasant learning situation can become a source of pride in individual and team achievement.
- **Conduct culture pulses** - Conduct regular short culture pulse surveys focused on culture priorities and share the data. Give departments their results. While this provides reinforcement that positive actions are making an impact and guidance and where to focus on next, it also leaves nowhere to hide for those groups who are opting out of the change.
- **Align recognition and rewards** - Keep recognition simple, local and targeted at demonstration of desired values and behaviors. When extrinsic rewards are needed to accelerate culture change, focus on the outcomes desired (delivery of goals and targets).

NO EXCEPTIONS – 100% CONSISTENCY, NO EXCUSES

- **Demand consistency** - Reinforce adoption of new behaviors and practices and demand 100% consistency - no exceptions and no excuses. Consistency builds trust and connectedness important for agility, collaboration, innovation and productivity. When progress is slow, provide support such as coaching by the manager or an internal or external coach.
- **Address non-compliance** - As the saying goes, the chain is only as strong as its weakest link. Without consistency, groups cannot effectively work in concert and deal with complex emerging issues and inter-dependencies. Take action when needed with individuals whose behaviors weaken culture. While each leader got a chance at Ford, Mulally and his top leaders made tough people choices in order to shape the culture year by year.

STORIES – FORGET THE POWERPOINT PRESENTATION

- **Tell stories** - The best way to shape a culture is to have everyone experience what it is like. Immersion is great but too often this is not possible. Create a vicarious experience by observing where the behaviors are in use and tell stories about what was seen and heard. People need to know two things: Will demonstrating these new behaviors be worth it? How does this apply to me?
- **Get others to tell their stories** - Stories explore what the behavior feels like and create an empathetic reaction in the listener. We become gripped by what was on the person's mind, the details of what it was really like and the results that were achieved. Encourage others to tell a complete story, making sure there is clear link between the desired behaviors and the purpose and business outcomes desired. Draw out the story teller to explain how specific behaviors brought better results. Let listeners work through the two big questions: Will it be worth it? Can I do it?
- **Use pilots** - Pilot significant changes and evaluate early behavior change to see if the behaviors are having an impact and create the outcome desired. Use early stories from these pilots to provide proof of gains ahead to those who have not yet bought into the change. From these, identify unintended consequences, barriers and gaps in support that need to be addressed.

SKILLS & SUPPORT – BUILD COMPETENCE AND CONFIDENCE

- **Build mastery** - New behaviors require learning which can be painful. Immerse people in demonstrating new behaviors frequently and stick at it for at least three months so habits form. Mulally drove transparency and information sharing every day for years until everyone valued and demonstrated it.
- **Provide support** - Don't forget about recovery support to help people get back on track when they drop new behaviors. Dig into what is impeding the desired behaviors. Leaders, peer coaches and external coaches are all social supports that can be part of gaining mastery and consistency. HR can play a key role in setting up networks of peer coaches and external coaches to support those trying hard to shift behaviors and practices.

SHERRILL BURNS

Sherrill Burns is a founding partner and President at Culture-Strategy Fit. Sherrill leads the support of client engagements and works with Culture-Strategy Fit alliance partners around the world to ensure quality delivery of all engagements that result in sustained change.

DR. NANCIE EVANS

Dr. Nancie Evans is co-founder and VP Client Solutions at Culture-Strategy Fit Inc. Nancie is an executive coach, researcher and experienced OD professional with deep expertise in culture, leadership and strategy. She has developed a unique set of leading-edge tools and methodologies that help leaders intentionally shape and change culture to align with strategy. For more information, visit cultureguru.net.

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