Without a deep and accurate assessment of their organisation’s culture, boards and management teams will find it very challenging to initiate and implement strategic change.

A company however big or small, cannot successfully implement corporate strategy without employees who believe in the mission and understand how to achieve it. As Louis V. Gerstner, former CEO of IBM once noted, “Culture isn’t just one aspect of the game, it is the game.”

One of the starting points of understanding an organisation’s culture is to understand its founding principles. What is its heritage? Its legacy? Its points of differentiation? And the markets and customers that it serves?

Culture is an aggregation of the mindset and beliefs of an organisation’s employees. The manifestation of the principles, vision and mission that bind its people together. In today’s business world, where acquisitions, mergers, diversifications, expansions and sell-offs are becoming more and more common, understanding organisational culture in strategic decision-making is becoming critically important. The DaimlerChrysler merger failed due to culture clash as did the consolidation of Time Warner with AOL.

Richard Parsons, Time Warner’s former chairman and CEO later told The New York Times, “It was beyond my abilities to figure out how to blend the old media and the new media culture. They were inherently at war.”

A common goal

Whether it’s a small start-up in the initial stages of the growth curve or a massive organisation pursuing global growth strategies, culture plays an important role in ensuring that the organisation stays on course and does not veer off the path.

Driving and implementing effective strategic change, is in most instances, a medium- to long-term priority for leaders. Similarly, an organisational culture also develops over time, with a combination of active reinforcement by senior management and voluntary cohesion and dissemination as the organisation’s beliefs and purposes permeate through the hierarchy. Because of the inherent patience that managers require to both drive strategic change and create a purposeful culture, it makes all the more sense that both work in conjunction with each other rather than against.

Driver for success

The word “culture” alludes to a softer side of the human personality where you have all the emotions that come into the picture. In reality, it is one of the most important drivers of success in implementing change and ensuring sustainable success. In his
Professor Emeritus James L. Heskett argues that the
impact of organisational culture on profit can be
measured and quantified. He states that enabling
purposeful organisational cultures can improve
corporate performance by between 20 and 30
percent compared to culturally unremarkable
competitors.

And organisations can best implement long-term
and sustainable strategic change by positively
influencing and changing behaviours of people to
align with the principles of change. These
behaviours, in turn, can be most effectively
influenced, when they are in-sync with the
organisation’s culture.

Principles for success

Organisations most successful in driving and
implementing change share three underlying
principles through which they embrace the culture,
and use it as an enabler in the process.

1. They understand differences in global
cultures: This factor may be more relevant for
global organisations but is equally relevant for a
start-up with ambitious growth aspirations.
Understanding how an employee in Indonesia will
react to a new strategic initiative compared to how
an employee in Germany is critical in implementing
change at the ground level. It essentially means that
the overarching elements of the strategy need to be
adapted to fit with local market-level ways of
operation.

2. Understanding what culture means to different
people: This is more of a challenge for established
organisations with scale compared to newly founded
companies. Culture means different things for
different people within an organisation. The
creative/design group in a brand consultancy
organisation may think that its department is the
“coolest” place to work, but the marketing/sales
group who are responsible for selling the design
solutions, may think that the capabilities of the
design group are staid and not in tune with the
times. Broader organisational changes will impact
employee groups differently and the cultural
component of the change needs to be measured
carefully.

3. Align change initiatives with the culture: Both
the DaimlerChrysler and the Time Warner-AOL
mergers were within the same industry but still they
failed. This clearly outlines the perils of ignoring
culture as a factor when planning and implementing
strategic initiatives. Even though both Daimler and
Chrysler manufactured automobiles, the
management styles and the processes of
collaboration in each company were strongly driven
by their country of origin, in this case the American
and German cultural ethos. The two ethoi were
never reconciled and adapted within the merged
entity and constantly clashed. It is important that all
forms of strategic planning imbibe culture as a
factor impacting success, in addition to finance,
manpower, and capabilities.

Conclusion: Balance Strategy and Culture

The importance of culture cannot be underestimated
in driving change, but it is important to be selective
about the aspects of culture that needs infusing with
the specific initiative. Any form of change is
disruptive to some degree so it is not necessary to
precede every strategy-driven change with a
massive transformational exercise in company
culture. Aligning a company’s strategy with its
culture reduces the disruptive nature of the change,
but it is still a change. So, savvy leaders ensure that
culture and strategy work in collaboration for
success, but in a balanced and efficient manner.

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