
Culture Can Make or Break Strategy



By **Martin Roll** , Business and Brand Strategist, Founder of Martin Roll Company (INSEAD MBA '99D)

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 like different species, in fact, they were species that 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 book, "The Culture Cycle", Harvard Business School 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.

Martin Roll is a business & brand strategist, and the founder of Martin Roll Company. He provides advisory and guidance on leadership, strategy and execution, and how to build and sustain high-performing, enduring brand-driven businesses and global, marketing-oriented organisations. Martin Roll has an MBA from INSEAD ('99D) and is the author of ***Asian Brand Strategy***. You can follow him on Twitter ***@MartinRoll***.

Follow INSEAD Knowledge on ***Twitter*** and ***Facebook***

Find article at

<https://knowledge.insead.edu/strategy/culture-can-make-or-break-strategy>

About the author(s)

Martin Roll Martin Roll (INSEAD MBA '99D) is a Distinguished Fellow & Entrepreneur in Residence, INSEAD. He is a business and brand strategist, and the founder of Martin Roll Company.