By Anthony O'Reilly

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We don't have to look far to see the impact of poor culture on business. At Rio Tinto, issues including bribery; environmental destruction; and repeated bullying, sexual harassment, and racism directed at its female and non-Caucasian staff forced out senior leaders, plunged the company into a long-running negative news cycle, and are forcing it to consume capital on a host of remediations.[1] In a hot market, the company will struggle to attract talent at a time when candidates say culture matters more than ever. The employee protests at Activision Blizzard triggered by the way its female staff were treated may well have wiped value off the company,[2] and Microsoft, which announced it will acquire the game developer for $69 billion,[3] has already committed some of its own capital to fix the culture.[4] This will only further complicate the integration challenges.

These examples demonstrate why culture is hard to change—because culture is the habitual and collective actions of people at all levels in the organization. Culture is embedded in the language people use, the stories we tell ourselves about our organizations, and the decisions we make about whom we honor and whom we sideline. It is self-affirming in businesses as they are growing, and it becomes self-sustaining. Changing culture takes deliberate and concentrated effort.

Culture skills are needed everywhere. Culture regularly features on the agenda of many boards, is in the scope of regulatory examinations globally, gets evaluated by the Department of Justice when contemplating corporate prosecutions, and is especially important in private companies. A report from AlixPartners in 2020 concluded that toxic culture often holds back the rapid transformation that private equity firms need to see in their portfolio companies. Alix reported that 50% of portfolio company cultures didn't even align with their business purpose.[5] The financial impact is serious: Delayed transformations mean capital is locked in longer than it needs to be, reducing returns and limiting the opportunity to redirect effort.

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