Culture change: What makes it stick?

By Anthony O'Reilly

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The first two articles in this three-part series examined how to get started on a culture transformation[1] and some important moments each transformation must pass through.[2] In this piece, we explore the most critical—and often overlooked—aspect of culture change: making it stick. Organizations often launch change programs with fanfare and sometimes even bolt on a control mechanism to reinforce it. But all too often, the initiative fails to deliver the heady expectations laid out for it, and the momentum soon fades. Why this is, and what we can do to deliver the promised returns, are the basis for this article. Again, this is based on my own observations from first-hand involvement in three very different culture change programs: during a merger, following a reputational disaster, and responding to a CEO's request for help.

Natural resistance to culture change

Culture does not change overnight. Norms are built over years or even decades, passed down between generations of managers. Therefore, repetition and persistence are necessary parts of any culture change. Initiatives that focus on a high-profile launch and top-down communication are destined to fail as soon as the next company initiative hits the wires. It can be worse if the drive for a culture change is some emergent crisis because sentiments can arise about this being a temporary reaction that will subside as soon as things "return to normal," allowing inertia to take over.

Senior leadership turns over more frequently than we might imagine. According to a Korn Ferry survey published in 2020, the average C-Suite tenure at the largest 1,000 American companies was 4.9 years. Put another way, on average, a company with just 10 members in its executive committee sees two of these replaced every year.[3] This means we cannot rely on the force of personality to sustain a culture change. New leaders will emerge with new priorities, perhaps seeking ways to distance themselves from the old ones.

Finally, as described in this article by Rich Lyons, people often struggle to see the link between a culture initiative and business purpose, so when these appear to clash, the culture initiative takes a back seat to getting business done.[4] In other words, tying culture change to some presumed common good like "integrity" or "building trust" rather than to an already agreed-upon commercial purpose is unhelpful.

Use control discipline to drive sustainability

A CEO once asked me, "How do you change a culture?" Having lived through this, I responded immediately that you change a culture by changing the people. And there are two ways of changing the people: either get rid of them and bring in new ones, or change all the controls in the systems that attract, select, deploy, and motivate

the people—what I term "employee life cycle controls." Even when choosing to replace people, the initiative will fail without also changing these employee life cycle controls.

This conversation led directly to a long-term collaboration with the company's chief human resources officer (CHRO), whose support is essential in any culture change initiative because this person operates the control systems in the employee life cycle. Sometimes, a CHRO will not own the culture program, and the desired culture attributes will come from elsewhere. But this is not critical. Just as the chief procurement officer does not decide what supplies we need to buy but does control the buying process itself, the CHRO controls the systems through which hiring, deployment, and reward decisions pass. The first thing to do to sustain a culture change is to take hold of those controls.

Before exploring what this entails, we have to be really clear about what a control is and is not. Sometimes even auditors and compliance professionals can be unclear about this, so it is worth being specific. A control ensures a desired action or prevents or detects an undesired action. Controls are not procedures, but they are the points within a procedure that act as gates or approvals, or that limit or escalate transactions. For example, a control might prevent a transaction from proceeding because it exceeds a desired limit or fails to meet a required standard. Controls differ from policies, standards, and procedures, which are merely statements of intent and do not actually "ensure, prevent, or detect" anything. Importantly, when a control relies on an automated procedure, it is what someone decides to do with the output that counts—not just the automated response. There is no point in creating an automatic alert if no one is watching or responding to it.

In this context, then, controls within the employee life cycle might include the answers to the following:

- What prevents us from hiring someone whose ethical decision-making skills are poor?

- What ensures that culture attributes receive equal (or perhaps greater) weight in allocating bonus rewards or merit pay?

- What prevents managers who fail to foster the desired culture from being promoted or given high-profile assignments?

Working with the CHRO and her team at one organization, we tackled these points one by one, taking care to keep the CEO apprised and involved. For instance, once we had reasonable data to support it, we built data about the desired culture into the annual performance review. We established boundaries for above-average and below-average performance on a particular attribute of culture that we wanted to improve. We gave managers the data so they could apply this in their employee performance reviews, which happened twice annually in this company.

Here, you can see a weak point in the control system, one that organizations can struggle over because it wrestles with the key goal of manager autonomy. Companies prefer to delegate decisions to managers; otherwise, they risk inhibiting personal growth or a sense of ownership. However, at this company, we initially found too many managers that acknowledged but undervalued the data on culture when making their performance decisions. So, we ultimately ended up overriding some of their choices. In this case, we intentionally abandoned the concept of a "balanced" scorecard in favor of an approach that reinforced the culture change. This acted like a veto: preventing those with below-acceptable culture scores from promotion or receiving the top-rated band on pay, regardless of other performance attributes such as client satisfaction or technical excellence. This is where the control comes in—the intentional intervention in decision-making systems.

As people first join the manager ranks, they are often keen to master handling these employee life cycle transactions like interviewing or completing performance reviews. By training new managers how to interview

for cultural attributes or apply them in annual reviews, you are reaching future leaders at their most attentive. At the consulting firm, we quickly realized how critical new managers were for driving cultural change. It is an honor and a privilege to become a manager in that environment, and it marks a real difference in status and responsibility. So, take care to train your newest managers while they are especially attentive to this new role. They will quickly carry change with them as more cohorts come through.

It is vital to communicate often and clearly about how the culture change aligns with the business purpose and to promote relatable examples of the desired culture in action. For this reason, I have found it necessary to collaborate with the head of internal communications. Communications need to be regular and repetitive to avoid the "initiative-of-the-moment" feeling. They also need to be multifaceted. At one organization, we worked the culture into every town hall meeting, released short videos each month showcasing real situations, and delivered an annual report for employees, describing with data how culture was applied in talent decisions. While we never named individuals, we did share specific stories. People need to believe you are active, serious, and in it for the long haul.

Over time, consistently applying controls in the selection, deployment, review, and promotion processes and matching this with sustained and repeated messaging about the cultural attributes led to fewer interventions. Everyone who has been through a change process knows that the early days can feel awkward, but repetition normalizes the change.

It's a marathon *and* a sprint

While persistent and deliberate focus on the employee life cycle controls sustains cultural change, we should not ignore the importance of short-term successes. Don't wait for two annual cycles to unfold before taking stock of progress or celebrating a significant success. Even if you are unsure how to measure progress, it is better to start early. At one company, we decided to look at data on culture scores, compensation bands, and promotion outcomes. At first, we did not know whether this would be informative but quickly found the correlation between these data to be powerful.

Takeaways for compliance professionals

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework on Internal Controls includes a component called "Control Environment." One of the principles within this is "a commitment to attract, develop, and retain competent individuals," which was originally described as simply a "Commitment to Competence."[5] In essence, this is the employee life cycle that I have found useful in sustaining a culture change. Taking stock of how well the controls within the employee life cycle are working and how the organization handles talent outcomes is an effective way for Compliance professionals to form an opinion on this principle of the control environment under COSO, which in turn informs our assessment of risk.

Takeaways

- Culture initiatives often lose steam when they over-focus on the launch effort.

- The employee life cycle contains important control points that, when used, will sustain a culture change.

1 Anthony O'Reilly, "So you want to change your culture: Where to begin," *Ethikos* 36, no. 3 (July 2022), https://bit.ly/3TlnP5r.
2 Anthony O'Reilly, "Culture change: Three essential phases," *Ethikos* 36, no. 4 (October 2022), https://bit.ly/3rg4J3R.

3 Korn Ferry, "Age and tenure in the C-Suite," 2020 study, last accessed November 29, 2022, https://www.kornferry.com/about-us/press/age-and-tenure-in-the-c-suite.

4 Rich Lyons, "Three Reasons Why Culture Efforts Fail," *Forbes*, September 27, 2017, https://www.forbes.com/sites/richlyons/2017/09/27/three-reasons-why-culture-efforts-fail/?sh=467fc09ae077.

5 Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control — Integrated Framework: Executive Summary*, May 2013, https://www.coso.org/Shared%20Documents/Framework-Executive-Summary.pdf.

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