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Stop Blaming Your Culture

Start using it instead — to reinforce and build the new behaviors that will give you the high-performance company you want.

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by Jon Katzenbach and Ashley Harshak

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When Alfred M. (Al) Gray Jr. became commandant (the highest-ranking officer) of the U.S. Marine Corps in 1987, most knowledgeable observers believed that the Corps's fabled "warrior spirit" culture was already damaged beyond repair. During the Korean and Vietnam Wars, the Corps had grown from its historic level of 75,000 regulars to more than 200,000, and its values and discipline had eroded. It would have been easy for Gray to blame the damaged organizational culture for the problems he inherited, and to launch a formal, full-scale change initiative. But instead, he began to praise and seek out elements of the old Corps culture, such as its ethic of mutual respect. For example, he regularly slipped into the mess halls without insignia, so he would be served the same meals as the privates. To this day, Al Gray is the only Marine Corps commandant portrayed

in battle fatigues in his formal portrait in the Pentagon. He is one of the most respected leaders in the Marines' 250-year history.

Leaders like Gray understand the value of an organization's culture. This can be defined as the set of deeply embedded, self-reinforcing behaviors, beliefs, and mind-sets that determine "how we do things around here." People within an organizational culture share a tacit understanding of the way the world works, their place in it, the informal and formal dimensions of their workplace, and the value of their actions. Though it seems intangible, the culture has a substantial influence on everyday actions and on performance.

Organizational cultures don't change very quickly. Therefore, if you are seeking change in your company or institution, you are most likely to succeed using your

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existing culture to help you change the behaviors that matter most. Bit by bit, as these new behaviors prove their value through business results, the culture you have can evolve into the culture you need.

Blame and Its Alternatives

When a new leader's strategy puts the culture of a company at risk, the culture will trump the strategy, almost every time. There are good reasons for this. Every company's identity — the body of capabilities and practices that distinguish it and make it effective — is grounded in the way people think and behave. Deeply embedded cultural influences tend to persist; they change far more slowly than marketplace factors, and cause significant morale problems when not addressed effectively. When your strategy and culture clash visibly, more likely than not, the culture is trying to tell you something about your own leadership philosophy.

But many leaders overlook this message. They blame the company's culture for the resistance they encounter. In the most extreme cases, they assume an explicit mandate for wholesale cultural change. This leads them to remove key leaders and old practices, restructure operations, set in place new rewards and promotions, and announce other across-the-board programmatic changes. This approach is costly, disruptive, and risky. Moreover, it takes years to accomplish. Working in a culture that is under attack reduces employees' energy and de-motivates them. It may require a major marketplace or economic disruption to get people to buy in. Clearly, this is not a game for the faint of heart. Worst of all, it is rarely successful; few major corporate transformations, especially those involving a wholesale change in the culture, achieve their

intended performance goals.

Alternatively, leaders may try to ignore their culture and act as if it isn't important. But when overlooked, the hidden power of a company's culture can thwart any leader's strategic aspirations. No matter how many top-down directives you issue, they will rarely be executed, at least not with the emotional commitment and consistency needed to make them successful.

This is not to say that your existing culture is sacrosanct. Indeed, many companies need some kind of culture change. There are passive-aggressive cultures where people routinely fail to follow through on their agreements, creative but undisciplined cultures where talented people pull in different directions, and highly politicized bureaucratic cultures that must bear the expense of their heavy-handed management style.

But when you fight your culture head-on or ignore it altogether during a change initiative, you lose the chance of reviving some of the attitudes and behaviors that once made your company powerful — and might do so again. Several studies (including one conducted by Booz & Company and the Bertelsmann Foundation in 2004) suggest a correlation between financial results and a strong, inspiring organizational culture. The correlation is hardly surprising; after all, cultures influence and energize the behaviors that matter most. Procter & Gamble, Southwest Airlines, Apple, Tata, Starbucks, and FedEx are among the household-name companies noted for unique cultures that contribute significantly to their competitive advantage.

Fortunately, there is an effective, accessible way to deal with cultural challenges. Don't blame your culture; use it purposefully. View it as an asset: a source of energy, pride, and motivation. Learn to work with it

and within it. Discern the elements of the culture that are congruent with your strategy. Figure out which of the old constructive behaviors embedded in your culture can be applied to accelerate the changes that you want. Find ways to counterbalance and diminish other elements of the culture that hinder you. In this way, you can initiate, accelerate, and sustain truly beneficial change — with far less effort, time, and expense, and with better results, than many executives expect.

Edgar H. Schein, author of *The Corporate Culture Survival Guide* (rev. ed., Jossey-Bass, 2009) and a leading authority on organizational culture, tells a story that illustrates the unexpected leverage this approach offers. (See “A Corporate Climate of Mutual Help,” by Art Kleiner and Rutger von Post, *s+b*, Spring 2011.) Three senior executives of a large manufacturing company — the CEO, chief operating officer (COO), and head of organizational development — visited him, seeking advice on building a more dynamic culture. “Just yesterday,” said the COO, “I had my regular meeting with subordinates. We have a big circular room, and everybody sits in the same place each time. But get this — only four people were present this time, and they still sat at the far ends of this great big table. Do you see what I’m up against?”

“What did you do about it?” asked Schein.

The executives responded at first with blank stares. Then they realized they were part of the system they were blaming. The COO could have made a small but significant change simply by asking the four of them to move their chairs. Better yet, he could ask the full team to vary their seating at the next meeting. The executives spent the next several hours figuring out other minor actions of that sort, which they put in place the following week, with great success.

Myths of Culture Change

Why don’t corporate leaders naturally respond to culture in this productive way? Because of several myths about culture change that have become prevalent in the business world. Each of these assumptions leads to treacherous pitfalls.

- **“Our culture is the root of all our problems.”** This becomes an all-purpose, convenient excuse for performance shortfalls. “Our process-oriented culture inhibits collaboration,” managers say. Or “our long-standing beliefs about nurturing people make us coddle weak performers.” Underlying this myth is a view that attitudes and beliefs shape people’s behavior. This view ignores

the realities of organizational culture. As we’ll see, behavior can influence beliefs at least as much as the other way around.

- **“We don’t really know how to change our culture, so let’s escape it.”** There’s a long tradition, going back to Lockheed Aircraft’s Skunk Works in the 1940s, of creating pockets of entrepreneurial activity for high-performance results. These are explicitly intended to operate outside the prevailing culture. They may thrive for a few years, but they are typically treated as outliers by the rest of the company. Eventually, they are either spun off or absorbed back into the mainstream, succumbing to the company’s cultural malaise. “Our culture kills even our most innovative efforts” thus becomes a self-fulfilling prophecy. One of the most famous of these efforts was General Motors’ ill-fated Saturn brand, modeled after the culture of Japanese automakers and set up to run separately and independently — but eventually overtaken by GM’s culture.

- **“Leave culture to the people professionals.”** Executives with an engineering, finance, or technology background often feel ill-equipped to deal with cultural issues. They delegate them to their human resources, organizational development, or communications teams. “It’s all about the ‘soft’ side,” say the executives. “We have to improve our employee engagement scores.” But the quality of the culture is as much a product of the “hard” side of the organization (strategies, structures, processes, and programs) as it is of the soft side (beliefs, opinions, feelings, networks, and communities of common interest). Although your internal professionals can measure and monitor behavior as well as advise line management on culture issues, they cannot motivate, execute, or implement strategic or performance imperatives. Ensuring behavior change that drives competitive advantage is the role of line leaders at multiple levels.

- **“Culture is the job of the top leaders.”** It is very powerful when the CEO and other top executives take explicit personal accountability for the company’s culture. But senior leaders cannot change cultures by themselves. They operate at such a large scale, and with such broad visibility, that they cannot directly motivate people to implement the specific practices and behaviors that are required. To succeed with a culture intervention, top leaders need the support of many leaders down the line — particularly those who have daily contact with the people whose behavior change is most critical.

Sometimes, this myth manifests itself at the board level. Directors assume that the only way to improve

Senior leaders cannot change cultures by themselves. They need the support of many leaders down the line.

performance is to replace the current CEO with another top leader who can bring forth a new and better culture. Because they are looking for someone who promises major change, the company inevitably gets a full-scale culture overhaul — with all the expense, risk, disruption, and likely failure involved.

Working with and within Your Culture

Each of these myths plays out differently. But underlying all of them is a big dose of defeatism. Culture is thought to be too big to ignore, too tough to conquer, and too soft to understand (at least by typical managers). Thinking this way, especially when there have been previous culture change disappointments, is enough to sap your energy and enthusiasm for change. It can squelch any realistic effort toward high performance before you gain the momentum necessary for sustainable success.

By contrast, working with and within a culture is sensible, practical, and effective. Thus, it is inherently energizing. When leaders learn to operate this way, their employees tend to become more productive and their own efforts become more rewarding.

The first thing to change is the view that, as a leader, you can fix your culture by working on it directly. Rarely is that the case. Just as you typically can't argue someone out of a deeply held belief, you can't force people to change the way they think and feel about their work. Instead, you need to focus on specific behaviors that solve real problems and deliver real results. This, in turn, enables people to experience the results of thinking differently. Experience becomes a better teacher than logical argument.

Imagine that you were an advisor from an industrialized nation, sent to a remote island village to help lo-

cal farmers improve their productivity. Would you start by trying to overhaul their culture to be more like your country's culture? Or would you set out to learn more about the way they thought, looking for connections to your ideas, giving them reasons to feel confident about trying something new? The former approach might make you feel more important at first, but it would likely fail — or at best, take years to accomplish. In contrast, offering a few new methods might generate an approving early response, and those practices would spread as they produced results. The same is true in your company.

As Schein puts it, "Always think first of the culture as your source of strength." Tapping into the emotionally gripping aspects of your existing culture can accelerate performance. For example, a deep commitment to customer service may exist, even in companies that are losing customers. This can be drawn upon in efforts to improve customer retention rates. The ability to diagnose the beneficial attributes of a culture, and then use them to motivate strategically important behavior, is one of the key factors that differentiate peak-performing organizations from the also-rans in their field.

A corporate culture takes some of its attributes from the professional and educational background of participants. An electronics engineering-driven company like Hewlett-Packard has a very different cultural ambience from a pharmaceutical firm like Pfizer, a bank like JPMorgan Chase, or a "metal-bending" manufacturer like GM. Culture is also influenced by the attitudes of the founders, the location of the headquarters, the types of customers that the company serves, and the experiences people have together. That's why different companies in the same broad industry, such as HP, Apple,

Microsoft, Intel, Acer, IBM, and Dell, can succeed with such different cultures. Within an overarching corporate culture, there are generally several subcultures, each with its own unique elements. Schein writes that these can include an operational culture, spurred by line managers eager to get the most out of their people; a senior executive culture, grounded in financial insight and training; and an engineering culture, in which attention is focused on the technology.

To understand your culture, you need to pay close attention to its quiet, sometimes hidden, manifestations, such as the side conversations in the hallways, the informal consultations behind closed doors, and the incisive guidance that people get when they ask one another for advice. It is also evident in the formal lines of the organization chart and the ways in which directives are worded. Cultures can be diagnosed best by the work behaviors they promote. Do people collaborate easily? Do they make decisions individually or in groups? Are they open with their information? Do they reflect on successes and failures and learn from them?

As you move from diagnosing to improving behaviors, focus first on the few critical changes that matter most and support getting the work done, thereby accelerating the results you want. Make use of both formal and informal mechanisms.

Turning Around Mother Aetna

One executive leader who worked expertly with his existing culture was John W. (Jack) Rowe, CEO of Aetna Inc. from 2000 through 2006, chairman from 2001 through 2006, and currently on the faculty of Columbia University's Mailman School of Public Health. A former gerontologist at Harvard Medical School, Rowe

— along with Aetna's then president, Ronald Williams, who became CEO upon Rowe's retirement and is now the company's chairman — led one of the most successful turnarounds in U.S. corporate history. In five years, Aetna went from losing \$1 million per day to earning \$5 million per day.

The Rowe/Williams effort was the fourth attempt to transform Aetna's strategic performance in 15 years. The previous three efforts were derailed by the culture, which was known within the company as "Mother Aetna." This mind-set pitted the 40,000 employees of Aetna against everyone else the company had to deal with, for example, doctors, patients, medical providers (such as hospitals), and the employers who bought insurance. This "us-against-them" attitude had given Aetna a reputation as the most suspicious, recalcitrant, and bureaucratic health insurance company in the United States. All three previous top-down change interventions tried to increase the staff's empathy for customer organizations, sensitivity to doctors, and responsiveness to patients. Two efforts basically ignored the culture, and the third tried to smash it apart. All failed.

Rowe often describes himself as the least likely person for the Aetna board of directors to pick as CEO. "I never ran a business," he says. "I had never been to business school, or had any commercial management experience. The only thing I'd ever done was take care of patients and try to make hospitals do better." That willingness to admit he didn't know everything served him well. He started by identifying about 100 people throughout Aetna as "nonhierarchical influencers." He sought them out informally, asking them to help him understand how employees felt — about customers and patients, about their own work, and about the goals of the company. These people acted as what anthropologists call key informants: cultural guides who could help him get to know the company more intimately than he ever would through purely formal channels. He stayed in touch with them continually, through e-mail, one-on-one visits, and group discussions. They gradually became the core of a group of people who shaped and supported Aetna's new strategic direction.

Second, he set out to reconsider the company's

shared values. Aetna had been in business since 1819 (in its current form, since 1853), and its company statements about such values as honesty, caring, truthfulness, and teamwork were long established. But they weren't congruent; he uncovered at least a dozen different formal values statements that various leaders had put forth over the past decades. So Rowe set up dialogues in Aetna offices around the U.S., on the subject "Why aren't our shared values practiced in interactions with our customers?" People discussed this question in groups of about 30, defining specific ways in which they (and others) might act differently.

After 20 or more such events, Rowe worked with several of his colleagues to write up a new statement of values and behaviors. He also set up what came to be called purpose-driven councils — cross-functional groups designed to find ways to make critical changes happen. Rowe and his team designed these councils with three distinctive characteristics. First, they assigned each an explicit purpose, such as organizational effectiveness (developing a plan for restructuring the company) or strategic direction (developing a plan for prioritizing customer opportunities). Second, they enlisted members who were well respected by their colleagues and who had many informal connections. Third, they gave the councils decision authority over the areas they were investigating. The strategy council's efforts eventually led Aetna to spin off its financial-services businesses and discontinue some unprofitable offerings, such as health insurance in certain countries.

The new formal practices were congruent with the values in the culture. For example, the executives laid off about 15,000 people, or almost one-third of the workforce. But they did it in a relatively transparent,

compassionate way, with a clear rationale for those chosen to leave, and with pay increases and stock options (along with an increased work week) for those who remained. Rather than worrying that their jobs might be next, the remaining staff at Aetna now had a culture that they had helped define, in which they felt more a part of the growth direction.

Rowe and Williams also commissioned a cross-organizational effort to build motivational capability among the most respected frontline supervisors in the company. These "master motivators" were respected by their peers; they connected widely and virally in ways that energized many of the changes.

The Power of Behavior Change

The notion that behavior change leads to attitude change can be traced back to the 1950s, to psychologist Leon Festinger and his theory of cognitive dissonance. Festinger argued that when people are induced to act in new ways, even if those new behaviors feel unfamiliar or wrong at first, their need for consistency will gradually affect the way they think and feel. They will seek out reasons to justify their new actions — both rationally and emotionally.

Behavior change affects attitudes most powerfully when it is supported by empirical evidence and real-life observation of better results. Direct experience trumps the old beliefs of an established culture. If that experience is reinforced by a group of people, then it is far easier to change a culture than most people believe. But you must focus on changing the behavior rather than engaging with the culture directly.

In emphasizing behavior, you are looking for those few actions, conducted again and again, that will lead to better values (and thus to better results). Make clear the distinctions among the *values* you want to develop, the one-time *actions* you are changing, and the recurring *behaviors* you hope to instill. A commitment to service, for example, is a *value*. When a retail salesperson expresses that value by helping a customer exchange a purchase, that's an *action*. When the salesperson does this routinely, knowing that over time it will help solidify customer loyalty to the store, it's a *behavior*.

Repeated behaviors have cultural impact because they are contagious. People unconsciously imitate what they see others do.

Similarly, frugality in government is a *value*. When a prime minister flies on a commercial airline once (as U.K. leader David Cameron did to the U.S. in July 2010, shortly after his election), that's an *action*. When the prime minister does this consistently, as Singapore leader Lee Hsien Loong does, that's a *behavior* — and it is likely to have much more cultural impact.

Thus, if you are seeking more accountability, identify the types of ongoing behavior that embody that value. You might have to be specific: “I expect you to read, record, and respond to every customer complaint — and I will reward or penalize you accordingly.”

These new behaviors can be startlingly simple. Years ago, Shell Oil Company (a subsidiary of Royal Dutch/Shell PLC) had a reliability problem in the global refinery system. It was traced back to the safety and quality control processes, which were designed at the central office but not followed consistently at the refineries. Instead of launching a broad accountability initiative, a peer group of managers convinced the executive leaders to institute one new behavior. Before initiating any new process, central office managers had to ask local people how they could best introduce it. That simple behavior change, conducted by just a handful of corporate executives, ensured consistent implementation of the new process.

Repeated behaviors have cultural impact because they are contagious. People unconsciously imitate what they see others do. This is particularly true among respected colleagues; mutual respect is a powerful source of influence. Even small changes in behavior, if they are picked up by more than one individual, can ripple through an organization as others see their value and begin to act accordingly.

In moving people to change behaviors, you will need to rely on both rational arguments and emotional appeal. On the rational side, you need to make a case for change: Here's why this particular behavior is needed. Help people recognize, for example, how the new behaviors will support the firm's business strategy, will improve customer retention rates, or will be received by Wall Street analysts.

But emotional factors will undoubtedly matter even more. Compassion, fairness, and environmental responsibility are very convincing motivators. So are relief from anxiety and the opportunity to work more congenially with other people. Many employees will likely be concerned about how the changes will affect their peers, their own ability to take pride in their work, their work–life balance, and their family's and community's reactions, as well as the firm's reputation. These issues must be addressed at a gut level, to ensure that acceptance of the change will be genuine, enthusiastic, and widespread.

Understanding without acceptance and commitment will not suffice. Nor will acceptance and commitment suffice without discipline, alignment, and the right capabilities. The rational and emotional elements need to align to yield sustainable change.

Pragmatic Practices

Numerous principles for changing culture through behavior have become evident through ongoing practice.

- **Start pragmatically.** Don't try to change everything at once. Focus on a few critical behaviors that resonate with your current culture, but that will raise your organization's performance. Explicitly identify the target group — the employees whose behavior needs

to change — and bring the necessary changes to life by demonstrating them.

- **Reinforce the new behaviors through formal and informal means.** Provide formal metrics, incentives, and process guidance that lead people to practice these new behaviors again and again, until they experience their value. For example, set up appraisals, salary reviews, and training to reinforce and reward the new behaviors you seek. At the same time, develop informal connections that foster the responsiveness and emotional commitment needed to deal with the unexpected. When there's a challenging situation, like Shell's reliability issue, cultivate support networks of people who can assess it and put in place actions not prescribed by process and procedure.

- **Seek out role models for the new behavior.** Start with the most effective practitioners, the people who distinguish themselves by the way they act. We often call these individuals pride builders because their example helps instill pride about the behavior change. They can also help you find ways to get others to adopt the same behavior. This work is sometimes known as looking for positive deviance.

Several years ago, Bell Canada — a 35,000-employee telecommunications company owned by BCE Inc. — started with a dozen such pride builders. They rapidly became exemplars for others, and they helped explain to the executives why people did not always adhere to the critical behaviors. The CEO then asked the group to help develop at least 1,000 more exemplars by the end of the year. Each member of the first group identified 10 or more other pride builders, and the group took off exponentially. With several more iterations, this effort directly touched more than 15,000 employees — more than a third of the entire workforce — by the end of the year.

- **Enlist your current "cultural carriers."** These are the people who are well positioned to transmit behaviors to others, and who can be developed to spread the positive elements of the existing culture. In the early 2000s, Reliant Energy recognized the value of cultural carriers during an operational performance improvement program. After defining a small set of behaviors for collab-

orative work across functional silos, Reliant identified the people who had to act differently in order for the new behavior to take hold. Then, through a combination of training, incentives, and peer-to-peer reinforcement, Reliant induced these individuals to change first. This effort enabled the company to capture \$600 million of value during the first nine months.

Any leader can do something similar, but take care that the effort is simple, clearly focused, collectively reinforcing, and not threatening to those who aren't included. Suppose that you're the head of strategy, frustrated at the way such new directives are executed. Have the top leadership identify 10 people who are linchpins of strategy execution — whose participation is critical to any serious strategic effort. Bring them together to talk about the barriers they face when trying to execute new ideas, and the ways that they might overcome those boundaries. Look for places where resources can be organized differently, and develop an agenda accordingly.

- **Use the culture you already have.** Take pains to stay within the most essential tenets of the existing culture. Make sure you understand clearly the reasons that current practices exist before you try to change them. In the wake of the Deepwater Horizon oil spill of 2010, many oil companies are being forced to change their safety and environmental practices. It can be surprisingly difficult to do so, because the existing performance contracts include strict requirements about timing and deadlines. The only way around this is to explicitly rethink those restrictions, taking on the difficult challenge of designing new behaviors that can improve safety while maintaining an acceptable pace. What is required here is an integration of process discipline and individual initiative and the courage to step up when the unexpected occurs.

- **Model what matters most.** Be a visible and consistent role model of the behavior change you want to see in others. When he was interim CEO of General Motors leading the company's remarkable transformation after the U.S. government bailout in 2009, Fritz Henderson repeatedly admonished his staff to be "individually and collectively accountable," which meant focusing only on activities directly linked to business

results. Henderson's remarks didn't have much impact until he provided examples. He posted e-mails with typos, showing that quick decisions were more important than painstaking attention to appearances. There were also more dramatic examples, like making nearly every major decision on the spot himself rather than waiting for consensus.

Perhaps the most telling moment came when Henderson was handed a 300-page binder of backup information as part of his preparation for testifying before the U.S. Congress. The next day, he asked his chief of staff to tell the research team to stop. "It must have taken 20 people a month to produce this report. And I'll never use it. I'd rather have incomplete information [than this unnecessary work]."

• **Clarify the specific implications of the new behavior.**

The new CEO of a large financial-services institution announced one of his highest priorities: a new approach to managing the trade-offs on uncertain deals, which he called taking measured risks. Although he talked about it constantly, and employees understood its importance, many people still needed more guidance. "I work in legal," someone might say, "and I'm not sure what this means to me. Am I supposed to be taking more risks, or am I supposed to help others by pulling on the reins when they go too far?" The answer might well have been "a bit of both," but it needed to be spelled out.

Similarly, in the midst of any cost reduction exercise, people need guidance about new behaviors. How will they monitor expenses from now on? How should they call attention to wasteful activities that they do not control? If a utility shifts from being a government-owned enterprise to a privately held company, the culture may need to become more focused on customer service. What kinds of things could people do differently? What kinds of regular reminders can be put in place to reinforce key behaviors? Which aspects of subscriber outreach matter most?

Culture Consciousness in Times of Change

Every corporate culture has behaviors that will help you enable the change you want and others that will hinder it. As you become skilled at picking the enablers out and developing them, this kind of adaptability will become part of your own distinctive corporate identity. This is critical to the lasting success of peak-performing enterprises. Your culture can thus become a major factor supporting your strategy. Its overall strengths are one of your company's intangible assets, and it should be fac-

tored into where you decide to compete, how you intend to win, and what operating model you work within.

As you continue to work with and within your culture, you will find it continually changes, keeping pace with the changes in the marketplace. Your operating model and the execution of your strategy will change accordingly. To be sure, deeply embedded cultures change slowly — far more slowly than the business environment. But some cultural elements can adapt more rapidly, particularly if you encourage your pride builders, culture carriers, and leading-edge thinkers to experiment with new ideas, such as digital media or new forms of customer service, and spread their experience through the networks that you have fostered.

Whatever happens in the outside world, however, keep your internal focus on the few critical behaviors that matter most — those that determine your strategic and operating performance. Find ways to measure both the behavior change itself, and the results it produces. Resist the temptation to attempt changes in the behaviors, attitudes, and values of the system all at once. Remember, it is much easier to act your way into new thinking than to think your way into new actions. +

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Resources

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The Katzenbach Center website, www.booz.com/global/home/what_we_think/katzenbach_center: Ongoing source of research and insight on culture change theories and methods.

For more thought leadership on this topic, visit *s+b*'s website at www.strategy-business.com/organizations_and_people.

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