Should CEOs be the driving force behind Organizational Culture Change?

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CEOs are seeking the services of consulting firms, often because they are seduced by the consultants' promise of increasing organizational performance by changing the culture of the organization. Culture change has become a thriving industry as companies spend hundreds of thousands of dollars on culture change programs. But is this money well spent? Do formal culture change initiatives driven by the CEO actually change the culture of an organization?

First, it is important to understand what organizational culture is and how it develops. An extensive body of work by Edgar Schein provides much insight into this question. An organizational culture takes shape when employees as a group encounter issues and problems and work to restore balance and reduce conflict (Schein, 1990) creating a set of shared values, beliefs and behaviors (Altaf, 2011). The longer a group of employees remain together, the stronger the culture (Schein, 1990). Organizational culture is not simply handed down by a CEO in a memo to employees. Instead, it develops over time as the employees learn which behaviors work and which ones don't. The culture is reinforced as new employees learn the culture by observing others' behaviors and adapt their own behaviors accordingly (Schein, 1990).

The consultants have it right when they say that the organizational culture impacts how an organization performs. Amal Altaf's study conducted in 2011 showed a link between an organization's culture and an organization's performance. Employees have a direct impact on how well a company performs and its ability to meet its goals. Businesses perform better when employees are dedicated and committed to their job and the company (Altaf, 2011). The opposite is also true – if an employee isn't dedicated or committed, the organization's performance will surely suffer. Knowing that employees and organizational culture are central to an organization's success, it makes sense that executives want to try and create the ideal organizational culture. Yet, many times their efforts fail.

The promise and pitfalls of culture change. Beer, Eisenstat, and Spector highlighted some of the challenges of change programs in the 1990 article titled "Why Change Programs Don't Produce Change." After studying culture change programs implemented at six major organizations, the authors found that the culture change programs initiated by CEOs failed more often than they succeeded (Beer et al., 1990).

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It's not enough to bring in a new leader and expect the culture to simply change. This was demonstrated at the U.S. Military Academy at West Point in 1995 (Ruvolo & Bullis, 2003). When the culture of the military academy was considered to be too academic and not warrior-like enough, a new leader was hired that modeled the warrior culture that was desired. This leader had no academic background and no understanding of the current culture of the academy. Within ten months, faculty morale plummeted, productivity dropped, and turnover of faculty increased. One year into his role, this new leader was removed from the position (Ruvolo & Bullis, 2003).

Another example of a failed leader-driven change initiative is demonstrated in the undertaking to implement Lean Six Sigma (LSS) at 3M. When Jim McNerney was hired as the new CEO in 2001, he attempted to implement LSS at 3M much as it had been implemented at his former company, GE (Canato, Ravasi, & Phillips, 2013). However, McNerney failed to first understand the culture that already existed at 3M. When the employees felt that the strict process controls behind LSS were in direct opposition to the current culture of innovation (characterized by risk taking and tolerance for mistakes), the new LSS practices did not take hold across the organization and LSS was only effective in the short-term (Canato et al., 2013).

In both of these examples, leaders attempted to impose a new culture on the organization – and neither leader understood the current organizational culture of their company or the complex dynamics of its culture. This lack of knowledge significantly impaired their culture change efforts. Both leaders and employees form the organization's culture. A leader's behavior has a strong influence on the organizational culture and impacts how employees respond to change (Kavanagh & Ashkanasy, 2006). Employees will be resistant to change if a leader does not know how to motivate employees to change behavior (Kavanagh & Ashkanasy, 2006). But it takes more than just motivating employees to change behavior. A successful change initiative requires that employees show a high level of commitment and are able to work together as a team to identify and solve problems (Beer et al., 1990).

With the overabundance of business and management books that provide conflicting advice on culture change, it is no wonder that executives turn to consultants for guidance and direction (Pfeffer & Sutton, 2006). However, the results are not always "as expected".–Consulting firms conduct their own research and highlight their clients' success stories in their marketing materials and use this "evidence" to justify their fees. Yet, consulting firms make money whether or not their programs work. Most firms do not tie compensation for their services to actual results (Pfeffer & Sutton, 2006). In many cases, consulting firms end up creating more opportunity for themselves when the initial plan fails or creates other issues and they are hired to fix what is now broken (Pfeffer & Sutton, 2006). There is little objective research that evaluates whether expensive change programs transform culture, whether the transformation is beneficial, or whether that transformation is maintained over the long-term.

So, what works? Can a CEO drive and reshape a culture? On the one hand, executives invested in the success of the change will more likely model the desired behaviors and hold others accountable for the same. On the other hand, research shows that executive behavior is not enough. So, what is an executive to do if the organization needs a shift in its culture in order to improve performance? Executives definitely have a hard and delicate task to perform. First, it is important to weigh the risks and rewards of a culture change program as it is expensive and depends on the support and cooperation of employees (Hill, Kolanowski, Milone-Nuzzo, & Yevchak, 2011). Any attempt to change a culture may cause at least a short-term negative impact on an organization's profitability – and without the certainty that the culture will actually change (Busse, 2014).

Second, executives must fully understand the dynamics of the current culture – including its strengths and weaknesses – before designing a plan to change it. If the dynamics of the current culture are not known and understood, then it becomes guesswork as to what changes will work and which ones will not. As Schein (1990) asserts, groups form a culture based on how they react to shared experiences, issues, and problems. If individuals are unique, then a group of individuals is unique – and the culture is unique as those individuals experience issues, conflict, problems and work together to restore balance (Schein, 1990).

Third, executives need to look for objective data to back up the claims of the change model being proposed before engaging the services of a consulting firm to assist with this process. Pfeffer and Sutton urge leaders to adopt "evidence-based management" (2006, p. 78).– Such data-driven decision making also calls for clearly defining the results, determining how success of the change initiative will be measured, and adapt the strategy according to those results.

Is it possible for a CEO to change or reshape an organizational culture and is the money being spent on consulting firms to change organizational culture worth the investment? CEOs can change and reshape an organization's culture, but it won't happen by executive order, as was discovered by 3M and the U.S. Military Academy at West Point. Employees are key and the focal point of any change initiative. As for whether or not the consulting firms are worth the fees they charge, the jury is still out, and understanding and monitoring of data specific to each intervention is essential.

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