Corporate Culture
Developing corporate culture a benchmarking study & case

Svennerstål & Partners AB
Methodology of the Study

• Background studies and theory of company culture

- What is company culture?
- Why do we need to understand company culture?
- How does company culture affect business?

• Case studies of companies that have changed their company culture

• Analysis of case studies based on underlying theory

• Results of analysis summarized as findings

• Application framework for cultural change developed by using case analysis and theory
Company culture – Introduction

- All organizations are societies – and all societies evolve rules that define what is acceptable and what is not acceptable. These rules bind the organization’s members together – they form the *company culture*

- By understanding culture we can plan more effective interventions and save time in implementing change

  - In change programs we can anticipate and understand resistance – and placate it

  - In post-merger integration we can predict ‘rough spots’ and help the companies understand each other

  - Target cultures for businesses can be shaped, that will support the business model – and which can be achieved realistically from the current cultural position
Corporate culture is essential for achieving financial results - it is not a luxury

Companies with a strong culture that fits their business plan and industry significantly outperforms their competitors

*Kotter & Hesket examined the largest firms 9-10 firms in 22 different industries in the US. Total of 207 companies over an 11 year period and culture was the only differentiator for performance
The key factor to the one truly sustainable competitive advantage, the quality and motivation of your people, is corporate culture.

A merger or a similar cultural upset has an emotional impact on the individual and their reactions will influence the social and political system of the company.

The ability and effort of the employees are influenced by corporate culture. By promoting behaviors that increase ability and effort the performance of the workforce can be improved.

The employees need to participate in the forming of the corporate culture.

To understand how cultural changes is best implemented one should understand what drives the behavior within the company.
Finding *your* company culture

• There is no “superculture” that is optimal for every organization. Cultural targets must be based on the actual business situation and corporate strategy.

• It is difficult to force a singular culture in a large organization. Focus on core values and behavioral traits that support the company’s needs.

• Company culture is an abstract subject. Use analytical tools to break down the problem into measurable units.

• Managers tend to be aware of the employees’ behavior, but not the unwritten rules which cause the behavior. Employees know the unwritten rules, lack insight of their own behavior.
Design target culture based on business conditions given by industry as well as company

<table>
<thead>
<tr>
<th>Business Condition</th>
<th>Cultural Implications</th>
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<tbody>
<tr>
<td>• Industry</td>
<td>New, growing market -&gt; Entrepreneurial culture desirable</td>
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<tr>
<td>– Market characteristics</td>
<td>Dynamic, complex industry -&gt; <em>Communal</em> culture</td>
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<td>– Industrial dynamics</td>
<td>Forest harvesting license -&gt; Aware of environment, “sustainable exploitation” culture</td>
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<td>– Location of resources</td>
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<td>necessary for business</td>
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<tr>
<td>• Company</td>
<td>Small home base -&gt; Multinational culture, ethnically diverse management to achieve corporate-wide credibility</td>
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<tr>
<td>– Share of assets and</td>
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<tr>
<td>operations outside home</td>
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<tr>
<td>country</td>
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<tr>
<td>– Company History</td>
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<td>– Importance of innovation</td>
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<tr>
<td>– Employee demographics</td>
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<td>– age, education level,</td>
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<td>ethnicity</td>
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<td>– Strategic goals</td>
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<td>Build customer base -&gt; Competitive, awareness of threats/opportunities</td>
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Key steps for successful M/A

Cultural issues should be tackled before an eventual M/A

Self assessment
Obtain an objective understanding of yourself as the first step to effectively find fitting targets.

Cultural Estimates of Targets
Ascertain ease of match as a factor in Target selection

Full cultural Assessment of Acquisition
Full assessment for purpose of developing a detailed Integration plan
Cultural transformation and implementation is a process. The actual change must come from inside the organization – it cannot be imposed from the outside. Key factors that can make or break the transformation are:

- Management and leadership – having the right people at the right position at the right time.
- Analytical tools to derive the desired culture and to find what behaviors must be changed.
- Experience from cultural change projects. If it cannot be found within the company; get external advice.
- Involving key stakeholders and gaining their support for the program.
- Continuous evaluation of the current and target culture and to update the flight plan.
Summary of Findings

• Corporate culture is essential for achieving financial results - it is not a luxury.
• There is no one general solution on the corporate culture question. The relevant answer needs to be found in the actual organizational situation and business objectives.
• A strong corporate culture needs to grow from inside the organization - cannot be implemented from outside. The culture transformation and implementation is a process.
• The employees need to participate in the forming of the corporate culture.
• Management and leadership are key factors for success.
• Organizational structure is a driver of the culture. By driving a organizational change the corporate culture will therefore be altered.
• Thorough planning and control are needed during the process. Experience from cultural change projects is crucial.
• Ignorance about corporate culture is the number one reason for failure of mergers.
A culture and leadership program

Action-oriented development process
A culture and leadership program built on four cornerstones

- Culture and values are created from a common view of the future of the organization.
- All the organization’s co-workers participate actively during the entire process which leads to broad involvement.
- Managers and middle managers take ownership of the process and act as supervisors and coaches during the work.
- The co-workers must be able to connect their everyday work with the overall values and objectives of the organization.
The organization’s culture and leadership program focuses on cultural development and leadership as well as co-worker development.

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<td>Cultural implementation</td>
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<td>• Seminars</td>
<td>• From word to action</td>
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<td>• Simulations</td>
<td>• Action-oriented</td>
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<td>• Leadership mapping</td>
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<td>• Identify young talents</td>
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<td>• PU-talks</td>
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<td>• Business school</td>
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Project leader support
March 1-14
Current status description
Interviews with approximately 20 co-workers and managers.
Analysis of the client survey.

March 14-15
Management seminar
1 day:
Shared view of future challenges for the organization
- Practical exercises and group discussions.
½ day: Why is culture important to the organization?
- Benchmarking, Discussions.
½ day: Planning of the organization’s cultural development program
- Objectives
- Work/steering/reference group
- Communication paths
- Union collaboration
- Management brings ownership to the process
Objectives and follow-up of cultural development

March 17 – April 4
Co-worker survey 1
Web-based current status analysis of the co-workers’ values and competence.
• Compilation of questions and templates for co-worker survey
• Compilation
• Analysis
• Feedback.

November 28 – December 9
Co-worker survey 2
Web-based current status analysis of the co-workers’ values and competence
• Compilation
• Analysis
• Feedback.
Cultural development – Seminars & Simulations

March 21 – April 31
Development of the organization’s cultural seminar for all citizens
1. Develop the seminar – contents and program
2. Anchor the seminar with managers and co-workers
3. Plan communication efforts during the entire work process

May – August
Execution of the organization’s cultural seminar for all co-workers
The purpose of the seminar is that all co-workers:
• Form their own understanding of the business today and tomorrow
• Together define the organization’s biggest challenges
• Understand the importance of culture for the organization

Program:
• Project work, group work is mainly carried out during the regular work meetings.
• Whole days are booked for simulation exercises and possibly other occasions.
• Mixed groups with 15 - 20 co-workers.
• The organization’s managers act as supervisors.

Results:
• Understanding of the organization’s developmental needs
• The desired culture is defined

September 2
Management seminar
The organization’s values and culture originate from the results of the culture seminars.
Cultural implementation
- From word to action
- Action-oriented

September – December
Each co-worker embodies the values
From word to action
• Work in normal work groups during regular working hours (weekly meetings) and during a concluding meeting day.
• Break down the overall goals to practical action with the help of an activity-based scorecard.
Results
• The co-workers bring the organization’s values into their everyday work
• The cultural work has a lasting value.

December 16
Management seminar
• Results & Analysis of the work groups and co-worker survey 2.
• Management establishes co-workers’ action plans.
Objectives and follow-up of cultural development

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November 28 - December 9
Co-worker survey 2
Web-based current status analysis of the co-workers’ values and competence
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Leadership mapping & mapping of young potential leaders

March 21 - April 18
Leadership mapping
- 30 to 40 managers
  - Interviews
  - Personality and conflict management test
  - 360 degree mapping
  - Telephone references
  - Personal feedback
  - Collective feedback

April 18 – May 20
Mapping of young potential leaders
- 15 young potential leaders
  - Interviews
  - Personality and conflict management test
  - 360 degree mapping
  - Telephone references
  - Personal feedback
Development of leaders and young talents
- Coaching, PU-talks & Business school

April to December
Coaching/Leadership
development step 1
• Training in coaching leadership style/
business coaching
• Practical exercise of co-worker/
development talks
Seminars
• April 25-26 course 1
• April 28-29 course 2
• May 2-3 course 3
Individual coaching of 30 managers during
April – December on 6 occasions/
managers.

May 23 to June 3
Leadership development step 2

The contents are based on the results of the
leadership mapping and co-worker surveys

April – December
The organization’s business school
4 seminars x 1 day.
• Benchmarking
• Current affairs issues
• Leadership
• Subjects according to leadership mapping
Supporting communication efforts

**March 16**
Communication 1 – internal magazine
The work begins now
How is it organized?
What is the goal
You are important in the work – in order to attain quality.

**April - May**
Communication
Tabloids about news in the project visible at all places of work.
Every 14th day.

**June 10**
Communication 2 – white book - draft
Compilation of the results thus far.
Distributed to all co-workers.

**June 15**
Future day – The organization’s values in the year 2010
Summer conference at sea.
Review/ discussion of the white book.

**September 12**
Communication 3 – internal magazine
Tabloid and internal magazine containing interviews with management and selected work groups.
This is how Aftenposten’s culture is to look.
Your discussions have yielded results.

**September - November**
Communication
Tabloids about news in the project visible at all places of work.
Every 14th day.

**December 21**
Communication 4 – internal magazine and complete white book
• Thank you for the work.
• Review of results.
• Management interviews.

**December 21**
”Reaching the finishing line” - conference
• Review of results
• ”Thanks for the hard work”.
• Keep it alive
Project leader support

Ongoing during the March – December period
Culture and leadership program for an organization

March 14-15
Management seminar
1 day:
The organization
Practical exercises and group discussions
1/2 day:
Benchmarking, Discussions
1/2 day:
Program - Objectives
- Work/steering reference group
- Communication paths
- Union collaboration
- Management brings ownership to the process.

March 17 – April 4
Co-worker survey 1
Web-based current status analysis of the co-workers'
templates for co-worker survey
- Compilation
- Analysis
- Feedback

April 18 – May 20
Leadership Co-workers
3 weeks
- Leadership coaching
- Team building
- Values, procedures and conflict
- Strategic thinking

May 21 – June 2
Coaching/Leadership development step 1
Coaching/Leadership

May 23 to June 3
Leadership development step 2 – 3
Coaching/Leadership

June 27 – July 20
Coaching/Leadership development step 3
Coaching/Leadership

July 15 – August 31
Coaching/Leadership development step 4
Coaching/Leadership

September-November
Coaches are working with being
Thank you for the work.

December 21
"Reaching the finishing line" – conference
Review of results
Thank you for the work
Keep it alive