Executives Beware ----
Your Culture May Be Deadly

Peter S. DeLisi
President
Organizational Synergies

<u>Abstract</u>

Few would deny some mechanism underneath the conscious workings of the mind that heavily influences our behavior, our thoughts, and generally, how we succeed in life. Freud referred to it as the unconscious and generations later we are still struggling to understand this phenomenon. We would rather ignore the presence of this unconscious mechanism, but recognize that at times it takes the skill of a trained therapist to help us deal with its manifestations. In a similar way, corporations ignore and fail to understand the unconscious workings of a similar phenomenon in corporate life --- something that we now know as organizational culture. Yet, its impacts are no less prejudicial to corporate success as lack of knowledge of the unconscious is for individuals. In this paper, we will examine seven cases from a variety of companies and industries that highlight the critical role that culture plays in the success of contemporary organizations.

Introduction

In a *Sloan Management Review* article in Fall 1990, I made the argument for the central role that culture plays in organizational dynamics. [1] At the time, the MIT Sloan School had published a framework for their five year "Management in the 90s" research effort. Culture appeared in this framework, but not the central role I was to argue for.

In the early 90s, it was still too early to see what impact, if any, organizational culture would have on companies. We have now seen clear evidence that, rather than being a passing fad, the concept of culture is here to stay.

In this article, I will augment my arguments for the importance of culture by presenting seven case studies from my twenty years of consulting experience. It should be noted from the outset that I consider myself to be primarily a strategy consultant and not an organizational development (OD) consultant. Over the years, I have participated in more than 100 strategic planning engagements with the senior management of various companies. But while our discussions would always start with strategy, it seems that inevitably, we would always end up talking about culture. Over the years, I have learned the inseparability of the two subjects.

I especially hope that this article will be read by the senior leaders of organizations. It is my experience that senior executives consider culture to be a "touchy-feely" thing that

HR people should be concerned with, but not something that they need worry about. The cases I will outline highlight the fatal consequences of this belief. We will see, for example, a case in which resolving a cultural dilemma led to a multi-billion dollar company's best year in its history. We will also see a $ 2.3 billion acquisition that failed miserably because of the inability to integrate two disparate cultures. Most tragically, we will see a $ 13 billion company, with 130,000 employees that no longer exists – the victim of a culture that could not adapt.

Before beginning to relate the cases studies, I will first define culture and present a practical framework for understanding it. For much of this, I am indebted to Edgar Schein, whom I have been privileged to have as a mentor for the past 25 years.

An Understanding of Culture

According to Ed Schein, culture is defined as follows.

> "A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems."[2]

A useful model for understanding and dealing with culture is the lilypond analogy. It is an effective way to view the various levels that comprise the system of culture. Its origin, I believe, dates back to work done by a colleague of mine at Digital Equipment Corporation, John Scorzoni.

In the development of the analogy, we start on the surface of the lilypond. There we see an individual lilypad with its leaves and flowers lying on the surface of the water. Beneath the surface, we see a supporting stem, eventually rooted in nurturing mire and muck at the bottom of the water.

In an analogous way, on the surface of culture we see its visible components – items such as behaviors, artifacts and stories that are told. Digging beneath the surface, we see the values that are important to the organization and held dearly by them. These values are conscious and are debatable, but as Ed Schein maintains, over time if they work in solving the problems of external adaptation and internal integration, they are taken for granted and become deeply rooted. They now become the unconscious assumptions of the culture. The analogy helps us to understand the difficulty of dealing with culture. Because the assumptions are unconscious and deeply rooted, they are very difficult to both discern and change. We will see this in the seven cultural case studies that follow.

The "Burger King" Culture

My first significant consulting experience with culture was with a diversified Fortune 500 enterprise in the western states. In fact, this consulting engagement continues to this date to be my most successful consulting intervention.

I had been hired by the company to assist them with strategic planning. Following the lead of the corporate Director of Strategic Planning, we had focused on critical issues that stood in the way of the company's achievement of their strategic goals. After some four months of developing these critical issues, we were asked to present them to the Executive Committee. In total, there were approximately 23 of these barriers to success. The challenge was how to present these in a way that was intelligible and that could be acted upon by the Executive Committee. After some reflection and analysis on our part, we finally came up with the exhibit shown in Table 1. It occurred to us that most of the issues could be distilled into one root issue – namely, "What kind of a company do you want to be?" This exhibit was to become the cornerstone of our presentation to the Executive Committee.

Insert Table 1 here.

In the presentation, we explained that many of the critical issues that they were experiencing came down to a choice between two different cultures. On the one hand, was the original entrepreneurial culture of the company, with its emphasis on internal control, creativity, empowerment and individual autonomy. On the other hand was a professional management culture that stressed, among other things, external control, hierarchy, scientific management and top-down decision-making. Now that the company had grown to be a multi-billion dollar establishment there were factions that felt stricter controls were necessary. Representative of this viewpoint was the CFO, who was heard to articulate the message that, "We want to be an entrepreneurial company, but with controls."

Using the exhibit, we explained that critical issues were masquerading as visible surface elements of this cultural clash. For example, the questions of structure (should we be centralized or decentralized?), the questions of strategy (should we compete on the basis of cost leadership or differentiation?) and questions of control (how much autonomy should the divisions have?) were all manifestations of the unresolved cultural conflict that was occurring.

As we continued our discussion with the Executive Committee, I explained that while some felt that it would be highly desirable, for example, to take the original entrepreneurial culture and to add aspects of the professional management culture to it, this isn't how culture worked. As I was to state, "Gentlemen, this isn't Burger King. When it comes to culture, 'you can't have it your way.' If you impose tight controls on your existing culture, you will soon compromise the existing empowerment, initiative, risk-taking and creativity. Culture is like a tightly-woven fabric, and if you break it apart in the way that you suggest, you will destroy it."

To the credit of the executive team, they made a decision to stay with the existing entrepreneurial culture. They realized that their historical success had been based upon this culture and that there was no serious reason to change it. In the ensuing year, they went on to experience the most successful year in the history of this very old company.

The "Whack a Mole" Culture

In the early 90s, I was approached by a division of a major oil company. They explained to me that they weren't sure, but they thought that their culture was a serious inhibitor to their success. "Was there anything I could do to help," they asked.

This was the research division of the oil company. It was staffed by very bright, educated scientists – many of them with Ph.D. degrees. As with many research groups, their mission dealt with bringing innovative, new products to market faster than their competition. This was not happening, and for some reason, they felt that culture had something to do with it.

After some preliminary work with members of the staff, I proceeded to conduct a half day workshop with key members of the division. In this workshop, I used a number of techniques and tools to get a better understanding of the cultural dynamics. The lily pond analogy was one of these tools.

Using the lily pond, we started by examining the surface aspects of the culture. I inquired about the behaviors and artifacts that were visible to them and we listed them. As with most cultural inquiries, one never knows what it is that will provide a significant clue to the underlying cultural dynamics. In this case, we spent some time on the surface aspects without much resulting significance.

The break came when I asked if there were any stories that they knew to have circulated around the company and were told repeatedly over the years. One participant related a story which was to subsequently capture the essence of this culture. He mentioned that one of the corporate vice presidents had once done a presentation to a group of people within the company. Embedded in the presentation were some financial figures. In the course of the presentation, as the vice president was describing these numbers, one of the junior individuals in the audience raised his hand and proceeded to point out to the vice president that one of the financial totals was wrong. Agreeing with the observation, the vice president thanked him and continued with the presentation.

After the presentation was completed, the supervisor of the individual that had pointed out the financial error approached him and proceeded to chastise him for correcting a vice president of the company in public. "Don't you ever correct an executive of this company in this manner again," was his parting comment as he left. This story had survived over the years, was told repeatedly, and had now become representative of "how we do things around here."

We next proceeded to get below the surface of the lily pond and to discuss the values of the organization. After much discussion, the group homed in on another piece of the cultural puzzle. They went on to describe their three primary values as being: *risk-averse, reactive and conflict-avoidant.* Already, all of us were beginning to see that these were not exactly the values that one typically associates with organizations that are highly dependent on creativity for their success.

The last part of the workshop dealt with the fundamental assumptions of the culture. As so often happens, the exact wording of the assumptions does not surface until some time later, but the pattern of the culture was starting to become clear. It was captured dramatically by one of the participants near the end of the workshop. In cultural workshops of this type, I will often try to bring things together in some way. I'll use a variety of techniques to accomplish the synthesis and integration that is necessary at this point.

One of these techniques is to walk over to a flipchart and ask the participants to complete the following statement: "We're like …………" A variety of free-flowing responses usually result, but not always with the magic of this particular occasion. After a number of random responses, one of the scientists raised his hand and proceeded to say, *"We're like a giant in manacles."* As he said this, a hush came over the room and we sensed that he "had just broken the code." I asked him to clarify what he meant and he responded, "Here we are all these very bright scientists, but our hands are tied by the culture. Every time we raise our heads up, we are knocked down."

Immediately, the image of the kids' arcade game, *whack a mole*, jumped into my head. In this game, children are given a small mallet with which to smash down tiny little creatures as they surface randomly and rapidly from a number of circular openings. Similar to the game, individuals in this culture dared not raise their head for fear of being struck down.

So often I have learned that certain cultures contain within themselves the very things that maintain their inertia and prevent them from changing. In this particular case, we laid out an action plan that would have started the division on a path to more favorably align the culture with the mission of the organization. Sadly, as I feared, the plan never saw the light of day. Fear of "raising their heads," made it all but impossible for them to bring the matter to the attention of senior management.

"No Heroes"

The next case is significant because it highlights some of the other tools that can be used in cultural work. It also reinforces what we saw in the "Burger King Culture" --- namely, that a cultural problem is not always what we as consultants are brought in to address. Many times, we are brought in to work on some other surface problem. In the case I am about to relate, the presenting symptom was significant conflict between the departments of a small defense contractor.

Over the years, my approach to conflict resolution and team building has changed significantly. In the earlier years, I was inclined to use a variety of techniques to surface the conflict and to deal constructively with it. As a strategy consultant, I learned, however, that many times teambuilding just seemed to happen as a byproduct of getting groups together to develop a galvanizing vision for the organization. I decided, therefore, to use this latter approach with the defense contractor.

As before, I used a workshop approach in which I brought the participants together for a very intensive two days. Starting with a form of strategic planning, I felt good about the progress and was optimistic that the conflict resolution I sought would somehow eventually become a byproduct of the session. About halfway through the session, however, the visible conflict and animosity between the groups could no longer be ignored. I decided to try a cultural approach to see if I could somehow bring the groups together at the level of shared values. What happened, however, was a surprise even to me.

One of the tools I have borrowed from Ed Schein involves inquiries about the heroes of the culture. The idea is simple – identifying heroes, what they stood for, and why they are considered heroes, sometimes gives us a clue about attributes of the culture. Heroes can be the ultimate embodiment of the culture.

After some preliminary cultural discussions with the group, I asked them to identify people that they would consider cultural heroes. A period of silence ensued, after which I repeated the question, “Tell me about some of your cultural heroes.” Once again, silence followed. One individual finally said to me, “We have no heroes.” Incredulous, I asserted that I had never experienced a culture that didn’t have at least one hero. Surely, they must have one, but again, the response came back, “We have no heroes.”

Not wanting to give up, I turned my attention to people who were considered to be company outcasts or “villains.” One individual was identified and described to me. I was to learn a valuable lesson from this – in some repressive cultures, certain people stand out because they fought the culture and survived. These people can be considered counter cultural heroes and we can learn a lot about the company culture by studying what they fought for and resented in the parent culture.

To bring this case to a conclusion, I need to mention the outcome of my search for cultural heroes. After conceding that maybe this culture really had no heroes, and as part of another exercise, I asked the group to identify for me the type of individual they hire. Once again, the theory is that companies hire people that will fit into the culture. Investigating, therefore, the qualities of the people that they hire, should tell us something abut the culture.

My questioning went like this: “Would you hire someone that stands out as an individual, as opposed to a teamplayer?” The answer was, “No.” “Would you hire someone that was very bright – yet, somewhat of a maverick?” Again, the answer was, “No.” “Would you hire a risk-taker?” “No,” was the reply. Additional questions supported the profile of a passive individual that “didn’t make any waves.” Finally, someone in the audience commented, “Pete, do you see why we don’t have any heroes?”

Generally, I make it quite clear to my clients that culture is not good or bad, right or wrong; rather, it either is an enabler to their strategy, or an inhibitor. Because of the difficulty of cultural change when the culture is an inhibitor to the strategy, I usually recommend to the client that they change the strategy. In the above instance, we truly had the rare case of a dysfunctional culture. My recommendation was to change the culture.

A Heroes’ Culture

A short but interesting, contrasting example is the large aerospace company that wanted to implement the then popular concept of “high performance teams.” Like most aerospace companies, this company had throughout its history had much success with semi-permanent, formal, project teams. These teams were formed when a major defense program was won and continued through the life of the program. Examples might be a ballistic missile program, or a fighter aircraft program.

Unlike the program structure, however, the CEO of this enterprise had decided to extend the team concept further and put in place “high performance teams.” In the latter concept, teams are a permanent way of working and are self-empowered. The team has the power to hire, fire and generally manage its own operation. As indicated earlier, project teams are semi-permanent. They are also empowered by management and do not run as if they were a separate business.

The other distinction that needs to be made is that certain teams are empowered by the assumptions of the culture. In other words, teaming is a natural way of doing things in this culture. An example that we will explore later is Digital Equipment Corporation (DEC). Its fundamental assumption or belief that, “We are a family,” led individuals naturally to team together. If a problem presented itself to a group of individuals, it was highly likely that these individuals would decide that they needed to form an informal group, i.e., a team, to address this problem. Unlike formal, project teams, this decision to act was *not* made by management. Once the problem was solved or went away, the informal team at DEC disbanded itself.

My main exposure to this aerospace client was a senior management meeting attended by 45 of its senior executives. The purpose of the meeting was to educate and to focus the management on the concept of “high performance teams.” My role was to observe the meeting and to subsequently report my findings to the CEO.

Prior to the meeting, I had done some consulting work with another group within the company. This work had given me the opportunity to begin to observe the unique culture of this organization. What I had learned was that the culture had been heavily influenced by its legendary founder. In its truest sense, this individual was a western type hero and had made a mark in many diverse fields. Not surprisingly, this identification with its founder had produced a rugged individualistic culture within the company.

The previous observations about the culture, plus the meeting that I attended, gave me an excellent opportunity to draw some conclusions about the organization's chance to implement "high performance teams." I don't recall many specifics from the meeting; I only recall that individuals acted at the meeting consistent with my earlier observations about the culture. These were clearly individuals "acting on their own stage" and being singled out for individual performance – not group activity.

I later reported to the CEO that, in my estimation, their chances of implementing "high performance teams" was very poor. To support my argument, I proceeded to relate my understanding of their culture and its influence from its founder. My recommendation was that they stick with the successful project teams that were part of their history.

Since my role with this particular part of the organization was a secondary one, I lost direct contact with the management team subsequently. Some months later, I learned that they had indeed tried to implement the "high performance team" concept, but that it had failed. Fortunately in this case, the fate of the company was not at stake, as we see in some cases where the strategy is directly affected. For us, this case uniquely illustrates the dependence of even organizational structure and ways of working on the culture of the company.

"Freedom is Good, but Control is Better."

The above quote is attributed to Vladimir Lenin. It's a fitting theme for our next case and highlights the difficulty of continued growth, the perils of mergers and acquisitions and the role that culture plays in both.

Toward the end of the 90s, I consulted with a small ($ 100 million) enterprise. This was a typical, high-tech, Silicon Valley startup. We will call this company NEWCO. Growth was very rapid for this firm; they were able to double their revenues every year. Unlike many startups, they also realized before they got in trouble that they needed to bring in senior managers to run the business. They did this and brought in a talented team of senior executives with extensive industry experience.

Everything seemed to be going in the right direction for NEWCO, as they set their sites on $ 1 billion of revenue over the ensuing years. It was somewhat of a surprise, therefore, when it was announced that they were going to be bought, for a very generous sum, by the largest company in their industry. The latter company (one that we will refer to as OLDCO), a $ 20 billion enterprise, realized that in order for them to continue growing, they needed to enter new industry segments. Rather than developing the required expertise on their own, they decided to buy a company that was already very successful in this new, emerging market – seemingly a very wise move.

At the time of the acquisition, the parent company displayed further wisdom by announcing that their plans were to leave the small company alone and to let them maintain their separate identity. “After all,” it was announced, “you have been very successful without us.” Within the next twelve months, this promise was to be severely broken.

During the transition to the new company, I was asked to stay on by NEWCO and to lend whatever assistance I could – especially with the cultural integration of the two organizations. I don’t remember exactly when it happened, but I do remember the event that signified that the promise was about to be broken.

One day, it was announced suddenly that the over the next weekend, individuals from the parent company would be coming in to replace all the signs that displayed NEWCO’s name. In their place, the name of the acquiring company would be prominently displayed. In the weeks and months that followed, the appearance of OLDCO’s management in the day-by-day running of the business also became much more visible and new, more formal processes were imposed on the acquired company. It was apparent that “the honeymoon was over.”

By the end of that first year after the acquisition, little remained of NEWCO’s identity. People began to leave and to take with them the intellectual capital that the parent company had paid $ 2.3 billion for. It was obvious that another statistic was about to be added to the long list of failed acquisitions.

Let us take a look now at the cultural issues that led to the failure of this acquisition and see what we can learn from them. An exhibit that will helpful for this purpose is shown in Table 2.

Insert Table 2 here.

The readers will recognize that Table 2 is an extension of the exhibit that I first used in the case of “The Burger King Culture.” Over the years, I have continued to enhance this tool and found it to be one of the most powerful cultural tools that I have in working with client companies.

As we look at Table 2, we see several things. First of all, we see the pattern of culture that Ed Schein describes very clearly. When we focus on the pattern, we know almost intuitively that the attributes of the entrepreneurial culture hang together quite nicely and are different from the attributes of the professional management culture. A second thing that we can observe is that the transition from one culture to the other is a matter of degrees. In other words, we can view the exhibit as a continuum, rather than, viewing its contents as absolute entities. It becomes possible then, for us to put almost any organizational culture on this continuum by identifying the degree of each attribute that it contains. A word of caution, however, this is not an exact science and should not be used as the sole means of inquiry. It is one of many tools that should be used in gaining a picture of an organization's cultural pattern.

If we return to our discussion of the NEWCO case, we see that NEWCO had an entrepreneurial culture; whereas, OLDCO had a strong professional management culture. To compete in the newly emerging market space that the parent company had targeted, the entrepreneurial culture was a definite asset. Qualities such as innovation, risk-taking and rapid time to market, were essential in this dynamic, competitive marketplace. On the other hand, the professional management culture was very appropriate for the parent company, whose growth was in a low margin, commodity business, driven by cost concerns. Very significantly, at one time, early in its history, the parent company had an entrepreneurial culture. In fact, it is one of the only companies that I have ever seen that has *successfully* made the transition from the entrepreneurial side to the professional management side when it markets matured and it needed to.

It appears now that what happened was that OLDCO succumbed to the temptations of the control-oriented, professional management culture. Not unlike the obsessive-compulsive personality in the field of psychology, OLDCO couldn't let go. Processes and controls became ends in themselves, rather than, being viewed as means to a greater end.

Interestingly, attempts were made to deal with the cultural conflict. In a series of sessions over a period of months with both management teams, I used the exhibit in Table 2 to highlight the problems in culturally integrating the two companies. We even assigned numbers for each attribute to indicate where they currently were and where they wanted to be. Once again, as with the "Burger King" case, they recognized they needed to move to the entrepreneurial side, but couldn't give up the controls, efficiencies and accountability of the professional management culture. The effort languished and finally died.

What could OLDCO have done? It is perhaps obvious to the reader that they should have left NEWCO alone to run their own business, with their own culture. We have successful examples of this in industry. Lockheed and their SR 71 skunk works comes to mind, as well as, IBM, and its birth of the PC. Both of these companies had strong professional management cultures at the time – yet, were able to let go and achieved significant success in the process. Maybe, the answer is that movement too far in either the entrepreneurial or professional management direction can be disastrous. OLDCO clearly had moved too far on the professional management side. Next, we will discuss the case of a company that moved too far in the direction of entrepreneurialism.

The "DEC Nod"

In the preceding cases, we have seen the harmful effects of culture on a number of different companies. We saw items such as innovation, productivity, teamwork, investment capital, and intellectual capital compromised and/or not reaching their potential. Our next case investigates the impact of culture on a very large company that no longer exists. Many arguments point to the fact that culture was ultimately the cause of its sudden collapse.

Much has already been written about what happened to Digital Equipment Corporation (DEC). For details, I refer the reader to an article that I wrote in the Journal of Management Inquiry[3] in June 1998 and to the recent book, **DEC is Dead, Long Live DEC**, authored by Ed Schein and co-authored by three former employees -- myself, Paul Kampas and Michael Sonduck.[4] In this article, I do not plan to repeat what has already been written, but rather, to highlight those portions of the case that continue the learning themes that we have stressed in the preceding cases.

DEC was founded in 1957 by Ken Olsen and reached the pinnacle of its success in the years between 1986 and 1988. During that period, it became the second largest computer company in the world – second only to IBM. Its revenues reached $ 13 billion during that period and it employed 130,000 people. With growth of 30+ percent per year, it appeared that it would overtake IBM at some future point.

Convinced that it could indeed overtake IBM, DEC broke with its conservative founding philosophy and proceeded to hire 26,800 people in two years to go after IBM’s market share. The rest is history. The growth that DEC expected never occurred. Unbeknownst to everyone at the time, the computer industry was about to enter its first growth plateau. Mainframes and minicomputers were becoming commoditized and the revenues from personal computers, networking and client-server technology were only beginning to emerge. The additional cost of 26,800 people, with no growth, in a no layoff company, with no formal systems and processes in place to deal with cost, started a death spiral from which DEC never recovered. That is the simple answer of what happened to DEC. Let us now look at the cultural issues underlying this situation.

Table 2 once again gives us a shorthand way to understand the collapse of one of the great industrial stars of the 20th century. I would argue that DEC’s culture was far left on the entrepreneurial side of Table 2. In fact, DEC deserves much of the credit for having introduced that type of culture onto the industrial scene. It was a highly empowered culture that fostered great innovation, autonomy, ownership, teamwork and learning.

If we examine Table 2, we also see that these positive attributes come at a cost. The entrepreneurial culture does not enjoy the controls, efficiencies, processes and order of the professional management culture. In the book, **DEC is Dead, Long Live DEC**, Ed Schein makes the insightful assertion that DEC lacked a “business gene.” Being on the professional management side was not fun for people at DEC. What was fun was designing innovative new products. And if that meant bordering on chaos at times, so be it.

Coming from 11 years at IBM, which was the quintessence of the professional management culture at the time, and going to DEC, was a culture shock for me. But some years after I had gotten over the shock, I realized I could never go back to the IBM way of working. It was truly fun and exciting to work at DEC in those years.

I mentioned earlier that DEC did not have the systems, processes and controls in place to deal with the cost overrun of 26,800 people. When business was growing 30+ percent per year, it didn't really matter; the revenues overshadowed the cost inefficiencies. At the time, DEC had one of the lowest revenue per employee ratios in the industry – yet, was still highly profitable.

In retrospect, what would have saved DEC? To start with, I honestly believe DEC would still be in business and prospering had it not decided to go head-to-head against IBM. Underlying this decision was an arrogance that seems to be betrayed by a seemingly insignificant symbol, the "DEC Nod." I first described this in my article, but it bears repeating because I continue to see the phenomenon appear under various guises in many different companies today.

The "DEC Nod" has been described by others as, "Say yes, do no." Essentially, it was a clear message that nothing was going to happen – even though, agreement on some action had been reached. An example was the effort to diversify our business. Many meetings were held in which we recognized that our hardware products were becoming commodities and that we needed to get into services and consulting. The empowerment in DEC produced great initiative and innovation, but that again came at a cost. Anyone could do the same thing, and so, repetition and overlap of effort were the results.

I can remember many a meeting in which we realized that we needed to do something about the multiplicity of consulting approaches we were presenting to the marketplace. In the meeting, we would agree that we needed to standardize, but it was obvious nothing would happen. We would leave the meetings frustrated and say to one another, "We just got the DEC Nod." At the time, we laughed about it not realizing how an insidious arrogance was creeping into our culture – one which would eventually produce disastrous results. On one occasion, totally frustrated by the lack of action, I composed a parable and emailed it to a few people. Obviously touching a sensitive nerve, it ended up being circulated from one person to another, and eventually, to a large population of the company. (See "Parable of the Tool Builders.")

The belief underlying the "DEC Nod," was that my approach is better than yours, and unfortunately, this translated into products and designs we brought to the marketplace. We knew better than the marketplace what was needed.

The second thing that could have saved DEC is more speculative. I maintained earlier that DEC was on the far left side of the entrepreneurial culture. Could it be that extreme positions are almost impossible to correct when the situation requires it? Earlier we saw the case in which extreme professional management made it impossible for a company to meet the marketplace dictates when the time required it. Further research is needed on this question. It is clear, however, that DEC couldn't, and maybe as Ed Schein suggests, didn't want to, move toward professional management when it needed to.

Over the years, I have come to believe that we need a balance between the two cultural extremes. Departing somewhat from the lessons of my first experience with the "Burger King" culture, I have come to realize that elements of both cultures are necessary. But *how* to achieve this, has become my contemporary challenge. The next case details the example of a company in which I believe we were successful with achieving a degree of cultural balance.

"A Learning Culture"

A few years ago, I was asked by a Silicon Valley company to help them develop a sales strategy for the company. Over the ensuing months, a number of activities produced a picture of where this company was and where it wanted to go. Emerging from this process was the recognition that products and technologies were no longer an instant formula for success. Competitive differentiation for this company was harder and harder to achieve through products alone. It was decided to pursue a strategy that had been written about for years, but poorly executed in most cases. The company decided to pursue a strategy based upon "knowledge." A more specific rendering of this strategy was, "Sustainable differentiation is based upon learning faster than your competition."

I have already indicated how central culture is in each and every one of my strategy engagements. Accordingly, we then proceeded to investigate whether the existing culture would enable the desired strategy. What we found was a culture that was closed – one in which information would not flow freely between elements of the enterprise and its environment. For example, the company would not willingly share certain information with customers, because of the fear that it would get in the hands of competition. As well, the field would not share information with headquarters, and headquarters with the field. Departments would also not share information with other departments.

Underlying this culture, was a history of leadership at the hands of an autocratic, top-down, control-oriented CEO. We would characterize them as being at the professional management side of table two. This focus, as we have described in some previous cases, had produced an operationally excellent company, with solid efficiencies and resulting high margins. It paid a price, however, in the morale and empowerment of its people.

The "knowledge" strategy was introduced after the retirement of the former CEO and was actively supported by the new CEO. But, as previously mentioned, the existing culture did not support the new strategy. At this point, we had to decide whether to change the strategy or to change the culture. With the arrival of a new CEO enhancing our chances of success, I recommended that they change the culture. More significantly, the new CEO had already communicated his desire to change the existing culture. The question now became, "What should we change the culture to?"

A powerful lesson had just emerged for me in the process – namely, that if we can be very clear about the strategic behaviors that we want, then we can focus the culture change on much smaller elements. In my experience, culture change efforts that focus on changing the overall culture are doomed to failure. As we will see, our chances of success are enhanced by limiting the culture change to only those elements that are truly needed to enable the desired strategic behaviors.

In our case, we knew that data and information would have to flow quickly from a variety of “touch points” with customers and the environment. In turn, these would have to be converted effectively into patterns of knowledge about customers, the marketplace and competition. It was obvious to us that a culture in which no one trusted anyone with the required information would ever enable the desired strategy.

To begin the process of cultural change, I laid out a set of values that I thought would encourage our further dialogue. Once again, it is important to highlight the role of values in this process. While the true essence of culture is determined at the level of fundamental assumptions, it is values that give us the opportunity to consciously debate cultural issues.

After some active discussion, following is the list of values that emerged and represented the shift from the existing culture to the desired culture.

An Enabling Corporate Culture

- Empowering
- Trusting
- Teaming
- Fast-Moving
- Reasonably Risk-Taking
- Customer-Centered
- Innovative
- A Learning Culture

It is hopefully obvious how the above listed values would produce behaviors that enable the knowledge strategy that I have described. In this culture, people would trust one another with information and it would flow quickly between individuals and groups. Being close to the customer, would enhance the value of the information, and a focus on learning, would lead people to constantly ask about the ultimate implications and pattern of the information.

Two years after the culture change strategy that I have just described went into place, I had the opportunity to go back and do some further work with the client. To my pleasant surprise, the client's culture had indeed changed in the desired direction. Work still remains to be done, but already the client is focusing their efforts and mine on a refinement of the knowledge strategy. The culture is no longer an inhibitor and a greater degree of trust exists at all levels of the enterprise. For example, whereas before a customer would not be told about certain product problems until the problem had been resolved, now customers complimented the company on their "openness" about such problems. More significantly, the knowledge strategy is producing competitive results. Market share gains against their primary competitor are clearly visible.

The lessons from this last case are noteworthy. Its short-term success has restored my confidence in culture change in general. To summarize the lessons, it has taught me that, "You can't change *the* culture;" you can only change portions of the culture. This, in turn, leads us to be clear about what specific strategic behaviors we need to change and why. Our further discussion leads us to a focus on the values that would support these behaviors. Embedding new fundamental assumptions would appear to be the final conclusive step, but I am encouraged that in this case, we really didn't do this. A focus on the desired behavioral and value changes, plus the arrival of the new CEO and other senior managers from outside, seem to have made the changes possible. Time will tell how permanent and successful these will be.

Final Thoughts

In this article I have detailed seven company case studies. While it appears that these cases may have been primarily about culture, in reality, they are all about running a successful business. Not all the cases were as dramatic as the DEC case, yet in each instance, serious business consequences flowed directly from an organization's ability or inability to deal with cultural issues.

There is much in this article that that the OD practitioner might take away, but my hope is that this article will be read by senior business executives. In turn, I hope they will take steps to learn more about culture and to make it a formal element of their strategic deliberations and their day-by-day running of the business.

Notes:

1. Peter S. DeLisi, “Lessons from the Steel Axe: Culture, Technology and Organizational Change,” *Sloan Management Review*, Fall 1990.

2. Edgar H. Schein, **Organizational Culture and Leadership (Second Edition),** San Francisco: Jossey-Bass Publishers, 1992.

3. Peter S. DeLisi, “A Modern-Day Tragedy: The Digital Equipment Story,” *Journal of Management Inquiry*, June 1998.

4. Edgar H. Schein, with Peter S. DeLisi, Paul J. Kampas, and Michael M. Sonduck, **DEC is Dead, Long Live DEC,** San Francisco: Berrett-Koehler Publishers, 2003.

Table 1

What Kind of a Company Do You Want to Be?

Entrepreneurialism	Professional Management
Internal Controls	External Controls
Creativity	Conformity
Individual Autonomy	Central Control
Intuitive	Rational/Logical
Right Brain	Left Brain
“That Ol’ Gut Feel”	Scientific Management
Decentralization	Centralization
Distributed Computing	Centralized Computing
Networks	Hierarchies
Adult-Adult	Parent-Child
Person-Centered	Organization-Centered
Product Differentiation	Low Cost Producer

Table 2

Cultural Dilemmas (Tradeoffs)

Entrepreneurial	**Professional Management**
Empowerment	Control
Internal Controls	External Controls
Shared Authority	Authority at the Top
Shared Responsibility	Accountability
Ownership	"Pass the Buck"
Network, Teams, Matrix	Hierarchy, SBU
Decentralized	Centralized
Innovation	Standardization
Customize	Mass Produce
Intuition	Scientific Mgt.
Risk-Taking	Conservative

Cultural Dilemmas (Tradeoffs)

Entrepreneurial	**Professional Management**
Truth Through Conflict	Conflict Avoidant
Consensus Decisions	Authority Decisions
"Buy-In"	Individual Latitude
Frequent Meetings	"Power" Meets
Inefficiency	Efficiency
Potential Chaos	Disciplined
High Comm. Bandwidth	Narrow Bandwidth .
Organizational Learning	Narrowness
Cross-Functional	"Stovepipes"

The Parable of the Tool Builders

Once upon a time, there was a great and wealthy nation by the name of Latigid that built its wealth by providing stone to its neighboring countries. Previously, the citizens of these neighboring countries depended on their own government to take the large, monolithic stone and to break it into smaller sizes with which the citizens would then build their homes. Latigid was able to develop a process which allowed them to export small stone economically to the citizens of these neighboring countries. With this capability, home building flourished and Latigid became a wealthy nation.

As time passed, other nations were able to replicate Latigid's process, and in some cases, were able to produce and export even smaller and more economical stone. Seeing their dominance in this market place eroding, the leaders of Latigid decided that they would not only export stone, but even more valuably would assist the citizens of these neighboring countries in building their homes. "After all, that was the business they should really be in." And so a great effort was mobilized to develop the talents necessary to be successful in this home-building market.

It was also decided that the stone salesmen would be the ones who would now offer this new service. Over time, they reasoned, the declining stone sales would be more than offset by the increasing home-building sales, and so it made perfect sense to use the same salespeople to offer both.

Whereupon, the craftsmen of Latigid proceeded to develop their art for export to these other countries -- architects, carpenters, stone masons -- each with their own specialty. And being a truly open society, each craftsman in turn, approached the salesmen and discussed how their tools would help construct the homes of the neighboring countries. As time passed, this endless procession continued, each craftsman describing how their tool was the best suited to construct the homes of their foreign neighbors.

It also happened that in those few instances where home building services were actually sold, the salespeople were not able to deliver the necessary resources, because it appears the craftsmen were much more interested in designing tools and promoting their quality, than they were in building anything with them. At last, frustrated by the lack of support and thoroughly confused by the multiplicity of tools, the salesmen, each in their own way, quietly withdrew their support and continued selling their stone.

Whenever other craftsmen heard of this lack of success, they reasoned that surely the reason for failure was the poor tools, and so, decided to develop yet another set of tools and tried to convince the salesmen that theirs were the best tools to build homes with. In the meantime, a curious thing happened -- so many people were developing tools that this great nation collapsed from inattention to internal matters, economic strain and dissension amongst the craftsmen as to whose tools were the best. The heads of foreign governments remarked how strange it was that such a great nation had collapsed so suddenly. "I don't understand," said one of these government officials, "why they never understood that what we really needed were home-building services and not stones.