



P E A K D E V E L O P M E N T

# Shaping Organizational Culture: A Cross-Functional Study on Real-World Practice

# *Research Report*

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# Shaping Organizational Culture: A Cross-Functional Study on Real-World Practice

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## Introduction

In recent years, organizational culture has been widely discussed and studied by both academics and business experts. Through our experience working with leaders across industries and continents, we have observed a gap between scholarly theory and practical application. In exploring this gap, we hypothesized that practitioners (both line and staff who play a role in shaping organizational culture) need to approach this work with intention, and give careful consideration to three factors: leadership, communication, and reinforcement. To test this theory, we solicited input from business professionals about how they have seen culture shaped, not just in their current role, but across their professional careers.

Our research methodology began with a comprehensive literature review on culture development. With this context, we crafted a survey focused on the leadership, communication, and reinforcement aspects of shaping culture. The survey included five Likert-based agreement scale, eight ordinal ranking, four categorical selection, four open-ended, and four categorical demographic questions. Responses were collected over a four week period and the data was then analyzed inductively. In total, we heard from nearly 200 participants including leaders at every level, from every functional area, across multiple industries and multiple continents. While participants spanned a wide spectrum of experiences, findings suggest common core components that cut across all the demographics represented in the study.

Scholarly definitions and personal experience of organizational culture run a spectrum of interpretations. We have found from our experience that culture is built over time and is a social energy that can move people to act. This definition underlies the development and analysis of this study.

## Executive Summary

### → KEY FINDINGS

**96% of participants** believe organizations should be deliberate about shaping their cultures.

**Only 28% of participants** felt the concept of organization culture is widely understood.

**The four most important** components of shaping culture: leadership, values, communication, and vision.

**The four most important** characteristics a leader needs to shape culture: vision, respect, trustworthiness, and good communication skills.

**88% of participants** believe they have a role in shaping culture; 100% of president/CEO participants believed they have a role.

Presidents/CEOs are seen as the senior most lead in shaping culture; senior executive teams are also expected to play a significant role.

“**Modeling behavior**” is the single most effective way for senior and functional leaders to shape culture.

**Personalized methods** of recognition have the greatest impact: recognition at an organization event, informal recognition by a manager, professional development opportunities. Monetary rewards and awards programs were seen as much less effective.

**Communication** is important at every stage of a culture initiative. Face-to-face communications are most effective: organization and department meetings, one-on-one communications, and informal networks.

According to the results of Shaping Organizational Culture: A Cross-Functional Study on Real-World Practice (March/April 2005), culture is shaped primarily through four means: leadership, vision, values, and communication. In subsequent questioning, a fifth component, reinforcement, also scored significantly as a key component in how culture takes hold in an organization. With 96% agreement, participants in this study confirmed the importance of being intentional about shaping culture.

About leadership, participants noted that, after vision, the most important characteristics a leader must have to effectively shape a company's culture are respect, trustworthiness, and communication skills. Additionally, our analysis raised an interesting question about what it means to *lead* organizational culture. Participants clearly expressed their desire to *see* culture initiatives directed, communicated, and most of all, modeled, from the senior most executives in the organizations. However, it is not clear who works behind the scenes as the organization development expert and lead architect for the change. We propose, in many cases, that Human Resources may be the best fit for this role.

Regardless of who leads the change, the study clearly shows that professionals throughout the organization need to take responsibility for bringing the culture to life. Eighty-eight percent of the participants agreed that they have a role in shaping culture, and across all levels and functions, participants thought internal employees could do more.

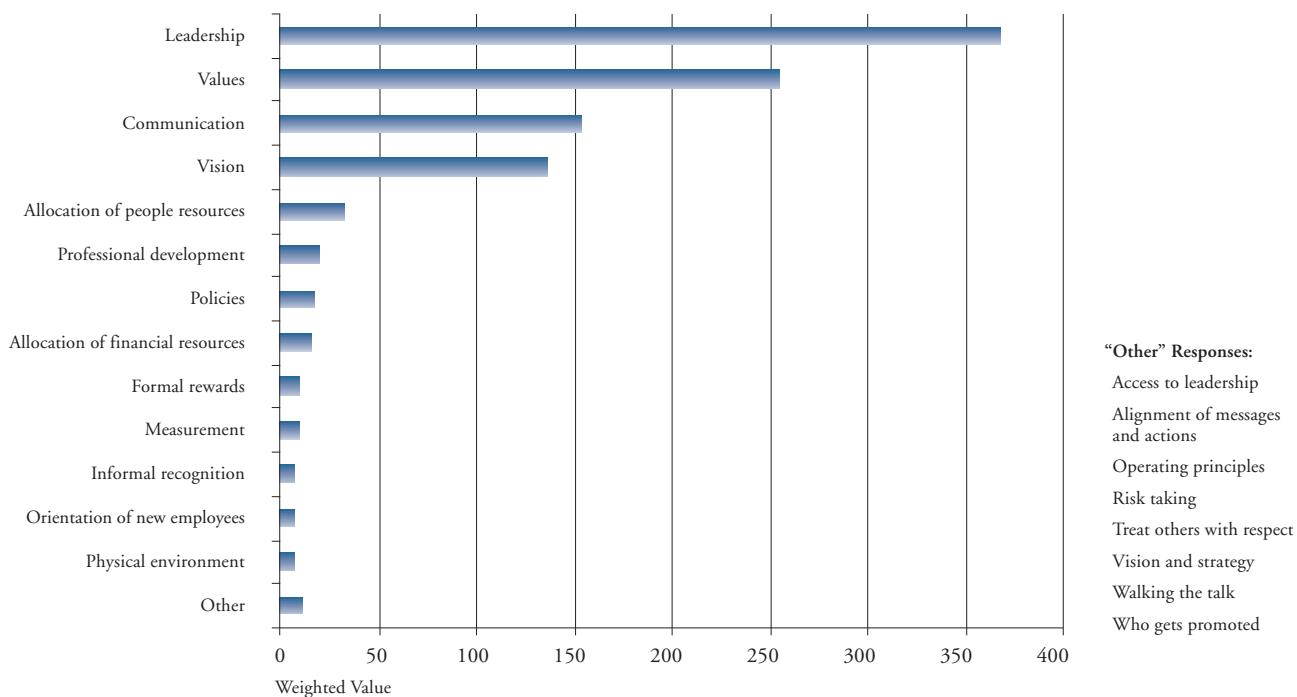
In order to internalize this new way of operating, leaders at all levels need to reinforce behavior that supports the desired culture through personal, direct methods: public recognition, formal and informal recognition from a manager, and professional development opportunities. Our findings suggest that traditional awards programs are highly overrated.

Finally, our findings validated what many already experience intuitively, that the most effective communication mechanisms in culture initiatives are face-to-face, real-time interactions: organization and department meetings, one-on-one communications, and informal networks. These forms of communication are essential to creating relationships.

## Key Components of Culture Development

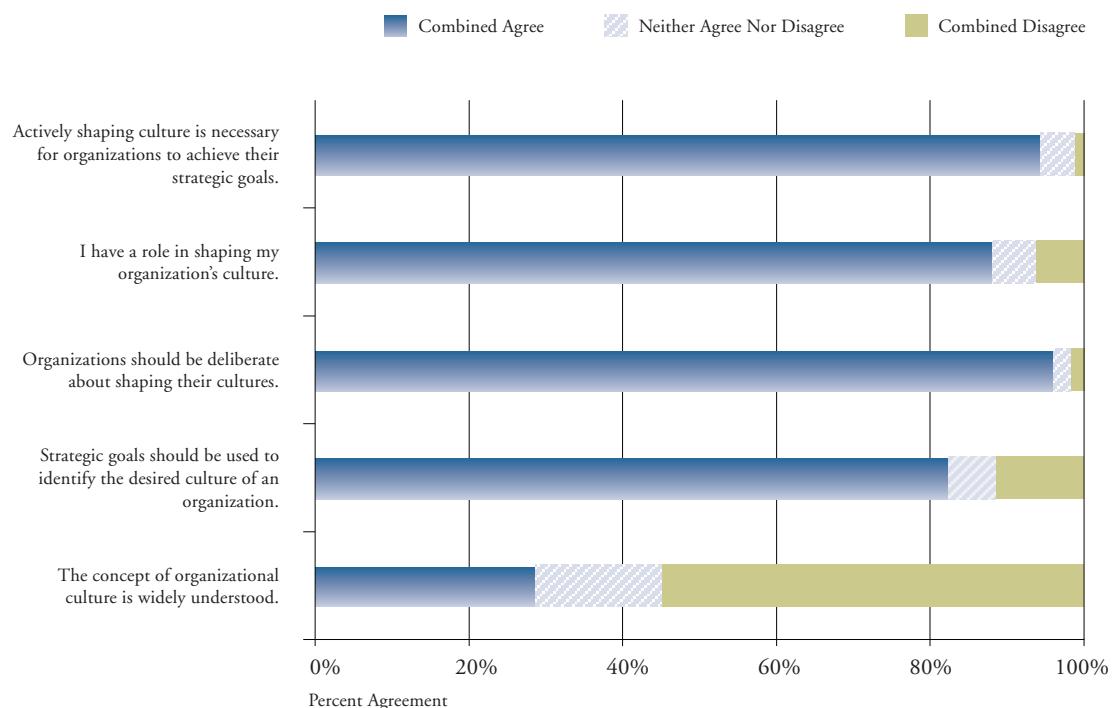
**VISION AND VALUES** When asked about the components of shaping a culture, participants indicated leadership, vision, values, and communication as the four most important factors (Diagram 1). These partially mirror the components proposed in our hypothesis: leadership, communication, and reinforcement. Vision and values were implicit in our definition of leadership, however, participants scored them so high, we cannot ignore their significance. Participants want to know that culture change is grounded in the fundamental truths of their organizations, that it is not just a “flavor of the month” program. One participant states, “Far too often I have seen an organization attempt to create a vision for a culture that conflicts with its business needs or organizational character. A vision of a culture must support the values and vision for the business.”

DIAGRAM 1 **MOST IMPORTANT COMPONENTS OF DEVELOPING AN ORGANIZATION'S CULTURE**



**LEADERSHIP** Leadership does not presuppose a level in an organization but rather a set of behaviors for an individual. The study shed light on two types of leadership: positional and personal. Seventy-eight percent of participants rated presidents/CEOs as the senior most lead in culture initiatives; another 13% rated the senior executive team as the senior most lead. Together, these leaders are expected to leverage their positional leadership in culture initiatives. However, when asked if they felt they had a role in shaping culture, 88% of participants—regardless of position—agreed (Diagram 2). For these employees, personal leadership is key to making the culture a way of being in their organizations.

DIAGRAM 2 PERCEPTIONS OF CULTURE



“In my opinion, personal accountability (not responsibility) is necessary up and down the ladder; respect for the individual not just the entity; in short, I believe a company’s culture is ‘values’ driven and that employees having the same values and sharing the same vision will steer the culture as necessary during the life cycle of the company as it seeks to achieve its goals.” —*Study Participant*

**COMMUNICATION** Participants agree that communication is essential for culture to take root and they strongly favor face-to-face methods of sharing information like organizational events, department meetings, and one-on-one communications (Diagram 7). More traditional, impersonal methods including newsletters, voicemail, and email scored significantly lower.

**REINFORCEMENT** Contrary to our prediction, reinforcement mechanisms (i.e. formal rewards, informal recognition, etc.) did not score significantly as a primary component of shaping culture (Diagram 1). However, when asked about specific actions leaders should take to shape culture, “reinforcement of behavior that supports the desired culture” scored high. Perhaps this is a learning point for culture architects: be more intentional about rewards and recognition in the design phase, because they are essential for a culture to take root.

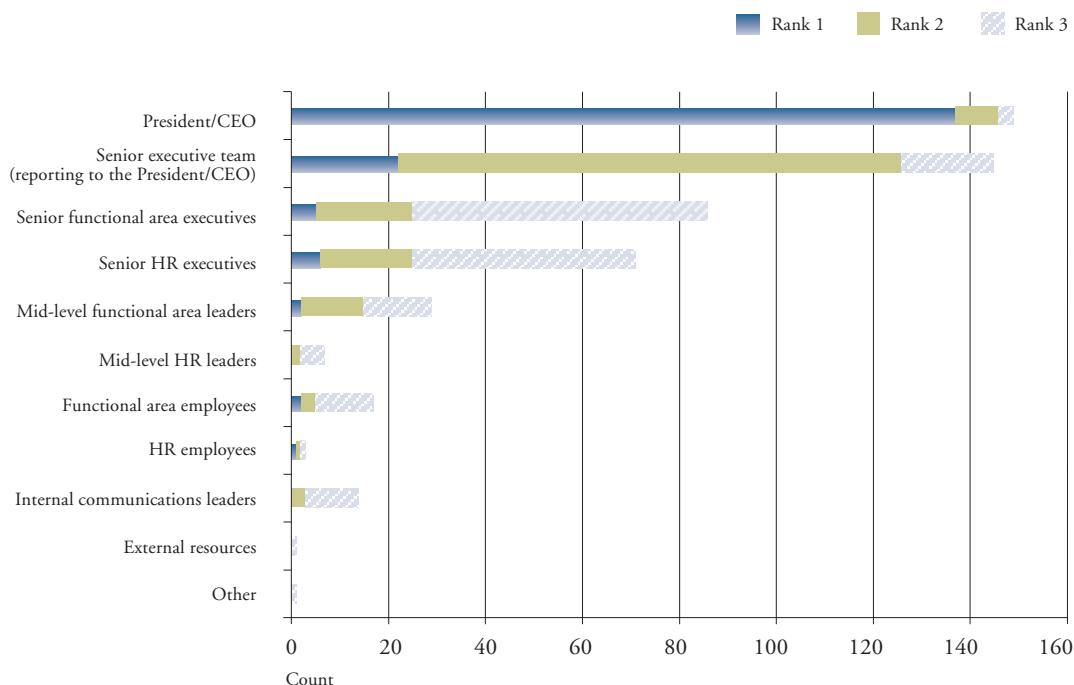
**INTENTION** Culture will develop by design or default; an organization’s ability to shape its culture is determined by its level of intentionality. Ninety-six percent of respondents agreed that organizations should be deliberate about shaping their culture. Ninety-four percent agreed that actively shaping culture is necessary for organizations to achieve their strategic goals (Diagram 2).

## Leadership

**PRESIDENT/CEO** Participants were unmistakably clear about the lead role of presidents/CEOs in shaping the organization's culture. Across all demographics, presidents/CEOs ranked 1<sup>st</sup> when asked "who should be the senior most lead in shaping culture?" (Diagram 3). This is consistent with our finding that 100% of presidents/CEOs were in agreement with the statement, "I have a role in shaping my organization's culture." One participant described the president/CEO role in the following way:

Establish the vision for what the culture should be, and live it; model it, in every action and decision. Ensure a place for the deliberate dialogue about culture, and its business implications, in business forums. Hold others accountable for their impact on the culture. The CEO makes the determination about whether shaping culture will be "a core part of running the business" or an "addendum" to running the business.

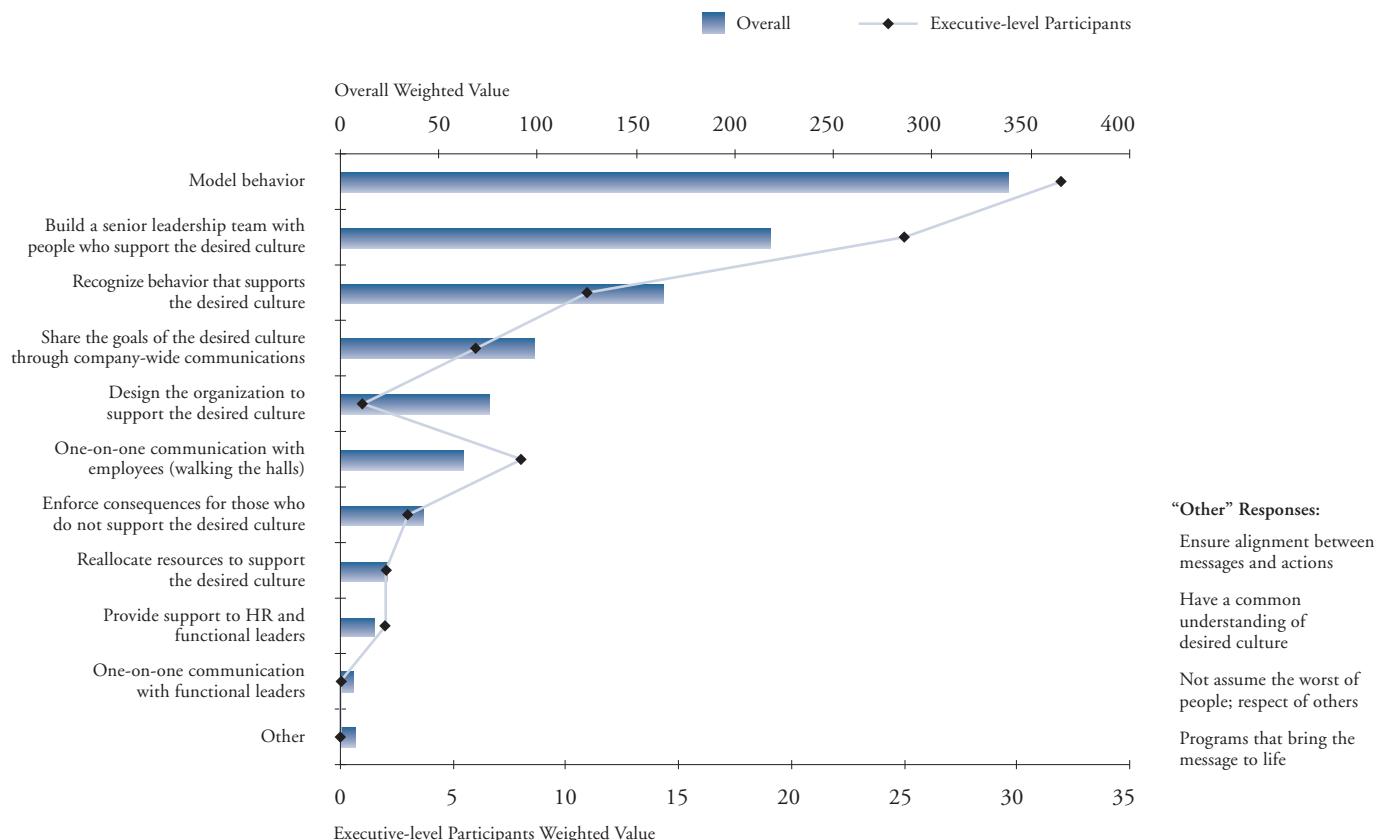
DIAGRAM 3 WHO SHOULD BE THE SENIOR MOST LEAD IN CULTURE INITIATIVES



In narrative comments, participants spoke abundantly about the role of the president/CEO in establishing high-level vision, values, and goals in their respective organizations. Quantitatively, “modeling behavior that supports the desired culture” rated, by far, the most effective way for senior leaders to shape the organization’s culture. The weight of “modeling behavior” underscores the need for leaders to be aware of their impact on others: all eyes are on them and there can be unintentional consequences when they do not consciously choose their actions. According to the quantitative results, “building a senior leadership team with people that support the culture” and “recognize behavior that supports the desired culture” are the 2<sup>nd</sup> and 3<sup>rd</sup> most effective ways for the president/CEO to shape culture (Diagram 4).

**SENIOR EXECUTIVE TEAM** Participants were consistent in their thoughts about the role of the senior executive team in shaping culture. We see how important they felt it was for the president/CEO to “build a senior leadership team that supports the desired culture.” We also note that the senior executive team is a close second to the president/CEO in leading culture (Diagram 3). In narrative responses, the senior executive team is widely seen as a partner in shaping the vision, values, and direction of the organization. As with all leaders they are expected to lead by example.

DIAGRAM 4    **MOST EFFECTIVE WAYS FOR SENIOR EXECUTIVES TO SHAPE THE ORGANIZATION'S CULTURE**



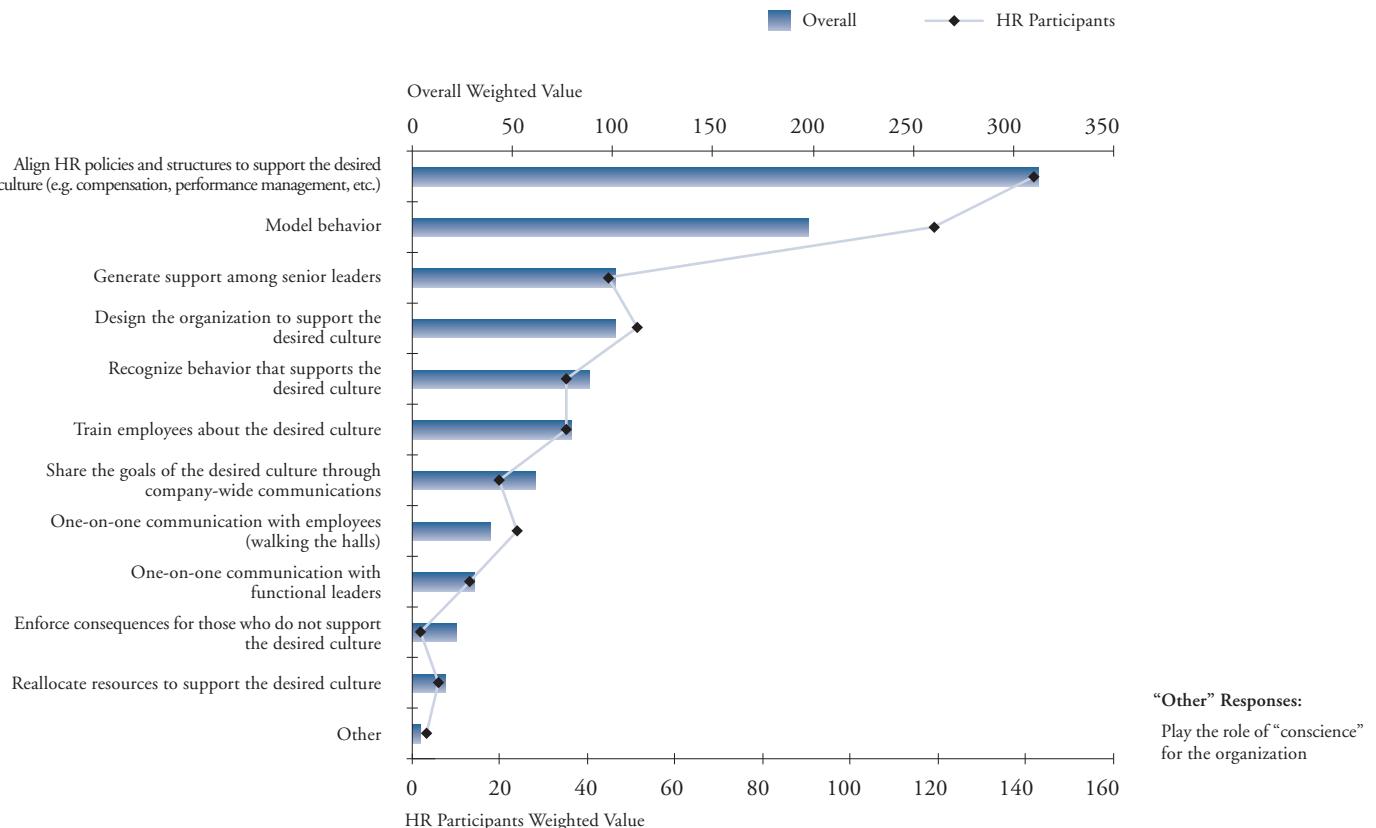
**FUNCTIONAL LEADERS** We believe that functional leaders are catalysts—positively or negatively—in culture initiatives. Participants confirm that the functional level is where culture initiatives come to life. Functional leaders are charged with integrating the culture; the most effective way to make sure this happens, again, is modeling behavior. One participant made the following comment about the role of this group: “Believe in the value of culture and see it developed through working practices. Support it from the heart and be ready to communicate what it is and the immense value of it to associates and the business. Be prepared to change time honored practices to support the culture.” Another participant stated that employees at the functional level are “where the culture is ‘practiced.’ The behavior occurring here IS the culture.” Across all demographic breakouts, “recognizing behavior that supports the desired culture” scored a solid second to “modeling behavior” in how functional leaders shape culture (Table 1).

TABLE 1    **MOST EFFECTIVE WAYS FOR FUNCTIONAL LEADERS TO SHAPE CULTURE**

1. Model behavior
2. Recognize behavior that supports the desired culture
3. Prioritize functional goals to support the desired culture
4. One-on-one communication with employees (walking the halls)
5. Share the goals of the desired culture through department-wide communications
6. Generate support among senior leaders
7. Enforce consequences for those who do not support the desired culture
8. Reallocate resources to support the desired culture

**HUMAN RESOURCES** In the quantitative data, HR did not rate in the top three for leading culture development initiatives (Diagram 3). Results show that expectations of HR are largely limited to the traditional role of aligning HR policies and structures: such as compensation, hiring, etc. (Diagram 5). The responses of HR participants also emphasized these traditional tasks, with one participant stating, “The senior HR executive insures that practices, policies and people strategies fulfill the direction defined by the CEO.” However, in other narrative responses, participants gave a much more progressive view of HR’s role. One participant replied: “[the] senior HR executive has the responsibility for defining the approach for articulating the culture, building the supporting mechanisms, ensuring the behaviors, governance bodies and organizational structures are consistent

DIAGRAM 5    **MOST EFFECTIVE WAYS FOR HR LEADERS TO SHAPE THE ORGANIZATION'S CULTURE**

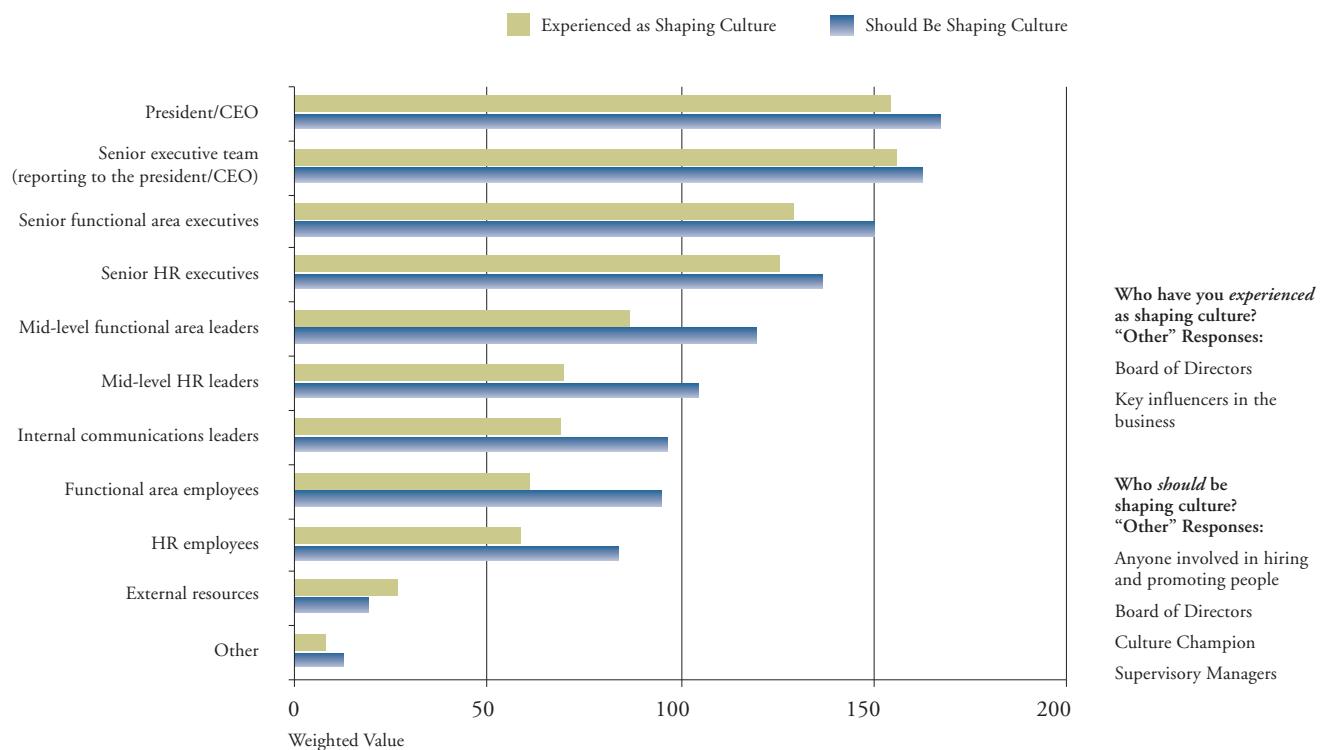


with the desired culture. And—lead[ing] by example.” One explanation for the gap could be the participants’ assumption that the senior HR executive is included on the senior executive team. Another explanation could be a distinction between the “lead communicator/public champion” and the “lead designer” of the initiative.

Our experience in the field supports the more progressive view of HR’s role in deliberately shaping culture. We maintain that leveraging HR’s organizational development expertise and “pulse of the organization” is a valuable starting point for culture initiatives. Working behind the scenes with senior executives, HR can have a great impact on the design, implementation, and sustainability of culture development initiatives. However, this evolution requires HR to build the skills necessary to function in this way and establish the credibility necessary to be positioned as a senior culture advisor to the president/CEO.

**ALL EMPLOYEES** The success of shaping culture does not rest entirely on the shoulders of executives, functional or HR leaders. Eighty-eight percent of respondents believe they have a role in shaping their organization's culture (Diagram 2). In comparing who participants have *experienced* as shaping culture with who they think *should* shape culture, respondents felt that employees at all levels could do more (Diagram 6). That said, the biggest gaps in this comparison were among mid-level employees; participants felt that mid-level employees should take more responsibility and accountability for shaping culture at a level appropriate to their position. "It's important for everyone in the company to believe in the company culture and live by the company culture in order to make it work. It can't just be something that is put in a plan and put in a policy; it has to be something that everyone believes in and lives by from the top down." Across all demographic breakouts, participants did not feel external resources should be primarily responsible for shaping culture.

DIAGRAM 6 WHO IS EXPERIENCED AS RESPONSIBLE FOR SHAPING CULTURE VERSUS WHO SHOULD BE RESPONSIBLE



**CHARACTERISTICS OF A LEADER** Regardless of level and function, a leader's character is as important as his/her actions. According to the study results, in order to be effective, a leader must have vision, gain the respect of others, be trustworthy, and demonstrate good communication skills (Table 2).

TABLE 2 **MOST IMPORTANT CHARACTERISTIC LEADERS NEED TO EFFECTIVELY SHAPE CULTURE**

Characteristic	Rating
Visionary	21%
Respect	20%
Trustworthiness	18%
Good communication skills	14%
Persistence/tenacity	7%
Charisma	5%
Good listening	5%

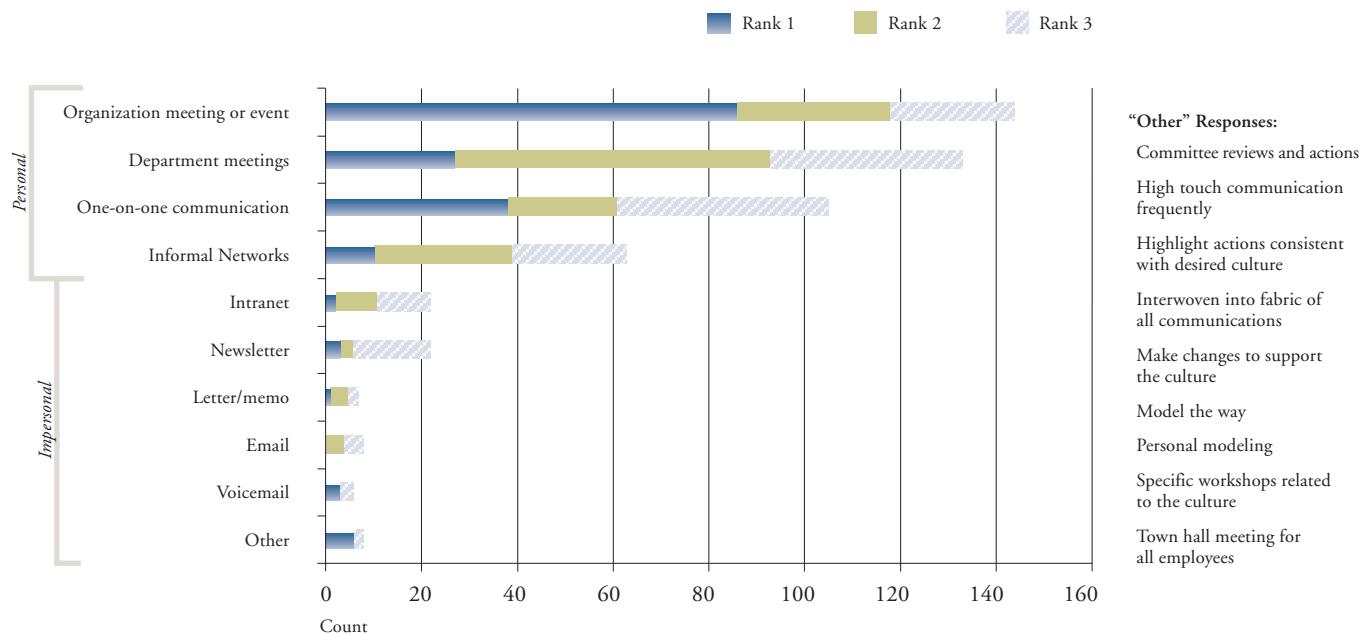
*"Other" Responses: Actions, Authenticity, Believability, Consistency of behavior, Credibility, Influence, Leading by example, Practice what they preach, Respect for diversity of ideas and trust in others, Self-awareness, Walk the talk.*

## Communication

**SUSTAINED EFFORT** A conscious, continual communications campaign is important to a culture initiative's success. We measured communication needs through six stages of a culture change: inception, design, launch, implementation, realization, and sustainment. Between "inception," the moment the need for culture development is noticed and "implementation," when the initiative to shape the culture is underway, an average of 70% of participants reported that communication is necessary at each stage. Sixty-six percent of the participants believed communication should continue throughout "sustainment," ensuring the long-term embodiment of the new culture. In our experience, far less is commonly practiced. We also find that proactive communication is one of the most difficult aspects of shaping culture for many organizations. In the findings, the role of the "internal communications leader" did not rank high in leading culture initiatives (Diagram 3). That said, a few participants commented about internal communications' role as "branding the culture" and "keeping vision and values in the forefront of the organization's mind." "The culture needs to be woven into all communications. It's not about memorizing a vision statement, it's about placing a value on the work we all do and how our company is a great place to work."

**MECHANISMS** Personal, face-to-face methods of communication are strongly favored by participants in this study. Participants scored organization meetings or events, department meetings, one-on-one communications, and informal networks as their preferred mechanisms for receiving information about culture (Diagram 7). One participant describes this as, "...active communication—town halls, etc.—that I think are most effective...versus newsletters, voicemails. These are too impersonal...seeing your leadership in action is much more motivating and engaging."

**DIAGRAM 7 MOST EFFECTIVE WAYS TO COMMUNICATE ABOUT A DESIRED CULTURE**

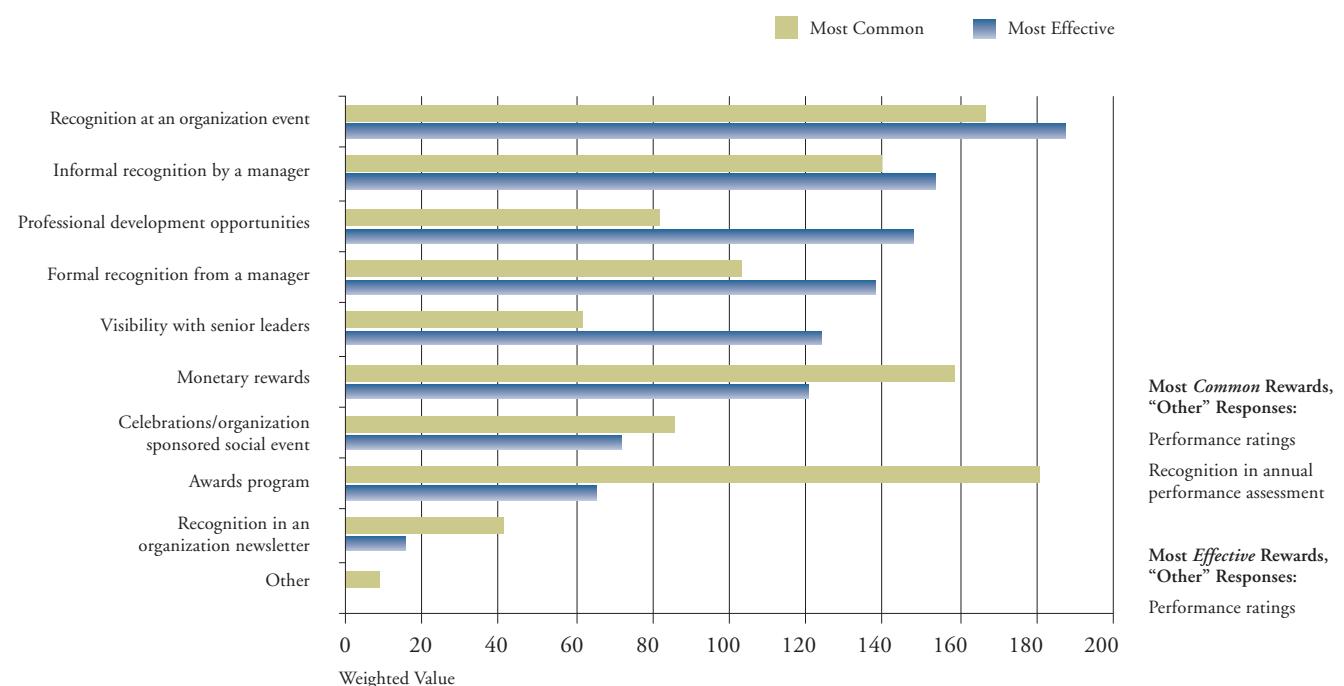


**LANGUAGE** Only 28% of respondents agree that, “the concept of organization culture is widely understood” (Diagram 2). Our experience suggests that one of the explanations for this gap is the use of rhetoric and jargon, which can create barriers to the understanding and effectiveness of culture. Leaders of culture change need to use language intentionally when shaping culture; they should frame the concept of culture in business terms, using language that will resonate within their organizations.

## Reinforcement

**IMPORTANCE** In our work, we have found significant value in rewarding employees for actions that support the new way of operating. When asked to rate the importance of certain components of shaping culture, participants did not give recognition methods much weight (Diagram 1). However, when asked about specific actions senior executives, functional, and HR leaders can take to shape culture, reinforcement scored high: 3<sup>rd</sup> for presidents/CEOs, 2<sup>nd</sup> for functional area leaders, and 5<sup>th</sup> for HR leaders. As stated earlier, being more intentional about incorporating recognition into the original culture design will go a long way toward affecting immediate and long-term behavior that supports the new way of operating.

DIAGRAM 8    **MOST COMMON VERSUS MOST EFFECTIVE REWARDS FOR SUPPORTING A DESIRED CULTURE**



**MECHANISMS** There are formal and informal mechanisms of reinforcement; personal delivery of these mechanisms has a significant impact. The three most effective methods of recognition, in order of their popularity, are: recognition at an organization event; informal recognition from a manager; and professional development opportunities (Diagram 8). By wide margins, participants expressed that traditional awards programs, although commonly offered, are among the least effective ways to reward behavior that supports a desired culture.

## Demographics

Nearly 200 professionals from all levels within organizations participated in the study: executive level (8%), vice presidents (21%), directors (48%), and managers (18%), other (5%). Many industries were represented, including: pharmaceutical (49%), technology (13%), healthcare (9%), biotechnology (7%), manufacturing (6%); and finance and banking (4%). The functional area from which the participants operate reflects common business models, including: human resources (47%), sales and marketing (15%), corporate functions, including finance, legal, information technology (9%), research and development (8%), and operations/supply chain (6%). Eighty-nine percent of the participants have ten or more years of experience. Four continents were represented: Asia, Europe, and North and South America.

## Conclusion

**INTEGRITY** Professionals insist on integrity. They want culture initiatives to be grounded in the business and in the fundamental vision and values set forth by the senior leadership. They want their leaders, regardless of position, to be worthy of respect and trust.

**IN-PERSON & INDIVIDUALIZE** Face-to-face interactions are the most effective ways to share information about a culture initiative and recognize behavior that supports the desired culture. Professionals prefer meetings, events, one-on-one encounters, and informal networks; newsletters, emails and voicemails were found far less effective. As for recognition, the two most effective methods require face-time with a leader: recognition at an organization event and informal recognition by a manager. Further, customized recognition in the form of professional development opportunities, formal recognition by a manager, and visibility with a senior leader make a greater impact than more impersonal methods.

**INTENTION** An organization's culture will develop as a matter of course and time. However, without intention, individuals become a product of the culture in which they live. Once a leader understands the power of culture, it becomes one of the most important levers of success they will ever experience.

## About Peak Development Consulting

**Shaping Organizational Culture: A Cross-Functional Study on Real-World Practice** is an independent research study exploring how organizational cultures are shaped, and the roles individuals play in actively shaping them. The study is part of Peak Development's ongoing commitment to advancing knowledge in the fields of organization and leadership development. For more information on Peak Development's research initiatives, or to obtain a copy of our white paper with further thinking on this topic, please visit our Web site at [www.peakdevelopment.com](http://www.peakdevelopment.com).

**Mindy Hall, Ph.D.** formed Peak Development Consulting, LLC in 1996 to help organizations grow their most important assets—their cultures and the people within them. In her role as President and CEO, Mindy brings both industry and academic credentials to her work with clients. With over 20 years of experience in the pharmaceutical and banking industries, her internal corporate career has spanned both senior development and HR generalist responsibilities, including experience working in a French-Japanese biotechnology venture as an expatriate based in Paris, France.

Mindy has earned Masters Degrees in both Organization Development and Human Resources Management, and a Ph.D. in Human and Organizational Systems. She is an accomplished speaker and published author, whose work appears in *The Competency Casebook* from HRD Press and *OD Practicing*.

**Peak Development Consulting, LLC** delivers a full suite of custom organization and professional development solutions. Our client list includes leading pharmaceutical, technology, and biotechnology companies throughout North America, Europe, and Asia. We are committed to building the long-term capacity of the organizations with which we work. Whether shaping cultures, cultivating leaders, developing teams, or building HR capacity, our goal is to deliver the best solutions for our clients' unique business challenges.

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