



## What Is Culture and How Can You Change It?

By Michael Timms

Although the origin of the phrase “Culture eats strategy for breakfast” is up for debate (we aren’t 100% sure who said it first), the validity of the phrase is not debatable. There is no question and ample evidence that culture, like the mass of an iceberg lurking below the surface of the ocean, can sink the most elegant strategy ever launched.

According to a global [study](#) by Deloitte, 90% of Canadian execs and 86% of US execs believe that their culture gives them a potential competitive advantage. So how many are tapping into this potential? Despite what they believe, most are not. The same study revealed that fewer than 12% of companies even understand their culture. You can’t manage what you don’t understand.

### What Is Culture?

Some people believe that culture “just happens” or that employees create culture. This supposition not only dead wrong, it’s dangerous. Senior managers who believe this are likely to abdicate their role as custodians of their organization’s culture, leaving it to HR, to employee committees, or to the cosmos.

Simply put, culture is the patterns of behaviour that form within an organization. If you believe that employees create culture, then let me ask you... why would employees begin behaving in similar ways? Did they all get together and have a secret meeting where they all agreed to behave a certain way? No, they didn't.

Why then, do people within organizations begin behaving the same way? What invisible force would persuade them to do that?

## In a Hierarchy, Everybody Looks Up

The invisible force that influences people to behave the same way is power, or 'formal authority'. However, it doesn't work the way we think it works.

Look closely at virtually every human organization, and you will find a hierarchy – a structure in which some people have more influence than others. In human organizations, there are basically two types of influence people can have:

1. **Natural Leadership.** Occurs when people voluntarily choose to follow another.
2. **Proxy Leadership (aka Management).** Occurs when someone is given formal authority to control or influence the outcomes of others, such as compensation, benefits, work assignments, and working conditions.

When a person has control over our circumstances and livelihood, we are strongly motivated to pay close attention to them. Evolutionary forces have hard wired human beings to seek out threats. People are constantly watching those in authority for cues on how to behave in order to give themselves an advantage and improve their own circumstances. In a hierarchy, everybody instinctively looks up the food chain to determine how to behave to produce better outcomes for themselves.

But people aren't just watching what managers say or do, they are also inferring **why** managers do some things and don't do others. They are trying to determine their managers' true priorities so they can act accordingly and produce better outcomes for themselves.

***Patterns of behaviour emerge when people come to the same conclusion about what their managers' true priorities really are.*** And remember, managers are doing the same thing. They too are looking up the food chain to determine what is most important to ***their*** managers.

This is how organizations can have both a strong corporate culture *and* different subcultures. Each manager has a few things that are uniquely important to them. But when managers all come to the same conclusion about what's most important to the top dogs, certain patterns of behaviour are carried through all levels of the organization.

# Culture is the Interpretation of Management's Priorities

Patterns of behaviour don't emerge in line with what management **says** are their priorities. Patterns of behaviour emerge from what employees **believe** management's priorities really are.

## Example #1

In 2017, employees from Canada's five largest banks flooded an investigative news segment with [stories](#) of "how they feel pressured to upsell, trick and even lie to customers to meet unrealistic sales targets and keep their jobs." Employees felt so much pressure to hit sales targets that they would do things like increase people's credit limits without telling them.

One CIBC associate said that they were pressured to encourage people in debt to remortgage their homes. "We told them we were helping them, but essentially we were extending more credit so the vicious cycle would ... continue and we, in turn, would make a sale," she said.

Another CIBC [call centre worker](#) in Halifax "said her manager pressured her to sell a \$250,000 line of credit to an 82-year-old woman who just called to arrange a small loan for her son."

Bank employees believed that management only cared about hitting sales targets, and that management did not care about what employees had to do to achieve their sales targets.

When the investigative news segment asked to speak to the CEO's of all five banks, they all declined. "Instead, they sent statements, essentially saying the banks act in the best interest of their clients, and that employees are expected to follow codes of conduct."

Codes of conduct are meaningless. What matters is what employees *believe* management really cares about. Patterns of behaviour follow.

## Example #2

I too worked for a company led by a president and EVP who made it clear that EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) was their top priority. It was so clear to us that we, the senior managers, created a new catch phrase to greet each other. Instead of saying "Hey Steve," we'd point to each other and say "It's all about the EBITDA!" I kid you not.

That was the corporate culture. It was all about the EBITDA. In fact, I was reprimanded by my boss for even mentioning that we should work on improving employee engagement. Employee engagement was not a priority.

Within that corporate culture, a very strong sub-culture began to emerge under my boss, the EVP. The EVP was a workaholic. He had no kids and a wife who was also a busy professional.

The EVP would come into work at 7:00 a.m. and often leave after 6:30 p.m. He would then work from home sending us emails until late at night. The EVP would derisively refer to employees who arrived and left work on time as “9 to 5ers.” We learned very quickly that to have any chance at getting a good performance rating from him, we too needed to come in early, leave late, and respond to emails at night.

Working silly hours wasn’t written in any policy manual or employment contract. The EVP never explicitly said that’s what he expected. But not surprisingly, we all, in unison, began working longer and longer hours.

Our belief about what was most important to our boss (working long hours) and what was most important to our company (EBITDA) resulted in low trust and low morale throughout the company. We knew, like the bank employees in the example above, that our top managers viewed their employees simply as a ‘resource’ to grind money out of.

## Changing Culture

Culture change does not occur without the permission, or tacit approval, of those with formal authority. Because everybody in a hierarchy looks up the food chain for cues on how to behave, ***the CEO and senior managers are the driving force of the organization’s culture***, whether they know it or not. They drive the culture of the organization not by what they say are their priorities, but what people believe management’s true priorities really are.

Organizational psychologist, Edgar Schein, once said “If you do not manage culture, it manages you.” CEOs and senior managers have two choices, either

1. decide what they want people to believe are their top priorities and then behave accordingly, or
2. ignore culture and have it produce unintended, and often undesirable, results.

Culture is patterns of behaviour that emerge based on what people believe are important to those in authority. Once those in authority understand this, they can do something about it.