

KORN FERRY
Institute

Real World Leadership

Create an engaging culture
for greater impact.

Development that drives transformation and growth.
Part three of the Real World Leadership report series.

About the study.

Korn Ferry commissioned a comprehensive, global survey of views on leadership development in July and August of 2015. The survey generated more than 7,500 responses from 107 countries, with broad representation from markets such as North America, the UK, continental Europe, Australia, and Asia. Three in four of the leaders who responded are engaged in their organizations' business functions; the rest are in human resources.

The breakdown of the respondents follows:

- ▶ C-suite (26%)
- ▶ VP/SVP/EVP (31%)
- ▶ Director (27%)
- ▶ Other (16%)



Introduction.

Culture is the lifeblood of an organization. It reflects the values, beliefs, and behaviors that determine how people perform and interact with each other every day. In some organizations, culture is widely discussed and understood by all. In others, it is an unspoken set of rules and norms. Culture, regardless of how it is communicated, plays an enormous role in organizations' performance.

Our recent global survey explored issues surrounding culture change and leadership development. The research demonstrates that organizations see the need to make a priority of culture to drive alignment, collaboration, and performance. Yet many acknowledge they have not effectively aligned culture and strategy. They have not identified and communicated their culture throughout their organizations. They have not integrated culture into their talent development and organizational practices.

Key findings include:

- "Driving culture change" ranks among the top three global leadership development priorities.
- "Organizational alignment and collaboration" is considered the primary driver to improve culture.
- "Communications" is the most used strategy to improve culture, followed by "leadership development" and "embedding culture change in management objectives."

The findings suggest that organizations need to make culture change a more significant aspect of their leadership development programs and overall leadership agenda. Culture change occurs, ultimately, when a critical mass of individuals adopt new behaviors consistent with their organization's strategic direction. Leadership development can be the most effective tool to change behaviors. And when leaders change their behaviors, others do so, too.

Culture change starts in the executive suite. Top leaders need to define the culture, communicate it to all organizational levels, and act and behave in ways that reflect and reinforce desired outcomes.

Leadership development can play a key role in accelerating, reinforcing, and sustaining culture change throughout the organization. This is the third in a series of four reports that discuss the results and implications of our global research on leadership development. We hope the insights provided will help organizations develop the leaders they need to succeed in these challenging times.

Stu Crandell

Senior Vice President of the Korn Ferry Institute

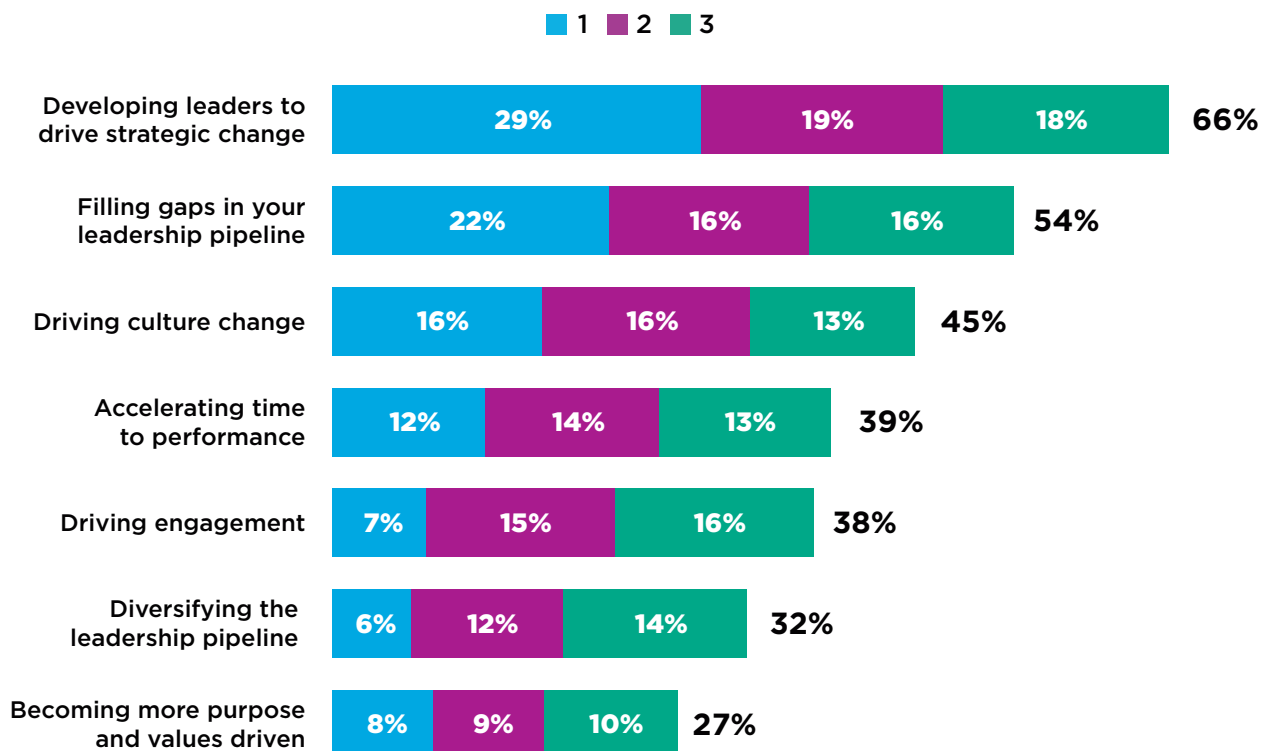
Develop leaders to accelerate culture change.


Culture has never been more critical to organizational performance. As organizations adapt to change and pursue new opportunities, they need to align the values, beliefs, and behaviors of their workforce to support new and evolving business strategies. This is fundamental to their success.

Survey respondents ranked "driving culture change" as one of their top three global leadership development priorities. This reflects a significant evolution in culture's perception in organizations. They increasingly see that their existing culture has gotten them to their current state of organizational performance, but it will not get them to where they want to go.

"In previous years, culture was not viewed as a priority," remarks **Jacqueline Gillespie**, senior partner at Korn Ferry. "That has changed. There's now a widespread recognition that culture has a significant impact in supporting a business strategy."

Rank the most important leadership development priorities in your organization.





"As organizations become more global and diverse—and as they engage more independent contractors and temporary workers—they understand they have to manage culture more pro-actively," adds **Mark Royal**, senior principal at Korn Ferry.

How do organizations engineer leadership development plans to drive culture change?


To do so, they must foster the values and behaviors to support the new business strategy. If an organization wants to create a more commercial culture where everybody contributes to top-line growth, it must develop new daily behaviors. When these get practiced often enough in the right ways, the culture begins to shift. For this process to work, systems and practices must be put in place to reinforce desired behaviors and to hold people accountable for change. But it all starts with top leaders defining the desired culture in a way so it does not deviate from the organization's core mission and values.

Once defined, the culture-change agenda needs to be embedded in the development plans of individual leaders. It must be part of all leadership development activities.

"We believe that talent, leadership, and culture are intrinsically linked, and they are crucial to strategic execution," says **Arvinder Dhesi**, senior client partner at Korn Ferry. "It's a mistake for top leaders to believe that culture is somehow separate from themselves or a separate project. Everything that we do contributes to the culture. There's no culture-neutral behavior."

Developing an inclusive culture.

Korn Ferry's **Managing Inclusion** program provides managers with the knowledge and tools to create an inclusive environment that helps employees excel and grow and supports broader culture change. The program helps managers learn how to support and engage staff, while communicating and modeling behaviors foundational to an inclusive culture.



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*Arvinder Dhesi
Senior Client Partner
Korn Ferry*

Creating a cultural foundation.

Korn Ferry's Four Pillars of Leadership Development provide a framework to instill behaviors and values foundational to support an existing or desired culture.

- 1. Context is critical:** Development work must be connected to the organization's current issues and strategies. "Context is king," says **Dave Eaton**, a Korn Ferry senior partner. "The development needs are very different if an organization is working through a merger versus hiring or transitioning to a new CEO."
- 2. Develop the whole person:** To maximize leadership potential, organizations must match individual strengths and motivations to organizational needs, and development must align the individual's values, beliefs, and personality to the new culture.

Korn Ferry's Four Pillars of Leadership Development.



3. Treat leadership development as a journey:

"Leadership development is always a journey," says **Noah Rabinowitz**, senior partner and global head of Korn Ferry's Leadership Development practice.

"It should have a story line and an arc that consists of a variety of development experiences strung together in a compelling way, making learners feel that they are on a true journey with a beginning, middle, and end."

4. Service promotes purpose: To tap into deeper levels of motivation, individuals must feel they are contributing to something meaningful, such as making a difference to people's lives. This starts with the organization articulating a mission that defines the value it creates for the people it serves. In turn, the organization's mission is perpetuated by purpose-driven leaders who demonstrate authentic leadership to their teams. By linking elements of culture change with an organization's mission and connecting that to an individual leader's purpose, companies can develop stronger advocates for change.

"Leadership development naturally should serve as a source of inspiration," Rabinowitz explains. "People are inspired by an opportunity to serve a purpose beyond the bottom line and beyond themselves. You can do this by leveraging the organization's community and social responsibility platform."

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*Noah Rabinowitz
Senior Partner and Global Head
Korn Ferry Leadership Development*

Change doesn't happen overnight.

To increase the impact of leadership development programs, organizations must build and offer a mix of formal and informal activities. "The formal vehicle is some type of structured learning event," Eaton says. "The informal is just as important and can include activities such as mentoring, peer-to-peer work, global project teams, and time in-country; these can provide time for collaboration and wide-ranging discussions."

Culture change on the organizational and individual level both take time. People—much less organizations—can't be expected to change overnight. Because this is so, it's vital that the desired culture shift and associated communications and development programs are consistent and enduring.

"It's important to realize that culture change takes time," says **Dennis Baltzley**, a Korn Ferry senior partner. "But when momentum builds and enough people change their behaviors, the culture often changes, too."

Aligning behaviors to strategy and culture.

Designed for managers and employees at all levels, Korn Ferry's **Appreciating Differences** encourages participants to examine how their views shape their behaviors—both conscious and unconscious—when dealing with others in the workplace. Exercises and tools expand their thinking about diversity and inclusion and improve their interactions with those who differ from them.

The program can help individuals to embrace individual differences and align their behaviors to the organization's strategy and cultural aspirations.

"It's important to realize that culture change takes time."


*Dennis Baltzley
Senior Partner
Korn Ferry*

Aligning culture with business strategy.

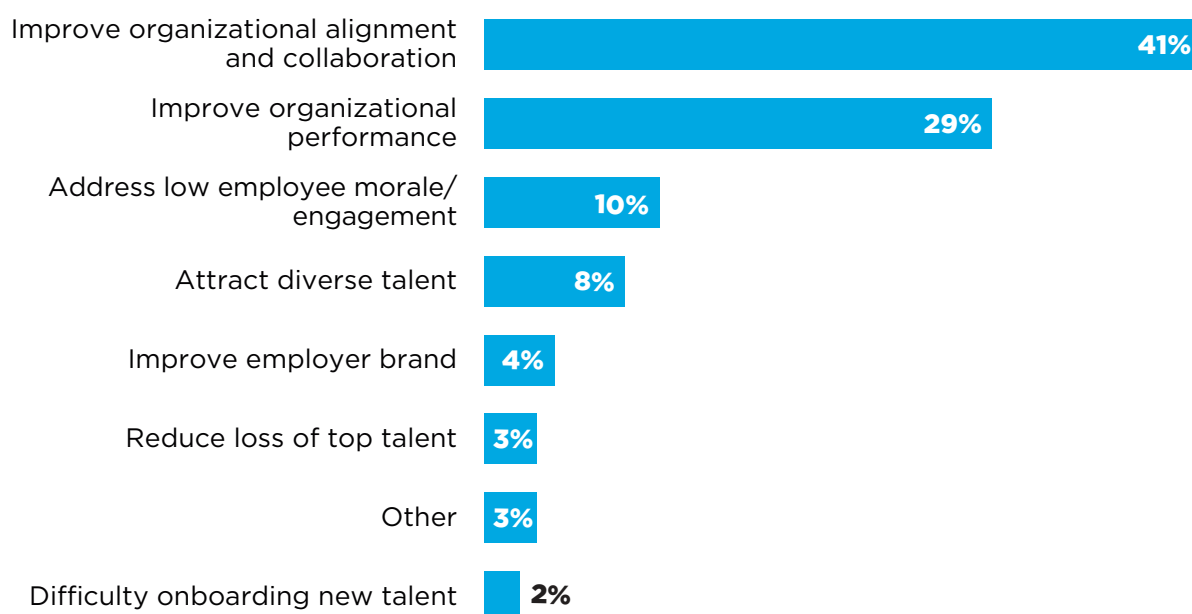
The primary driver for organizations to improve their cultures is increased alignment and collaboration, our survey found. In a well-aligned organization, all business units and functional areas unite around the same strategy, purpose, and values.

"Organizations sometimes undervalue the power of collaboration," notes **Brigitte Morel-Curran**, senior partner at Korn Ferry. "When you can truly develop a collaborative mindset in the organization, you can unlock an enormous wealth of speed, agility, and productivity."

Top three global drivers of culture change:

- 1 Improve organizational alignment and collaboration 
- 2 Improve organizational performance 
- 3 Address low employee morale/engagement 

What is the primary driver to improve your culture?



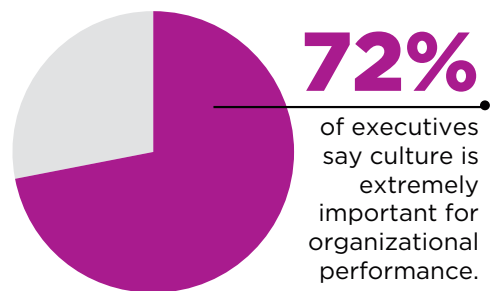
But research finds the alignment between strategy and culture more often the exception than the rule in most organizations. In a 2014 Korn Ferry global survey¹, 72% of respondents agreed that culture is extremely important to organizational performance. But only 32% said their culture aligns with their business strategy.

Culture is rarely homogeneous. It is common to find subcultures grouped around functional units or individual leaders. In some cases, this may be benign: It may not hurt an organization's performance if a technology support group is more aligned with tech industry values than the organization's. But there may be culture clashes, say, between marketing and engineering departments if these functions fail to align with their broader organizations.

The starting point for organizational alignment is mission, purpose, and strategy. Ideally, top leaders define these elements, the path to execution, and the values and behaviors that will support implementation and success. Once they have done so, these individuals must communicate this information clearly, consistently, and repeatedly throughout the organization.

Leaders responsible for policies and procedures may need to alter these to support culture change. They may need to address employee accountability and compensation, organizational structure, project approval procedures, and committee functions. Driven from the top, this sends a clear message to staffers that their organization is changing.

"Leaders must articulate the culture they desire," Gillespie says. "They need to talk about and model the behaviors required to live the culture."



1. Korn Ferry. 2014. Korn Ferry Executive Survey. Los Angeles: Korn Ferry.




Formalizing alignment of strategy and culture.

Morel-Curran observes, "Leaders have an incredible impact in all sorts of conscious and subconscious ways: what they do, the way they think, the way they make decisions, and the way they are decoded and get copied. So, when we talk about culture change, value change, behavioral change, it always starts at the top."

All leaders in the organization must understand how their work contributes to the business strategy. A total commitment to strategy may necessitate that certain projects and processes get abandoned so people and resources can be re-invested in more strategically aligned work. To foster engagement, leaders must get opportunities to share their insights and ideas on improving and refining the strategy.

Finally, it is helpful to put in place the means to measure progress toward the execution of the strategy and to identify obstacles to its advance. Obstacles, once identified, can promptly be addressed. When two organizations merge, some individuals, for example, may resist combined operations and advocate co-existence instead. But, in this instance, the resistant must receive feedback to underscore the imperative of the combined course and how their behaviors must change.

If cultural behaviors and values are well-defined, then organizations are far more likely to deliver successfully on their mission and strategy. "Ultimately, a good strategy that is well-executed will change a culture," Baltzley notes. "The two things happen simultaneously and reinforce each other."



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Korn Ferry*

Context matters.

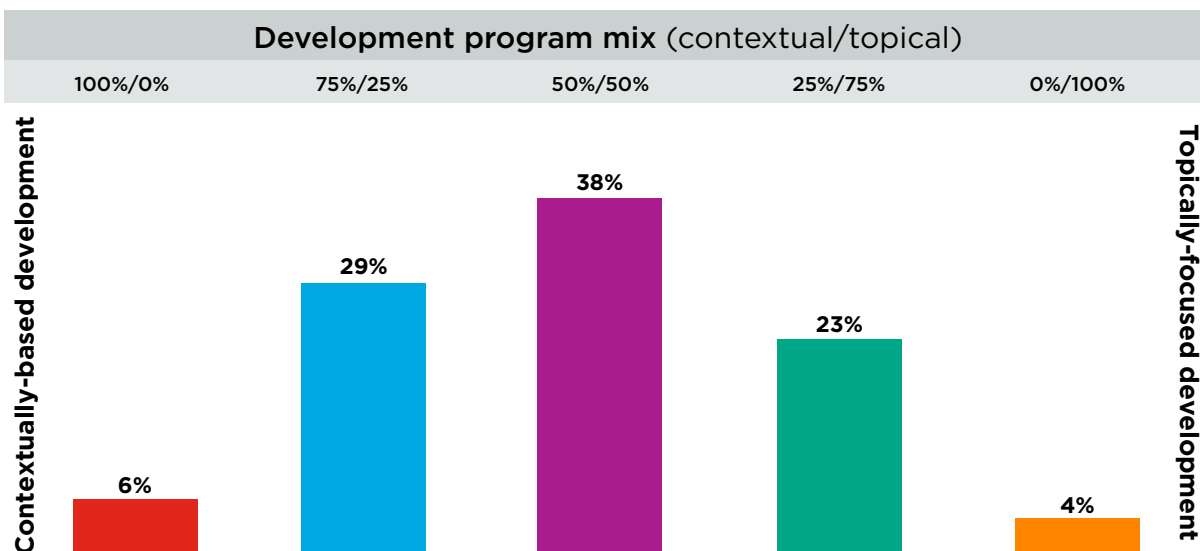
Leadership development that is contextual and that brings together leaders throughout the organization to work on strategy-related projects can play a key role in supporting alignment and collaboration—and, ultimately, in enhancing culture. In an ideal world, survey respondents prefer more of their leadership development programs to be contextual rather than topical.

"Contextual leadership development is a great vehicle for encouraging collaboration and alignment," Rabinowitz says. "Contextual development allows people to work on real business issues and real culture needs as they grow and learn. Both the organization and individuals benefit, for example, if high potentials help to solve problems with culture misalignment."

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*Noah Rabinowitz
Senior Partner and Global Head
Korn Ferry Leadership Development*

What best describes the ideal ratio of development programs at your organization?



Leaders' roles in culture change.

The responsibility for improving or changing a culture rests with an organization's top leaders.

Through their actions, communications, and the values they embody, leaders set the example for others to follow and the tone for what is important and valued in the organization.

"Organizations follow their leaders," Eaton says. "If you're changing course, the top leaders must serve as role models for the new set of behaviors. There's a cascading effect, whereby people see the leaders they trust and decide to emulate the very same behaviors themselves."

Our survey affirms the critical role that leaders play in improving culture. Respondents reported the most widely used strategy to improve culture is "communications," followed by "leadership development" and "embedding culture change in management objectives."

"Culture is like a garden," Royal says. "Something is going to grow there—either flowers or weeds. It's up to leaders to model the desired cultural behaviors and align processes and systems with the culture."

What is the most used strategy to improve culture in your organization?



When organizations determine a new strategy or broad transformation requires significant culture change, top leaders must decide which elements of existing culture stay and which must go.

"Organizations have to foster and reinforce what is valuable in the current culture, let go of what's expendable, and change into something else," Baltzley continues. "For a company that harbors ambitions to become a global company with a global brand, it has to let go of some elements of its native culture."

In many organizations, top management has failed to clearly define the culture. In Korn Ferry's 2014 global survey, only 25% of respondents reported their organizations identified and communicated their culture "to a great extent," and only 35% said their employees could articulate their culture "to a great extent." For these organizations, defining the current state is the first step to move to a new, better culture.

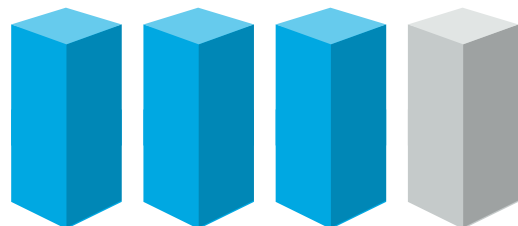
Developing senior leaders.

No job experience can fully prepare a new or emerging CEO for culture transformation. Korn Ferry's **Chief Executive Institute™** and **Executive to Leader Institute™** programs focus on the personal growth of new CEOs, CEO succession candidates, and senior executives rather than teaching specific management skills.

Participants work with multiple consultants, with interdisciplinary backgrounds, in an intensive in-residence session followed by 12 months of coaching. Each program enhances executives' personal, interpersonal, and enterprise effectiveness, and prepares them to make a lasting impact on their organizations' people, culture, and business.

75%

of organizations' leaders **do not** identify and communicate their organizational culture to a great extent.



To instill the desired culture, leaders must connect culture with business strategy by articulating the behaviors and values required of all to execute the strategy.

"Business strategy is enabled by culture, leadership, and talent," Gillespie says. "Leaders have to articulate the culture in their own way and make sure the next level of leaders also understands and promotes the change."

Ultimately, Gillespie continues, "Top leaders are the organization's culture carriers—you can't change a culture without developing leaders who embrace the change."

Dhesi adds, "Culture is all about the beliefs that drive behavior. And top leaders play an absolutely crucial role in modeling the type of behavior that we want to see throughout the organization."

Articulating cultural strategy.

Korn Ferry's **Effective Communicating** program offers an intense learning experience to help participants speak clearly, concisely, and persuasively in every communication situation.

Participants learn how to: create and organize messages to connect and motivate their audience; maintain listener interest and demonstrate confidence; and identify and eliminate distracting behaviors.

Effective communication is indispensable to imparting the values and behaviors that create the foundation of organizational culture.



Catalysts for culture change.

When organizations fare well, leaders are unlikely to call for significant changes in culture. But culture change becomes a priority when companies experience a disappointing performance or a trigger event such as the installation of a new CEO, a merger, a spin-off, a market shift, or a major competitive threat.

New CEO: In many cases, the new chief executive wants to pursue a new strategy or a significant transformation that demands a culture change to build supporting behaviors and values. If the CEO is taking over an underperforming company, the need will be even more pronounced for strategic change, transformation, and culture change. Even in relatively stable leadership transitions, CEOs want to put their stamp on the organization and leave a legacy.



New CEOs are expected to deliver results quickly. Once a new strategy is formulated, it is vital for CEOs to align with their top team. When that occurs, leadership development that is focused on the desired culture change and new strategies will help push change at an organization's every level.

Mergers and acquisitions: No other event can highlight culture's importance more than two similar-sized firms merging, each with its own of everything, including culture. The challenge in integrating the two rests in reconciling overlapping groups and creating an enhanced modus operandi. In many cases, people cling to their existing culture, behaviors, and values.



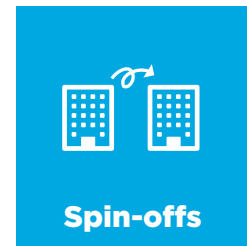
Leaders, in response, must create a new culture that retains the good elements from the two organizations, and discards the bad. "In the absence of a common culture to work in," Eaton says, "people will revert to the culture they know."

Spin-offs: When a parent company determines a division would perform better as an independent company, spin-offs can result. They often are expected to be leaner, more agile, and more entrepreneurial than the parent. But this requires a culture shift among employees, most of whom previously worked for the parent. Leaders of the spin-off must determine what they want to keep and what they want to dispense with from the parent organization, and what they want to invent that never existed before.

Leadership development that is focused on learning agility can help leaders in a spin-off transition to a more entrepreneurial culture. This can be beneficial to a workforce that will shoulder broader responsibilities and must manage more ambiguous situations. Cross-functional training can also provide the staff with skills to be nimbler and more responsive in a new, leaner organization.

Market shifts: Customers often seek collaborative solutions that cut across service portfolios. As a result, organizations must change their culture from ruthless internal competition to more collaboration.

Leadership development can play a major role in helping organizations become more customer-centric and collaborative. The benefits of this are twofold: the organization provides better service to their customers, and leaders develop new skills and organizational knowledge.



Disruptive change: Technological advances often make products obsolete. Organizations facing disruptive technological change must innovate swiftly and re-invent themselves or face extinction.

In this situation, it is critical to develop leaders who can both drive innovation and change, and build a collaborative, performance-oriented culture. Leadership development can help transform the organization quickly and create an environment in which new ideas and innovation can flourish.

Globalization: Whether organizations are threatened by global competition or they need to expand globally, they can face significant issues in culture change. In both cases, culture shifts must occur for new strategies to be executed successfully.

For organizations facing global competition, leadership development needs to focus on both product development, and sales and marketing. To spur faster, more effective product development teams, businesses can tap live, simulation-based, rapid prototyping and innovation exercises. As the organization rolls out new products, leadership development can educate marketers and the sales force on how to promote and sell them effectively against competition.

For organizations expanding into new markets, leadership development that incorporates crosscultural agility and increased flexibility will help to align the organization around a new culture and new global strategy. Adapting leadership and management styles to local cultures is critical to gain the most engagement, participation, and brilliance from local talent. Leaders must examine their organizations' existing processes against the local landscape to see how best to manage meetings, make decisions, and communicate; leaders may need to adapt their styles to get the best results.



Barriers to culture change.

Culture change is challenging because it is difficult to change behavior. Many organizations acknowledge that their cultures and strategies are misaligned. Common barriers to change include: lack of attention to culture in the executive suite, lack of follow-through to culture-change initiatives, and failure to tackle pockets of resistance.

The results can be grim, as recent history suggests, with many examples of companies that spawned toxic cultures of corner-cutting, resulting in unsafe, sometimes even lethal, products or approvals for disastrous high-risk loans.

If generating strong financial results becomes the all-consuming priority, then culture can suffer.


For new CEOs who are under pressure to deliver improved financial results from the get-go of their tenure, it can be challenging to stay focused on culture. "Time is not on the side of new CEOs," Gillespie notes. "They have to get their team in place, develop a new strategy, and begin showing results quickly. Culture change takes time. It's an ongoing process that never really finishes."

"Leaders often get caught up in thinking about strategy and don't think enough about culture," Baltzley adds. "And the minute you take your eye off culture, it drifts."

Leadership development is indispensable to creating culture. Organizations should constantly provide leadership development programs to reinforce a strong existing culture or support a desired evolution of culture.

"Leaders often get caught up in thinking about strategy and don't think enough about culture. And the minute you take your eye off culture, it drifts."


*Dennis Baltzley
Senior Partner
Korn Ferry*



In most organizations, there will be subcultures, and, more critically, leaders who resist or sabotage change. Some employees in an organization that is moving toward a more customer-centric culture may resist valuing the customer experience more. They may ignore instructions to customize products because they feel it strains the organization. Managers in an organization seeking to become more innovative may protect bureaucracies that stifle creativity because they believe old procedures protect the organization from undue risk. Or they may not see a new role for themselves, so they cling to the past and fight the new.

"You are always going to have informal leaders who resist change," Eaton explains. "They may also be talented and influential within the organization. The key is to put them in the right role where you can direct their energy in a more positive way."

The work of promoting and reinforcing culture in an organization never stops. Leadership at all levels should live and breathe the culture and serve as role models to the entire workforce. Building culture through leadership development needs to be constant and profound.



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*Dave Eaton
Senior Partner
Korn Ferry*



Recommendations.

Align top leaders.


To help create buy-in and support, organizations must involve their top leadership in assessing the current culture and defining the desired culture. Senior leaders then must articulate the culture change and make employees understand the new culture, the reasons for it, and why it is critical to achieve the organization's goals.

Change practices and processes.

Everything the organization does should be evaluated against the new strategy and desired culture change. Hiring decisions, leadership development, and business processes and practices should change to reflect the values of the desired culture.

Change behaviors and rewards.

Leaders should embody the new culture in their behaviors and actions, making employees understand how the culture looks and feels in the workplace. Compensation, rewards, and employee recognition programs should be aligned to the new culture and strategy.



"In previous years, culture was not viewed as a priority...There's now a widespread recognition that culture has a significant impact in supporting a business strategy."

*Jacqueline Gillespie,
Senior Partner
Korn Ferry*

Conclusion.

Leadership development shapes culture. And a strong culture is indispensable to optimizing organizational performance. The benefits include:

- Alignment in executing strategy and fulfilling the core mission.
- Greater cohesiveness between departments and individuals.
- Increased employee satisfaction and retention.
- Improved perceptions from external constituents and stakeholders.
- Enhanced employer brand and talent attraction.
- Better financial performance.

Culture change requires patience and persistence. To begin, an organization needs to: understand its current culture; define the culture it desires; identify its gaps and challenges; and determine what actions it must take to transform its culture to align with its strategy. It requires constant support from top management and buy-in from leaders at every level.

Resources are available to assist organizations with culture change. External experts can provide insights and experience—from assessing the current culture and defining the new one to customized leadership development programs—to help organizations build the culture they want and need.

Companies must invest time, energy, and resources to align their culture to support their business strategy if they are to achieve their goals and build a sustainable organization that serves all their stakeholders.

Up next: Give leaders purpose and unleash their potential.

The fourth report in the series focuses on how leadership development can help to build more sustainable, purpose-driven, and socially conscious organizations.

Top three global drivers of culture change:

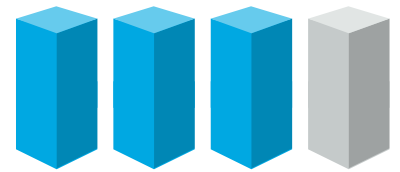
- 1** Improve organizational alignment and collaboration
- 2** Improve organizational performance
- 3** Address low employee morale/engagement

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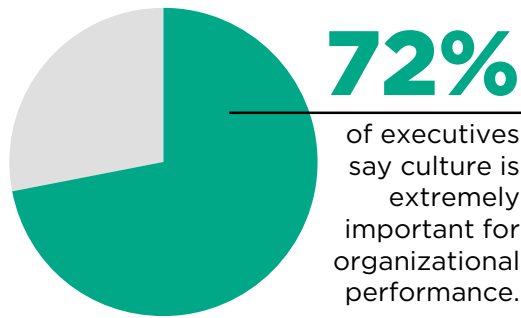
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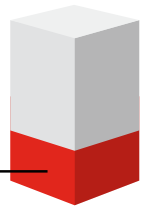
“Talent, leadership, and culture are intrinsically linked, and they are crucial to strategic execution.”

Arvinder Dhese
Senior Client Partner
at Korn Ferry



ONLY 32%

of executives say their organization's culture is fully aligned with the business strategy.



Most deployed global strategies to improve organizational culture:



Catalysts for culture change.



About Korn Ferry

Korn Ferry is the preeminent global people and organizational advisory firm. We help leaders, organizations, and societies succeed by releasing the full power and potential of people. Our nearly 7,000 colleagues deliver services through our Executive Search, Hay Group, and Futurestep divisions.

About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success.

For more information about this report series, visit:

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