SEMINAR
GUIDE

CORPORATE CULTURE

AND PERFORMANCE

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INTRODUCTION

The Purpose of the *Seminar Guide*:

In the *Corporate Culture and Performance* Videotape, Professor Kotter presents compelling evidence that organizations that have adaptive corporate cultures significantly out-perform those that do not. More important, unhealthy cultures can be transformed and adaptive cultures created through effective leadership on the part of senior management.

The purpose of this *Seminar Guide* is to outline a structured Workshop designed to help senior managers apply the concepts from the tape to their own business environment—to help this group:

• *Understand their own corporate culture;*

• *Assess how adaptive their corporate culture currently is;*

• *Create action plans for creating a more adaptive culture so that their organization can anticipate change, respond effectively, and—ultimately—produce greater financial returns.*

The Structure of the *Corporate Culture and Performance Seminar:*

Introduction:

The *Corporate Culture and Performance Seminar* consists of six Modules, each taking approximately one-half day to complete. Each Module consists of a videotape segment introducing key ideas and concepts, and a series of facilitated discussions and small-group exercises designed to explore and apply the concepts from the tape.

Although the total Seminar runs three days, the Modules are structured as stand-alone half-day sessions so that you and your group can choose whether to conduct the Workshop over three consecutive days, or break it up with several days in between each Module. For continuity, it is recommended that you not allow more than a week to elapse between Modules.

INTRODUCTION (continued)

Seminar Design:

PART 1: CULTURE AND PERFORMANCE

Module 1: Introduction to Corporate Culture

Videotape Content:

Exercise Objectives:

Defines corporate culture and describes the relationship between culture and the long-term financial performance of an organization.

Participants begin to identify their own corporate culture as well as assess the impact their culture has had—and will have in the future—on their organization's economic performance.

Module 2: Low-Performance Cultures

Videotape Content:

Exercise Objectives:

Describes the characteristics of unhealthy cultures, where they come from, and how they undermine an organization's economic performance.

Participants diagnose elements of their own corporate culture that are unhealthy and that impede the organization's ability to achieve superior financial returns.

Module 3: Adaptive Cultures

Videotape Content:

Exercise Objectives:

Describes the characteristics of adaptive cultures, how they evolve, and how they are preserved over time.

Participants determine how adaptive their current corporate culture is, as well as what they do that maintains adaptive aspects of their culture.

PART 2: CHANGING CULTURE

Module 4: The Process of Cultural Change

Videotape Content:

Exercise Objectives:

Explores the difficulties and obstacles inherent in creating culture change. Describes the kinds of activities leaders need to focus on in order to implement an effective culture change effort.

Participants identify, from their own experiences, the kinds of actions that have helped create culture change. They also determine the corporate culture that their organization requires for success in the future, and begin to identify how much of a culture change they need to accomplish.

Module 5: Change Agents

Videotape Content:

Exercise Objectives:

Focuses on the specific leadership behaviors required to develop and sustain an adaptive culture.

Participants assess their own performance as leaders in the organization, and identify obstacles to these leadership practices.

Module 6: Getting Started

Videotape Content:

Exercise Objectives:

Presents a variety of specific steps and actionable ideas derived from the experiences of executives who have led culture change efforts.

Participants identify and prioritize culture issues within their own organization, and develop an Action Plan for specific steps they can take to create a more adaptive culture.

The Role of the Seminar Facilitator:

Overview:

The Seminar consists of a series of facilitated discussions and team exercises, all designed to help a senior management group apply the key concepts developed in the tape to their business. An effective facilitator can play a critical role in ensuring that the group benefits fully from the rich content of the tape.

Requirements:

The exercises and discussions in the Seminar are all structured to enable participants to see their corporate culture from a new perspective. They need to challenge their conventional assumptions about corporate culture, assess the current culture honestly, and identify critical areas for change. It is essential for you as the facilitator to create an environment where participants are open, creative, and willing to explore new ideas.

In addition to your ability to create an open environment, you also need to have a good understanding of the concepts introduced in the tape, an in-depth understanding of the structure and content of the Seminar materials, and basic facilitation skills including questioning skills, listening skills, and summarizing skills.

Preparation:

Given the importance of the facilitator's role, it is recommended that you prepare yourself thoroughly. This should involve:

• Reviewing the tape to make sure you are comfortable with the concepts, definitions, and examples. You may also find that you want to review key sections of John Kotter's book—*Corporate Culture and Performance*—to supplement your understanding.

• Walking through the *Seminar Guide* to make sure you understand the purpose and process for each of the exercises and group discussions. You may want to adapt some of these to better fit the character and concerns of your group. In particular, you should further customize the suggested discussion questions by jotting down other questions you might ask that are particularly relevant for your senior management group.

• Walking through the *Viewer's Guide* to make sure you are clear on its content and organization.

• Reviewing the *Corporate Culture Diagnostic Questionnaire* to make sure you understand how this questionnaire is structured. You should also review in detail the two scoring sections in the *Viewer's Guide* on pages 26 and 32 which describe how to tabulate the responses from the questionnaire.

The Structure of the *Seminar Guide*:

Each Module of the *Seminar Guide* contains four major sections:

• An introduction to the Module that describes the purpose of the unit as well as any comments you need to make prior to playing the tape segment.

• An overview of the key points made in the tape segment. This summary is designed to provide a review of the tape contents, as well as a "quick reference" during the discussions and exercises. The segment overview in the *Seminar Guide* is identical to that in the *Viewer's Guide*.

• A series of discussion questions for you to use in leading a group discussion after each videotape segment. Some of these questions are also listed in the *Viewer's Guide*.

• One or two structured exercises designed to explore in more depth some of the key points made in the segment. These exercises, although similar to those in the *Viewer's Guide*, are designed to be done by a group rather than to be completed by an individual. The *Seminar Guide* contains detailed instructions for conducting these exercises as well as suggested timing.

These exercises often require the participants to write down their answers. The *Viewer's Guide* contains prepared pages that participants can use to record their responses. These page numbers are referenced in the *Seminar Guide* so you can direct participants to the appropriate pages to complete the exercises.

You should view the *Seminar Guide* as a suggested structure for the Workshop, not as a rigid set of required exercises. The discussions may go off in unexpected directions; you may choose to skip an exercise because the group is getting a lot of value out of spending more time on a preceding one; you may decide to use an exercise from your own repertoire or design one on the spot—these options are all possible, so long as the group continues to focus on understanding, assessing, and identifying required changes to the corporate culture of the organization.

Pre-Program Planning and Check List:

Equipment/Logistics:

• Two flip chart stands with pads

• Markers and tape

• A video playback unit and large monitor

Materials:

• *Viewer's Guide* for each participant

• *Seminar Guide*

• *Corporate Culture and Performance* Videotape

• John Kotter's book—*Corporate Culture and Performance*

• *Corporate Culture Diagnostic Questionnaire* (The Seminar package contains one copy of the *Diagnostic Questionnaire*. You need to make copies of the *Diagnostic Questionnaire* so that each participant will have one at the session.)

*Note: The materials indicated in italics are part of your Seminar package. You need to be responsible for providing the remaining materials and equipment.*

Room Setup:

Where at all possible, conduct the session with participants sitting at a round table or in a U-shaped classroom setup. This allows for the optimum interaction and discussion among participants.

Flip Chart   Flip Chart
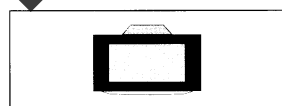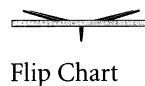
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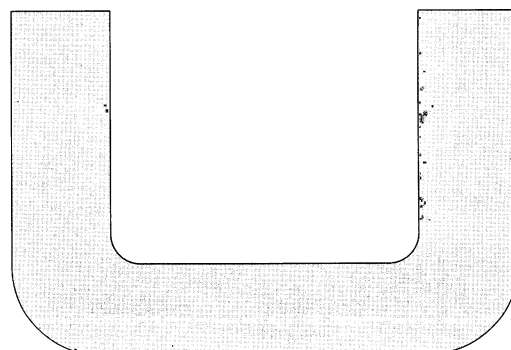
MODULE 1: INTRODUCTION TO CORPORATE CULTURE

Introduction to Module 1:

Purpose:

- To understand what corporate culture is, and how it impacts the long-term financial performance of an organization.

- To help participants begin to identify their own corporate culture as well as assess the impact their culture has had—and will have in the future—on their organization's economic performance.

Pre-Tape Comments:

- Welcome participants and introduce yourself.

- Review the overall objectives for the Workshop. These are:

To help you. . .

  1. Understand your own corporate culture;

  2. Assess how adaptive your current corporate culture is;

  3. Develop action plans for creating a more adaptive corporate culture.

- Review the overall agenda for the program.

- Review the logistics of the program. This should cover the specific structure the Workshop will take for you and your group—as a full three-day session covering all six Modules, as individual Modules separated by days or weeks, or some combination of these.

- Review the structure of the *Viewer's Guide*.

- Review the purpose of the first Module (described above), and then play Segment 1 of the videotape.

Segment 1 Videotape: *Approx. 20 min.*

Segment 1 Overview:

This segment explores two critical questions about culture:

- What is corporate culture?

- Is there a relationship between corporate culture and organizational performance?

MODULE 1 (continued)

What is corporate culture?

Organizational culture is defined by Professor Kotter as having two levels. At the deepest level, culture refers to a set of values that are shared by a group of people, and that persist over time even when group membership changes. At the more visible level, culture refers to a set of behaviors that are common among the members of a group because these behaviors are expected by everyone. New employees are automatically encouraged to follow these behavior norms by other members of the group.

Behavior norms are not only more visible than values, but are also much easier to change.

Invisible

Visible

Shared Values

Behavior Norms

Harder to Change

Easier to Change

Corporate culture is a subset of organizational culture. It refers to values and behavior norms shared across the management levels of an organization.

Segment 1 Overview (continued):

Is there a relationship between corporate culture and organizational performance?

Professor Kotter's research suggests that corporate culture can have a significant impact on the long-term financial performance of an organization. Corporate culture can create an environment that enhances an organization's ability to take advantage of market opportunities, or that directly impedes it.

In addition, his research shows that:

- Corporate culture will have an even greater impact on a corporate economic performance in the next decade;

- Corporate cultures that inhibit strong, long-term financial performance develop easily; in fact, the "path of least resistance" leads to unhealthy cultures, while performance-enhancing cultures take strong management attention and effort;

- Corporate cultures can be changed to become more performance-enhancing; the management ranks in an organization have it within their power to build a culture where people anticipate change in the business environment and respond effectively to these changes, resulting in an improved market position and greater financial returns.

Post-Tape Discussion:

30 min.

After viewing the tape segment, lead a group discussion focused on the questions listed below. Record participants' responses on a flip chart.

- What was your overall reaction to what Professor Kotter presented in the tape?

- What examples do you have from your own experiences where corporate culture has impacted the long-term financial performance of an organization?

- How would you describe the central values of this organization's management?

- What are the central behavior norms that are shared among managers across this organization?

- What kind of impact —positive or negative—do these values and behavior norms have on the organization's performance?

MODULE 1 (continued)

Exercises:

Identifying Current Shared Values and Behavior Norms *60 min.*

This exercise is designed to help the group identify in more detail the shared values and behavior norms that make up the corporate culture of the organization.

• Divide the group into teams of four or five.

• Ask each team to identify the *five most widely shared values* and the *five most powerful behavior norms* within the organization's management group, and jot these down on page 11 of the *Viewer's Guide* in the first column.

• Each team should then evaluate each value/behavior in terms of its *impact on the organization's performance*, and put that score in the second column. They should use the 1-to-5 scale described below to do this:

        1 = Very Negative Impact
        2 = Negative Impact
        3 = No Impact
        4 = Positive Impact
        5 = Very Positive Impact

• Finally, for each value/behavior, the team should describe a *specific instance* that has occurred within the organization and that shows how specifically the value/behavior has affected performance.

• Give the teams 30 minutes to do the exercise.

• When the full group reconvenes, ask each team to present the results of its work. Build a list of the teams' values/behavior norms and their performance impact scores on flip charts—don't attempt to capture the examples. Post the flip charts around the room.

MODULE 1 (continued)

Exercises (continued):

Identifying Current Shared Values and Behavior Norms (alternate exercise)
60 min.

This exercise is an alternative to the one described above. The purpose, setup, and timing are the same; the major difference is that the teams focus on identifying a corporate "story" and one or two "heroes" as a way to identify shared values and behavior norms. This exercise can replace the preceding one, or it can be used in conjunction with it— i.e., have half the teams do the first exercise while the other half does this one.

• Ask the teams to select one corporate "story" that is widely shared throughout the management ranks and that is repeated often, and to identify two or three managers who are perceived as "heroes." They should jot these down on page 12 of the *Viewer's Guide.*

• They should then identify *three to five key values/behavior norms* that the story illustrates, and *three to five key values/behavior norms* that these heroes exemplify.

• Each team should then evaluate each value/behavior norm in terms of its *impact on the organization's performance*, and put that score in the second column. They should use the 1-to-5 scale described below to do this:

> 1 = Very Negative Impact
> 2 = Negative Impact
> 3 = No Impact
> 4 = Positive Impact
> 5 = Very Positive Impact

• Give the teams 30 minutes to do the exercise.

• When the full group reconvenes, ask each team to present the results of its work. Build a list of the teams' values/behavior norms and their performance impact scores on flip charts and post them around the room.

Exercises (continued):

Assessing the Impact on Future Performance: *45 min.*

This exercise is designed to help participants begin to identify whether the current corporate culture will be a help or a hindrance to the organization in the future.

• First, ask the full group to look ahead into the future and think about the critical changes that will have occurred in their business environment. Record their comments on a flip chart.

• With these changes in mind, ask the group to review the shared values and behavior norms that they identified in the preceding exercise. (The flip charts from this exercise should be posted around the room.)

• Ask the group to identify those values and norms that, in their view, will be either a *bigger problem* or *even more useful,* and explain *why.* Build one flip chart for the "bigger problem" values/norms and one for the "even more useful." Capture both the values/norms and the rationale for their answers.

MODULE 2: LOW-PERFORMANCE CULTURES

Introduction to Module 2:

Purpose:

- To explore the characteristics of unhealthy cultures, where they come from, and how they undermine an organization's economic performance.

- To have participants identify elements of their own corporate culture that are unhealthy and that impede the organization's ability to achieve superior financial returns.

Pre-Tape Comments:

- Review what you accomplished in Module 1 of the Seminar.

- Review the purpose of Module 2 (described above), and then play Segment 2 of the videotape.

Segment 2 Videotape: *Approx. 20 min.*

Segment 2 Overview:

This segment explores the nature of low-performance cultures and addresses three key questions:

- What characterizes low-performance corporate cultures?

- Where do they come from?

- How exactly does this type of culture undermine economic performance?

What characterizes low-performance cultures?

Professor Kotter suggests that unhealthy corporate cultures seem to share three critical characteristics. First, managers tend to be arrogant, behaving as if they have all the answers and rarely looking outside the firm for new and better business ideas. Second, managers in these organizations tend to value themselves, their own immediate work groups, and their own particular products and services more highly than anything else. Finally, these organizations tend to be highly bureaucratic, focusing excessively on procedures, stability, and order.

Segment 2 Overview (continued):

Where do these unadaptive cultures come from?

By studying the histories of 20 corporations with unadaptive corporate cultures, Professor Kotter identified a particular pattern of events that was common to most of them:

• Through some combination of visionary leadership and/or luck, each of these firms developed a good business strategy and implemented it effectively.

• Because the strategy worked well, it allowed these organizations to acquire a strong market position and to sustain that position over time. This dominant position in the market brought these companies substantial growth and profitability, with little real competition or adversity.

• Business success created a strong corporate culture—a set of values and behavior norms shared across the management levels of these firms.

• Success bred arrogance. Managers began to believe that they were the best, and that their particular ways of doing business could not be improved upon.

• Pressures on the firms were all internal. With little competition from the outside, internal competition among divisions and departments grew. Managers became concerned primarily with promoting the interests of their own particular groups or products.

• Driven by the need to cope with high growth, these firms began to put into place a bureaucracy staffed by managers who were focused on systems, structures, and controls, rather than on leadership and vision.

SENIOR MANAGEMENT

Effective Strategy

Business Success

Management Arrogance

Parochial Focus

Emphasis on Stability and Control

Unadaptive Culture
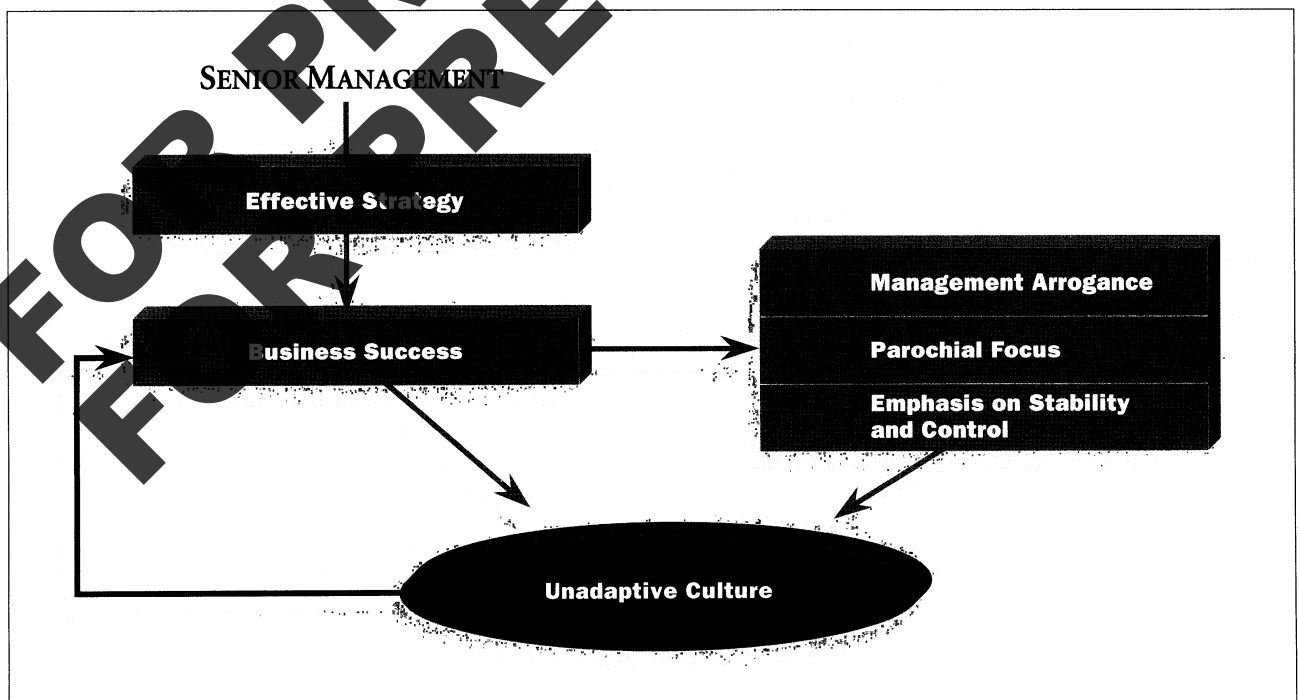
Segment 2 Overview (continued):

How exactly does this type of culture undermine economic performance?

Professor Kotter points out that this type of corporate culture undermines economic performance because it prevents the organization from adapting to change. Arrogance, insularity, and lack of leadership can create an environment where managers ignore critical information and cling to strategies and practices that are no longer effective.

Post-Tape Discussion :   *45 min.*

After viewing the tape segment, lead a group discussion focused on the questions listed below. Record participants' responses on a flip chart.

• What are your reactions to what Professor Kotter discusses in this tape segment?

• Given any experiences you may have had with low-performance cultures, how do these organizations fit the profile which Professor Kotter describes?

• How open to new ideas from the outside are the management ranks in this organization? Do managers typically challenge the *status quo*? Do managers look for better ways to conduct the business?

• Would you characterize your organization as political? How focused are managers on advancing themselves, their products, and their own immediate work groups? How concerned are they with truly satisfying the legitimate interests of customers? Of employees? Of shareholders?

• Would you characterize this organization as highly bureaucratic? Are managers more concerned with control, stability, and order? Are innovation and initiative stifled?

• What critical events have helped to shape this organization's cultural profile?

Exercises:

Diagnosing Your Organization's Culture:

This exercise is designed to help participants diagnose their current corporate culture, and in particular, identify any areas that are characteristic of low-performance cultures. The exercise is divided into two parts—the first part is designed to be done individually; the second part should be conducted in teams.

Individual Exercise: *30 min.*

• Hand out the *Corporate Culture Diagnostic Questionnaire* to all participants and have them complete Part 1. Give participants about 10 minutes to do this.

• Once they have completed Part 1, each participant should pick out two of the lowest rated items from Part 1—where the score was a 1 or a 2—and jot these down on the form provided on page 18 of the *Viewer's Guide*.

• Still working individually, participants should complete the remainder of the form on page 18. For each item they selected, they should describe:

   1. a *specific instance* that has occurred in their organization and that illustrates why they gave the item the rating they did;

   2. the *impact* that incident had on the organization's performance;

   3. *how* that particular shared value or behavior norm *evolved* in the organization, focusing on key past events in the organization's history and trying to identify where that particular value/behavior came from.

Team Exercise: *60 min.*

• Divide the group into teams of three or four.

• Ask each team to consolidate their work by coming up with a team list of the *three to five lowest rated items* from Part 1 of the *Diagnostic Questionnaire*. Each team should prepare a flip chart which identifies these three to five items.

• In addition, the teams should be prepared to describe a specific incident to illustrate *why* they rated each item low, *what impact* that incident had on the organization's performance, and how that particular shared value or behavior norm *evolved*.

• Give the teams 30 minutes to do this part of the exercise.

• When the full group reconvenes, have each team present its results. After all the teams have presented their flip charts, lead a group discussion focusing on the similarities and differences among the teams' analyses.

MODULE 3: ADAPTIVE CULTURES

Introduction to Module 3:

Purpose:

• To describe the characteristics of adaptive cultures, how they evolve, and how they are preserved over time.

• To have participants determine how adaptive their corporate culture is, as well as what they and other senior managers do that maintains adaptive aspects of their culture.

Pre-Tape Comments:

• Review what you accomplished in Module 2 of the Seminar.

• Review the purpose of Module 3 (described above), and then play Segment 3 of the videotape.

Segment 3 Videotape: *Approx. 20 min.*

Segment 3 Overview:

This segment focuses on describing adaptive corporate cultures in more detail, and addresses the following three questions:

• What are the key characteristics of an adaptive culture?

• How do adaptive cultures develop?

• How are adaptive cultures maintained over time?

What are the key characteristics of an adaptive culture?

Adaptive corporate cultures are characterized by two key elements:

• Managers pay close attention to all three critical constituencies of the business— employees, stockholders, and customers. In many cultures, managers value one or even two constituencies highly, but not all three. In unadaptive cultures, managers tend to focus mainly on themselves or their own immediate work group.

• Leadership up and down the management hierarchy is valued; people are encouraged to provide leadership and initiate change when needed to satisfy the legitimate interests of those constituencies. In many cultures, this is not true. In unadaptive cultures, orderly and risk-reducing management processes are valued much more highly than leadership initiatives.

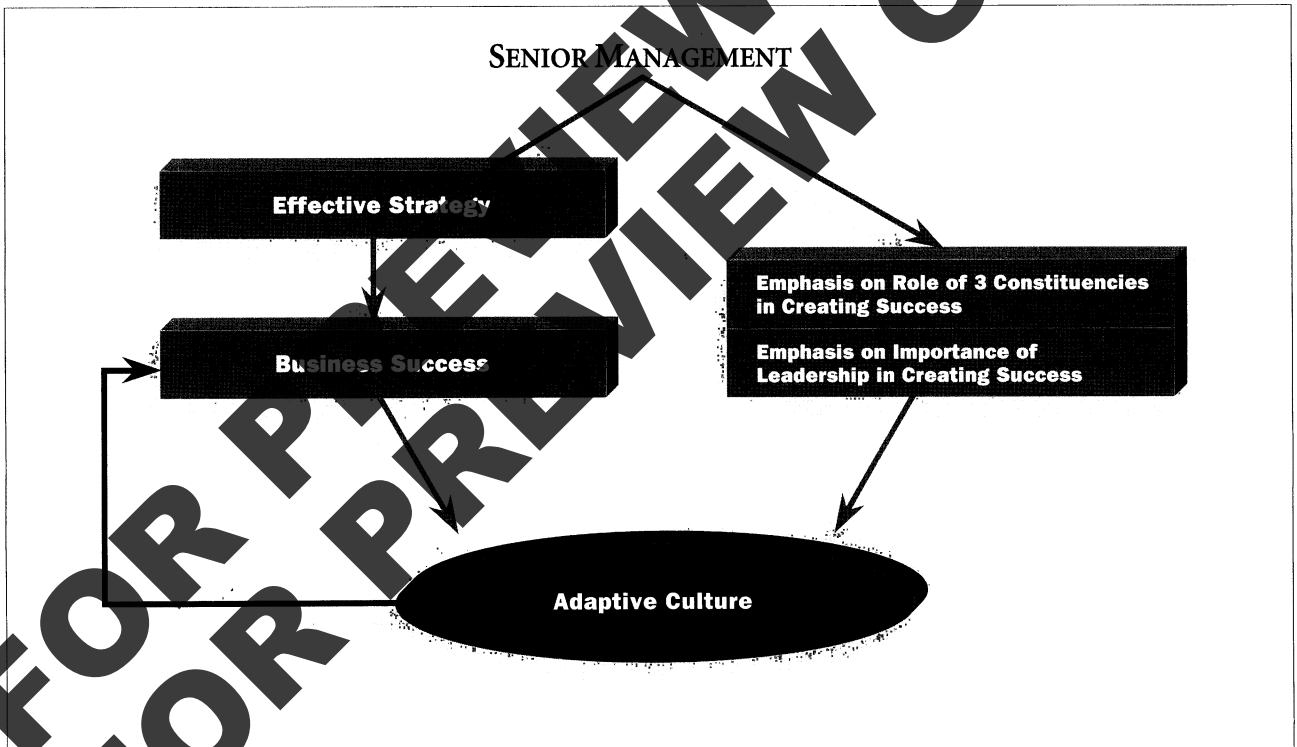How does supporting leadership and valuing all three constituencies relate to adaptability? Professor Kotter has found that when managers pay attention to these three constituencies, they are quick to spot trends that may affect any or all of them. And if the firm values leadership at multiple levels, then the organization has the resources to drive whatever initiatives are needed to respond to these changes.

Module 3

Segment 3 Overview (continued):

How do adaptive cultures develop?

Professor Kotter's research shows that organizations with adaptive corporate cultures have a different historical pattern than those with unadaptive cultures.

• In firms with adaptive cultures, the leadership core created a *focus early in the firm's life* on customers, employees, and stockholders, and on competent leadership throughout the company.

• As these firms became successful, the leadership core reinforced these key values by continuously emphasizing the importance they had in creating success.

• Continued success created an increasingly broad group of managers committed to these values, and adaptive cultures became strongly embedded in these organizations.

SENIOR MANAGEMENT

Effective Strategy

Business Success

Emphasis on Role of 3 Constituencies in Creating Success

Emphasis on Importance of Leadership in Creating Success

Adaptive Culture

Segment 3 Overview (continued):

How are adaptive cultures maintained over time?

In order for adaptive cultures to survive over time, Professor Kotter points out the need for top managers to:

• *Constantly communicate* these core values—verbally and in writing;

• *Behave in ways that are consistent* with these values—through how they personally behave, whom they hire, whom they promote, what they reward, etc.

Post-Tape Discussion: *30 min.*

After viewing the tape segment, lead a group discussion focused on the questions listed below. Record participants' responses on a flip chart.

• What is your reaction to Professor Kotter's definition of an adaptive culture?

• How highly valued are customers, employees, and stockholders in your organization? Do managers generally act in ways that demonstrate concern for addressing the needs of these three constituencies? Are all three valued equally, or is one valued much more highly than the other two?

• How much is leadership valued in your organization? Are managers encouraged to take the initiative and make changes necessary to satisfy the interests of the three constituencies?

• What critical events have helped to shape your organization's cultural profile?

Exercises:

Diagnosing Your Corporate Culture (continued)

This exercise is a continuation of the exercise in Module 2. In this case, however, participants begin to focus in-depth on particular areas of their corporate culture that are characteristic of adaptive cultures. The exercise is again divided into two parts—the first part is designed to be done individually; the second part should be conducted in teams.

Module 3

Module 3

Exercises (continued):

Individual Exercise: *20 min.*

• Each participant should review his or her completed *Corporate Culture Diagnostic Questionnaire* and pick out two of the highest rated items from Part 1—where the score was a 4 or a 5. Each participant should use pages 23 and 24 of the *Viewer's Guide* to jot down these items.

• Still working individually, participants should complete the remainder of the form on pages 23 and 24. For each item they selected, they should describe:

1. a *specific instance* that has occurred in their organization and that illustrates why they gave the item the rating they did;

2. the *impact* that incident had on the organization's performance;

3. *how* that particular shared value or behavior norm *evolved* in the organization, focusing on key past events in the organization's history and trying to identify where that particular behavior came from.

• Finally, each participant should identify specific ways in which the management ranks maintain these values/behaviors in the organization—for example, "screening" potential management hires for how well their values and behaviors will fit in; developing management training programs that explicitly teach core values and behavior norms; rewarding people who follow cultural norms and penalizing those who do not, etc.

Team Exercise: *70 min.*

• Divide the group into teams of three or four.

• Again, ask each team to consolidate their work by coming up with a team list of the *three to five highest rated items* from Part 1 of the *Diagnostic Questionnaire*. Each team should prepare a flip chart that identifies these three to five items.

• In addition, the teams should be prepared to describe a specific incident to illustrate *why* they rated each item low, *what impact* that incident had on the organization's performance, and *how* that particular shared value or behavior norm evolved. Lastly, the teams should be prepared to discuss three things they do as managers to preserve and maintain these behavior norms over time.

• Give the teams 40 minutes to do this part of the exercise.

• When the full group reconvenes, have each team present its results. After all the teams have presented their flip charts, lead a group discussion focusing on the similarities and differences among the teams' analyses.

Exercises (continued):

Assessing Patterns in Your Culture:

In this exercise, participants identify the overall corporate culture profile for their organization based on a consolidation of their *Corporate Culture Diagnostic Questionnaires*. Again, the exercise is divided into two parts—the first part is designed to be done individually; the second part should be conducted as a full group.

Individual Exercise: 20 min.

• Each participant should complete the Culture Diagnostic Scoring Sheet on page 26 of the *Viewer's Guide*. (Page 25 contains brief instructions for completing the Scoring Sheet.) The scores they calculate on this sheet are based on their responses from Part 1 of the *Corporate Culture Diagnostic Questionnaire*, and will give participants a sense of how adaptive their corporate culture currently is. After completing the sheet, each participant should have calculated a series of eight averages which helps describe the organization's corporate culture:

• An average score for the two key dimensions of an adaptive culture—*Valuing Constituencies* and *Valuing Leadership*.

• Average scores for each of the three clusters within *Valuing Constituencies*: Employees, Shareholders, and Customers.

• Average scores for each of the three clusters within *Valuing Leadership*: Establishing Direction, Aligning People, and Motivating/Inspiring.

• Give participants about 20 minutes to do this.

Group Exercise: 40 min.

• In order to have a discussion about the overall corporate culture in the organization as the participants view it, their individual Scoring Sheets need to be consolidated into one set of average scores for the full group. To do this, designate one participant to collect the six cluster scores from each of the participants and to calculate an average for the group. In addition, this person should calculate an overall average for *Valuing Constituencies* and an overall average for *Valuing Leadership*—each of these two averages is simply an average of the three cluster averages within the dimension.

Module 3

Exercises (continued):

Group Exercises

• While the participants are calculating the group's averages, you should prepare the following flip chart:

Current Corporate Culture

Valuing Constituencies:

Employees	_____	Avg.
Shareholders	_____	Avg.
Customers	_____	Avg.
	_____	Overall Avg.

Valuing Leadership:

Est. Direction	_____	Avg.
Aligning People	_____	Avg.
Mot./Inspiring	_____	Avg.
	_____	Overall Avg.

• Once the group has calculated the overall averages for the current culture, capture these averages on the flip chart.

• Ask the participants to analyze the patterns in the data and to capture the key points on another flip chart.

- First, look at the overall averages for the two dimensions *Valuing Constituencies* and *Valuing Leadership*. Is one substantially higher or lower than the other? What are the implications of this pattern?

- Next, look at the averages for the three clusters within the *Valuing Constituencies* dimension. Are all three at similar levels, or is one cluster significantly higher (or lower) than the others? What are the implications of this for your business?

  Note: If, for example, the organization values Shareholders and Customers much more highly than Employees, Employees may feel that their concerns are unimportant, and may act in ways that ultimately do not serve the customer.

- Finally, look at the averages for the three clusters within the *Valuing Leadership* dimension. Are all three at similar levels, or is one cluster significantly higher (or lower) than the others? What are the implications of this for your business?

  Note: If, for example, the scores are high on Establishing Direction and on Aligning People, but low on Motivating/Inspiring, this may mean that, while the firm's vision is well understood, it is not being implemented as effectively as it could be.

MODULE 4: THE PROCESS OF CULTURAL CHANGE

Introduction to Module 4:

Purpose:

• To explore the difficulties and obstacles inherent in creating culture change and to describe the kinds of activities leaders need to focus on in order to implement an effective culture change effort.

• To help participants determine the corporate culture that their organization requires for success in the future, and to identify how much of a culture change they need to accomplish.

Pre-Tape Comments:

• Review what you accomplished in Module 3 of the Seminar.

• Review the purpose of Module 4 (described above), and then play Segment 4 of the videotape.

Segment 4 Videotape: *Approx. 20 min.*

Segment 4 Overview:

This segment focuses on the process of changing corporate culture and addresses the following questions:

• What is culture change, and what isn't?

• Why is changing corporate culture so difficult?

• What needs to happen to create culture change?

What is culture change, and what isn't?

As Professor Kotter points out, it is important to recognize what constitutes true culture change in an organization. People tend to label any organizational change as "culture" change—for example, if the boss decides to make the work hours 8:00 a.m. to 5:00 p.m. instead of 8:30 a.m. to 5:30 p.m. However, this example is not a change in the culture— it is simply a change in the rules. Unless the change represents a shift in shared values and behavior norms, it is not truly culture change.

It is also important to recognize that the challenge of changing culture is different from the challenge inherent in maintaining an already adaptive culture over time. Maintaining an effective culture can be difficult, particularly when the organization is under severe stress from expansion or from acquisitions that bring with them different cultures of their own. But, transforming a problem culture into one that enhances long-term economic performance is a substantially more difficult effort.

Module 4

Segment 4 Overview (continued):

Why is changing corporate culture so difficult?

Transforming an organization's corporate culture can be done, but it happens slowly and with great effort. Four basic characteristics of culture make this the case:

• The two levels of culture—shared values and behavior norms—are interdependent. Making policy changes may accomplish some limited behavior change, but if some values still remain that are inconsistent with those behaviors, forces can build over time to reinstate old practices.

• The culture within an organization usually helps support the current power structure, and therefore the power structure usually fights any change that might threaten its privileges.

• Culture is perpetuated by a variety of mechanisms within the organization. If the appraisal, reward, and promotion systems in the organization are not revamped in some way, these will slowly undermine any change effort.

• Because culture touches human values, changing culture causes strong emotions; fearing loss, people will cling harder to the familiar and fight to keep the *status quo*.

What needs to happen to create culture change?

Professor Kotter studied a number of companies that successfully implemented major culture change despite the difficulties inherent in such an effort. These success examples suggest that leaders who want to create culture change should focus their energies on a few critical activities:

• *Creating an atmosphere of perceived "crisis" in the organization;* without dissatisfaction with the current state, there is little incentive for managers to change familiar patterns of behavior.

• *Developing or clarifying a vision of what changes are needed* so that people have a clear sense of where the organization is going, and where they should be headed.

• *Communicating the vision widely and repeatedly;* using simple, powerful, and consistent language.

• *Modeling, through their own actions, the kinds of values and practices they want infused into their firms;* "walking the talk" gives credibility to the words, and provides examples to others in the organization of what behavior is expected.

• *Empowering other people to start acting in ways that are consistent with the desired values,* and to implement new strategies and practices; part of empowering others is removing barriers within the organization which get in the way of the desired behavior.

• *Looking for some quick but sustainable successes;* short-term successes are critical in order to give the change effort some credibility, keep people motivated, and demonstrate positive results to the organization.

• *Demonstrating patience and persistence;* major culture change takes a long time—years not months—and the willingness to persist in the face of obstacles and setbacks is critical.

Module 4

Post-Tape Discussion: *45 min.*

After viewing the tape segment, lead a group discussion focused on the questions listed below. Record participants' responses on a flip chart.

· What experiences have you had with culture change—in your own organizations or in others?

· How are your experiences similar to or different from the examples discussed on the tape?

· As you think about your own experiences with major culture change, what worked— and what didn't—in accomplishing the change?

· As you assess your own corporate culture, are you facing a major culture change issue? If so, how would you describe what needs to change?

Exercises:

Assessing the Need for Culture Change

In this exercise, participants begin to identify in more detail the scope of the culture change that they may need to implement. The exercise is divided into three parts:

· The first part is a full-group discussion focusing on identifying key trends in the company's business environment that will provide the greatest challenge to the company's future success;

· The second part of the exercise is designed to be done individually—with these trends in mind, participants use Part 2 of the *Corporate Culture Diagnostic Questionnaire* to assess how important certain shared values and behavior norms are to the organization's future success, and to develop a picture of the required corporate culture;

· The third part of the exercise is designed to consolidate participants' individual assessments of the required corporate culture into a composite for the group as a whole.

Exercises (continued):

Group Discussion: *30 min.*

• During an earlier exercise—Assessing the Impact on Future Performance from Module 1—participants began to identify critical changes that may take place in their business environment.

• Ask the participants to review those flip charts and to identify the three to five most critical challenges they feel the company faces in the future. Capture the results of this discussion on a flip chart.

Individual Exercise: *30 min.*

• With these critical challenges in mind, participants should complete Part 2 of the *Corporate Culture Diagnostic Questionnaire.* Give them about 10 minutes to do this.

• Once participants have finished completing Part 2, they should complete the Culture Diagnostic Scoring Sheet on page 32 of the *Viewer's Guide.* This Scoring Sheet is similar to the one they completed for Part 1—the specific instructions for the Scoring Sheet are on page 31 of the *Viewer's Guide.*

Module 4

Exercises (continued):

Group Exercise: *45 min.*

- In order to have a discussion about the overall required corporate culture as the participants view it, their individual Scoring Sheets need to be consolidated into one set of average scores for the full group. To do this, designate one participant to collect the six cluster scores from each of the participants and to calculate an average for the group. In addition, this person should calculate an overall average for *Valuing Constituencies* and an overall average for *Valuing Leadership*—each of these two averages is simply an average of the three cluster averages within the dimension.

- While the participants are calculating the group's averages, you should prepare the following flip chart:

Required Corporate Culture

Valuing Constituencies:

Employees	_____	Avg.
Shareholders	_____	Avg.
Customers	_____	Avg.
	_____	Overall Avg.

Valuing Leadership:

Est. Direction	_____	Avg.
Aligning People	_____	Avg.
Mot./Inspiring	_____	Avg.
	_____	Overall Avg.

- Once the group has calculated the overall averages for the current culture, capture these averages on the flip chart.

- Ask the participants to analyze the patterns in the data and capture the key points from the discussion on another flip chart.

    - Which items or clusters were assessed as most important for the organization's success? Why?

    - Which items or clusters seemed less important? Why?

MODULE 5: CHANGE AGENTS

Introduction to Module 5:

Purpose:

- To describe the specific leadership behaviors required to develop and sustain a more adaptive culture.

- To have participants assess their own performance as leaders in the organization, and to identify obstacles to these leadership practices.

Pre-Tape Comments:

- Review what you accomplished in Module 4 of the Seminar.

- Review the purpose of Module 5 (described above), and then play Segment 5 of the videotape.

Segment 5 Videotape: *Approx. 20 min.*

Segment 5 Overview:

The preceding segment focused on the challenge of changing an organization's culture and the process for successfully producing culture change; this segment looks at culture change agents and what they do as individuals in order to produce effective change.

- What specific behaviors does a successful culture change agent engage in?

- What kinds of people are able to act as culture change agents?

What specific behaviors does a successful culture change agent engage in?

Fundamentally, successful culture change agents provide a great deal of leadership. Leadership does not mean planning, organizing, and controlling; leadership means providing people with direction or vision to guide their actions, aligning people behind that vision, and motivating them to accomplish it. More specifically, these three areas of leadership involve the following practices:

- *Establishing Direction:*

  - Keeping in touch with the needs of internal and external customers, shareholders, and employees;

  - Constantly challenging assumptions and "conventional wisdom";

  - Creating a vision for the company, the division, or the department that is both exciting and sensible;

  - Developing realistic strategies for accomplishing the vision.

Module 5

Segment 5 Overview (continued):

• *Aligning People:*

- Constantly communicating the direction in which people should go;

- Communicating the vision (of the firm, the division, the department) in a clear, simple, and powerful way;

- Behaving in ways which are consistent with the vision;

- Demonstrating personal commitment to the company's vision and strategy.

• *Motivating/Inspiring:*

- Communicating the vision in a way that connects to people's individual values;

- Involving people in deciding how to implement visions and strategies;

- Providing coaching and feedback to guide people in achieving the vision;

- Providing enthusiastic support to people in their efforts to accomplish important goals;

- Recognizing and rewarding people for successfully implementing the vision.

What kinds of people are able to act as culture change agents?

The successful culture change agents studied by Professor Kotter shared a particular "profile":

• They tended to have a proven track record of producing change in the past, and consequently took on their current challenge with some experience at implementing change efforts;

• They tended to have an "outsider" perspective, characterized by an openness to new ideas and approaches;

• At the same time, they also had an insider's power base with the credibility and the access to resources necessary to get the job done.

Segment 5 Overview (continued):

Developing a more adaptive culture starts with the individual—with change agents who have certain characteristics and who engage in specific leadership behaviors. Working collectively and focusing on key process steps for producing change, these change agents can produce the changes necessary to create a more adaptive culture.
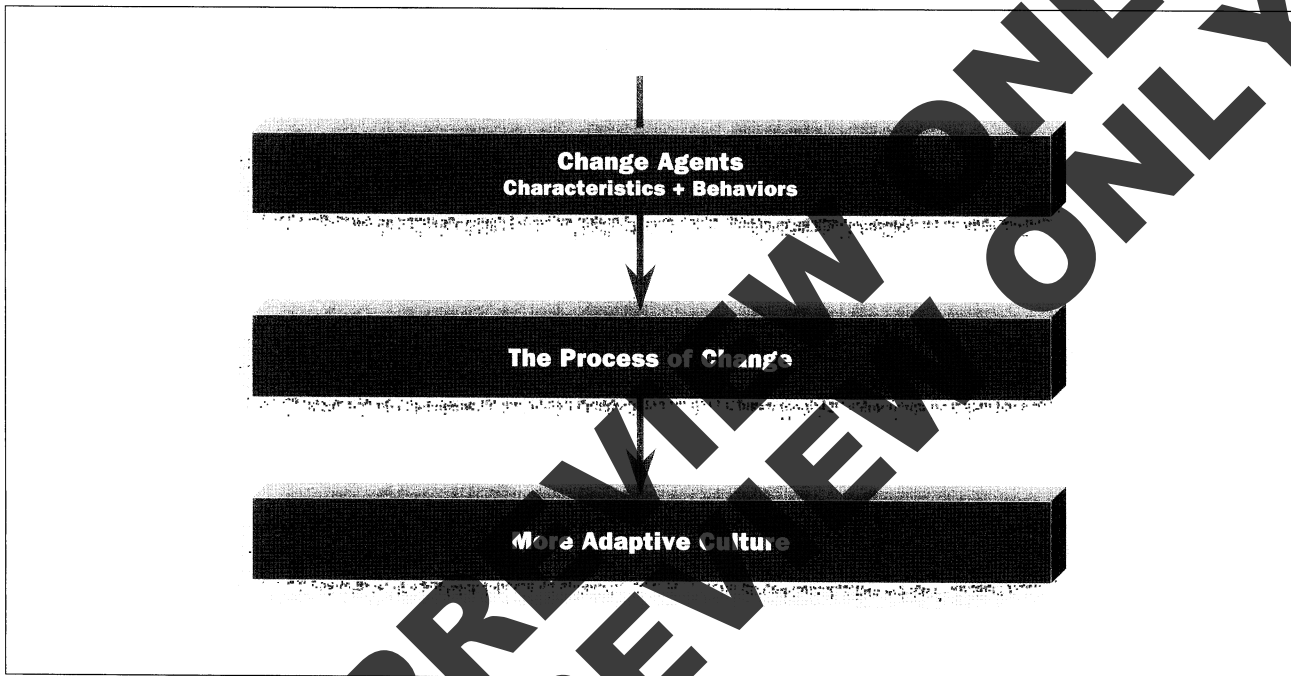
Change Agents
Characteristics + Behaviors

The Process of Change

More Adaptive Culture

Post-Tape Discussion:

30 min.

After viewing the tape segment, lead a group discussion focused on the questions listed below. Record participants' responses on a flip chart.

• As you look at managers in general within the firm, how would you assess the level of performance in the three areas described above—Establishing Direction, Aligning People, and Motivating/Inspiring?

• What are the obstacles to these leadership behaviors within your organization? How can you overcome them?

• How much leadership "bench strength" do you have in your organization? Are the leadership skills found throughout the management ranks or limited to a few individuals?

• How will you go about expanding the leadership within your organization?

Module 5

Exercises:

Assessing Your Leadership Performance:

In this exercise, participants develop a sense of their own effectiveness as change agents by assessing how much they engage in the key leadership practices described in the tape. Participants work individually to complete the Leadership Self-Assessment Questionnaire and the Scoring Sheet; this individual activity concludes with a personal planning section, where each individual identifies one or two leadership areas to focus on, and generates specific actions he or she could take to improve in those areas.

Individual Exercise: *20 min.*

• Each participant should complete the Leadership Self-Assessment Questionnaire on page 36 of the *Viewer's Guide*. Give participants about 10 minutes to do this. Before they begin the exercise, it is helpful to provide the group with the following guidelines:

  - The questionnaire is for each participant's own use—no one else will see it; they are not going to be asked to share it with anyone.

  - Participants should take the time to consider the questions carefully, and answer each question as honestly and as thoughtfully as they can.

  - Participants should work individually and silently during this entire exercise.

• After 10 minutes, when participants have completed the questionnaire, ask them to move on to the Scoring Sheet on page 37 of the *Viewer's Guide*. This Scoring Sheet will help them get a clearer picture of their strengths and weaknesses as leaders of change in the organization. They should take about 10 minutes to complete the Scoring Sheet, and calculate their average scores for the three leadership clusters—Establishing Direction, Aligning People, and Motivating/Inspiring.

Individual Exercise: *20 min.*

• Let the participants know that they will have about 20 minutes for personal planning, focusing on the results of their Leadership Self-Assessment Questionnaires. Ask each participant to use a blank sheet of paper for this exercise.

• They will first need to review their data and identify any key patterns in the scores. On the front of the blank page, they should jot down their *five highest scores* and their *five lowest scores* from the questionnaire. They should also jot down *two key messages* from the data—what does the data tell them about their leadership strengths and weaknesses?

• Then each participant should identify one or two leadership areas—specific practices or groups of practices—where the participant might want to focus in order to improve his or her leadership within the organization. On the back of their planning sheets, participants should identify specific actions they can take to address each of those areas/practices where they scored lowest.

Exercises (continued):

Identifying Obstacles to Leadership Practices:

This exercise focuses on identifying critical obstacles to effective leadership in the organization, and on identifying specific changes that may need to be made to reduce or eliminate those obstacles. The exercise is divided into two parts—the first part is a full group discussion; the second part is designed to be done in pairs.

Group Discussion: *30 min.*

• Ask the group to review their own Self-Assessment scores, and the overall scores the group calculated for *Valuing Leadership* from Part 1 of the *Diagnostic Questionnaire*. These scores reflect their views on (a) how much *each of them* engages in these leadership practices, and (b) how much the *management ranks* in general demonstrate these behaviors.

• Ask the group to identify *critical obstacles* to leadership within the organization. Make sure that when the group identifies an obstacle, they also identify *which leadership practice* (or *practices*) is (are) *most impacted* by the obstacle. The following questions may be helpful in focusing the discussion:

  - Do competitive pressures create obstacles to leadership practices? What about other environmental factors, such as customer demands or regulatory issues?

  - Does the organization's vision and strategy create leadership issues? Are the organization's strategic requirements or financial goals so stringent that they create pressure for managers to behave in ways that are contrary to the leadership practices?

  - Does the formal organization structure of the firm create obstacles? What about the appraisal and reward systems? Is the promotion process consistent with these practices? Are there any internal procedures and policies that "get in the way" of managers behaving as leaders?

  - Are there any other obstacles that inhibit the management ranks from engaging in these leadership practices?

• Capture the results of the discussion on flip charts.

Module 5

MODULE 5 (continued)

Exercises (continued):

Pairs Exercise: *50 min.*

• Divide the group into pairs, and ask each pair to choose one critical obstacle from the list to work on.

• Ask each pair to identify specific changes that may need to be made to reduce or eliminate the obstacle they have selected, as well as *two or three ways that they as managers can provide leadership* despite the obstacle. Each pair should prepare a flip chart to present the results of their work to the full group.

• Give the pairs about 30 minutes to do this. Then reconvene the full group, and ask each pair to present its recommendations.

MODULE 6: GETTING STARTED

Introduction to Module 6:

Purpose:

- To explore a variety of specific steps and actionable ideas derived from the experiences of executives who have led culture change efforts.

- To help participants identify and prioritize culture issues within their organization, and to develop a preliminary Action Plan outlining specific steps they can take to create a more adaptive culture.

Pre-Tape Comments:

- Review what you accomplished in Module 5 of the Seminar.

- Review the purpose of Module 6 (described above), and then play Segment 6 of the Videotape.

Segment 6 Videotape: *Approx. 20 min.*

Segment 6 Overview:

This tape segment contains a variety of actionable ideas derived from the observations and experiences of several executives who have led culture change. Their comments should stimulate participants' thinking about how they can begin a culture change effort, or enhance one that is already under way.

Post-Tape Discussion: *30 min.*

After viewing the tape segment, lead a group discussion focused on the questions listed below. Record participants' responses on a flip chart.

- Were there any surprises in this list of action steps described in the tape? Why?

- Of the actions described, which are the highest priority for your organization to implement? Lowest priority? Why?

- Which seem most practical? Least practical? Why?

Exercises:

Identifying and Prioritizing Culture Problems—"Gap" Analysis   *45 min.*

This exercise and the one that follows are critical summary exercises designed to pull together all the work done thus far in the Seminar, and to help participants develop a set of recommended priority action steps which they can take to create a more adaptive corporate culture in the organization.

Module 6

Exercises (continued):

This first exercise focuses on the "gaps" between the current corporate culture—as reflected in the group's composite scores from Part 1 of the *Diagnostic Questionnaire*—and the required corporate culture—from Part 2's composite scores. Before beginning this exercise, make sure the two flip charts summarizing current corporate culture and required corporate culture are posted at the front of the room:

Current Corporate Culture

Valuing Constituencies:

Employees	_____ Avg.
Shareholders	_____ Avg.
Customers	_____ Avg.
_____	Overall Avg.

Valuing Leadership:

Est. Direction	_____ Avg.
Aligning People	_____ Avg.
Mot./Inspiring	_____ Avg.
_____	Overall Avg.

Required Corporate Culture

Valuing Constituencies:

Employees	_____ Avg.
Shareholders	_____ Avg.
Customers	_____ Avg.
_____	Overall Avg.

Valuing Leadership:

Est. Direction	_____ Avg.
Aligning People	_____ Avg.
Mot./Inspiring	_____ Avg.
_____	Overall Avg.

• On the two charts, mark or circle the largest *gaps* between the current and required culture. For each major gap, ask the group for any observations they have about why the gap exists:

- Is it because the current culture score is *very low* and, if so, *why* is that the case?

- Is it because the *required* culture score is *significantly higher* than the current culture score, even though that score—when not compared with what is required—may seem reasonably high? If this is the case, *what is behind the need for such a high required culture score?*

• Capture the group's observations on a blank flip chart.

Exercises (continued):

Developing an Action Plan: *45 min.*

This final exercise takes the full group through an action planning process designed to identify specific steps that this management group needs to take to address the priority culture gaps identified in the preceding exercise.

• First, ask the group to identify the one or two highest priority culture gaps from the analysis they did in the prior exercise.

• For each of these priority gaps, develop an Action Plan which identifies:

    - Action Steps—next three months;

    - Who will be responsible for accomplishing each step;

    - What additional help or resources are needed.

    - Action Steps—next six months;

    - Who will be responsible for accomplishing each step;

    - What additional help or resources are needed.

• Use a prepared flip chart like the one illustrated below to capture this information:

Priority Gap

Action Steps	Who?	Help Needed
Next 3 Months		

Action Steps	Who?	Help Needed
Next 6 Months		

Module 6

Closing Comments:

- Review the overall objectives for the Workshop.

- Summarize the two flip charts that describe the current corporate culture of the organization and the required corporate culture, and summarize the key gaps between the two.

- Review briefly the action steps the group has developed.

- Ask the participants if there are any "next steps" that the group needs to take—for example, reconvening the group for follow-up meetings to discuss the status of the action steps; conducting small-group sessions with their direct reports to go through a similar seminar process, etc. The facilitator's next step is to ensure that the action planning charts are typed up and distributed to the participants as a record of their work.

- Thank the group for their participation.