The SECRET OF CULTURE CHANGE

HOW TO BUILD AUTHENTIC STORIES THAT TRANSFORM YOUR ORGANIZATION

JAY B. BARNEY | MANOEL AMORIM | CARLOS JÚLIO

for *The Secret of Culture Change*

"*The Secret of Culture Change* tackles one of the most difficult challenges business leaders face, transforming their organization's culture to support strategies that work. In this beautifully written book, Barney, Amorim, and Júlio explore how over 50 business leaders provided leadership by building organizational stories that empowered their organizations and transformed their cultures. This insightful book walks the reader through the successful attributes of how these leaders built stories to change their organizational cultures. A must-read for CEOs, managers, and academics interested in leadership!"

> — **Sharon Alvarez**, Tom W. Olofson Chair in Entrepreneurial Studies, Joseph M. Katz Graduate School of Business, University of Pittsburgh; President of the Academy of Management

"Building a culture that is consistent with timeless principles, at every level and across every department, is central to long-term success. Jay, Manoel, and Carlos compiled incredible examples of ways to build and scale this kind of culture, applicable to business leaders in any industry and at every stage of maturity."

> — **Dan Burton**, CEO of Health Catalyst

"This book is the first to offer a 'how to' of culture change – not storytelling, but story building, where business leaders construct narratives that break with the past in ways that inspire culture change that aligns with new strategic opportunities. Barney, Amorim, and Júlio weave together a fascinating set of stories and actionable lessons from brilliant and deliberate business leaders who have used the power of story-building to realize their strategic goals. The result is instructive and engaging—an essential read for anyone who leads people."

> — **Jennifer Chatman**, Associate Dean; Co-Founder and Co-Director of the Berkeley Culture Center; and Cortese Distinguished Professor of Management, Haas School of Business, ""University of California, Berkeley.

"After 30 years of writing, speaking, and leading, the most important thing I've learned is that people don't remember anything you said. All they remember is the stories you build. It is only through these stories that we can be our most authentic selves, engage the heads and hearts of others, and influence people to change. *The Secret of Culture Change* shows you how this is done. This is a must-read book for any leader or manager seeking to transform their culture and organization from the inside out."

> — **Sean Covey**, President of FranklinCovey Education and co-author of #1 *Wall Street Journal* Bestseller *The 4 Disciplines of Execution*

"*The Secret of Culture Change* is the perfect blueprint for using authentic story-building to align your organizational culture with your business strategy. This is a book that every business leader should read."

> — **Jeff Danley**, Founder & CIO, Peak Capital Partners

"Brilliant! Change is the new normal. But culture change is notoriously messy and difficult. This book identifies the ingredients you need to build powerful stories that will create culture change in your organization

> — **Geoff Davis**, CEO, Sorenson Impact Center; former CEO of Cicero Impact Capital

 "*The Secret of Culture Change* is a powerful demonstration that building the 'right' story can dramatically alter organizations and the people who work in them. A 'must read' for thoughtful managers wanting to make a real difference."

> — **Kathleen Eisenhardt**, Coauthor of *Simple Rules* and *Competing on the Edge*; S.W. Ascherman Professor, Stanford University

"With their innovative focus on story building, Barney, Amorim, and Júlio have put together an effective and engaging manual for anyone leading through change. This book isn't just a helpful guide, it's also an entertaining read."

> — **Gail McGovern**, President & CEO, American Red Cross

"As the need to formulate bold and disruptive strategies has become more pressing, so has the need to change company culture. But how to do it? Jay Barney, one of the world's most important management professors, and CEOs Manoel Amorim and Carlos Júlio, argue that culture change must begin by building new stories that compellingly exemplify the culture that needs to be created. To help do this, they show that all successful culture-changing stories share six fundamental characteristics. This is an inspiring and actionable major step forward in bringing about real cultural change!"

> — **Nicolai Foss**, Professor of Strategic Management at the Copenhagen Business School; former member of the Board of Directors of the Strategic Management Society

"Management guru Peter Drucker once said, 'culture eats strategy for breakfast.' *The Secret of Culture Change* is like a new chef that switches this metaphorical meal. This book generates eminently practical, yet academically sound, leadership guidance on how to change the culture to match your strategy. Bravo!"

> — **Jackson Nickerson**, Author of *Leading Change from the Middle*; Emeritus Frahm Family Professor of Organization and Strategy, Olin Business School, Washington University at St. Louis

"A fresh take on change management and the importance of narratives in changing organizational culture. Leaders not only create and impose strategies, but they also shape norms, values, and identity. They do this by building stories – creating and sharing colorful and memorable accounts of problems, solutions, tradeoffs, and results. A fun and inspiring read from an all-star academic and professional team that explains how great organizational stories are built."

> — **Peter Klein**, Professor of Entrepreneurship and The W.W. Caruth Endowed Chair at the Hankamer School of Business, Baylor University; Former chair of the Entrepreneurship Division of the Academy of Management

"Through numerous first-person accounts from actual organizational change agents, Barney, Amorim, and Júlio make a valuable contribution to the organizational change literature. Through these accounts, the power of authentic, pattern-breaking, purpose-driven stories that speak to both head and heart in ways that prompt telling and retelling throughout the organization are manifest. The 'read' is delightful, inspiring, and thought-provoking. The thesis is both deceptively simple and devilishly complex. Well worthy of any time the reader chooses to invest in its pages."

> — **Stephen Mangum**, Stokely Foundation Leadership Chair and Dean, Haslam College of Business, University of Tennessee

"Simplicity, when crafted by the brilliant, can be profound, powerful, and practical. *The Secret of Culture Change* is such. Destined to be a 'storied' tome on organizational culture; a must-read for leaders who wish to mobilize their people's spirits beyond strategy's 'need to do' to culture's 'want to do.'

> — **Subramanian Rangan**, Professor of International Business, and the Abu Dhabi Crown Prince Court Endowed Chair in Societal Progress, INSEAD; Founder of the Society for Progress

"Culture is the outcome of explicit or implicit values, expressed in behaviors and actions, that are accepted over time. Jay, Manoel, and Carlos have curated relevant corporate culture cases and masterfully knitted this into a reflective work that aims to nudge leaders toward crafting a brighter future for their organization."

> — **Carl Thong**, Entrepreneur, Sunstone Group, Singapore

"Of course, managers will always try to leverage their balance sheet, change their profit/loss statements, or restructure their organization to improve performance. These are short-term tactical chapters in every MBA-trained manager's playbook. However, changing culture is much deeper and more fundamental. Show me a leader who can change the culture of an organization for good, and I will show you an organization on a journey of growth in any market or condition!"

> — **Greg Tunney**, CEO of Manitobah Mukluks; former Global President of Wolverine International; former CEO of RG Barry

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Building Stories to Change Your Organization's Culture

Here is what we know about the relationship among a firm's culture, its strategies, and its performance:

Organizations where culture and strategy align outperform organizations where culture and strategy do not align.

Of course, this doesn't mean that your organization's strategy is unimportant. Indeed, the history of business over at least the last 50 years or so is a history of the emergence and then the dominance of new and disruptive technological and business strategies in sector after sector.[1]

This pattern has emerged in numerous commercial industries, including retail sales (Sears, Walmart, Amazon), home entertainment (broadcast television, prerecorded videos and DVDs, streaming services), computers (mainframes, personal computers, smartphones), and so forth. This same pattern has also occurred in some not-for-profit and government sectors—for example, governments directly distributing foreign aid to the governments of less developed economies, international nongovernmental organizations (NGOs) providing these governments with loans, and NGOs directly funding entrepreneurial activities in these economies through microfinance.[2]

And yet, research over this same period of time has made it clear that to realize the full potential of these innovative strategies, they must be aligned with your organization's culture.[3] Your firm may have an exciting new product or technology, or an exciting new way to distribute or market this product or technology, but unless your organizational culture aligns with your strategies, its full potential will not be realized.

Thus, for example, if your business strategy focuses on selling highly innovative products or services to your customers, then you must have a

culture that supports teamwork, creativity, and risk-taking among your employees. If it focuses on selling high-quality products or services, then you must have a culture that supports quality processes in all that you do. If it focuses on providing excellent customer service, then this kind of service must be central to your organization's culture.[4] And if your strategy focuses on helping entrepreneurs in developing economies, then your culture must celebrate profits as an outcome of economic development.[5]

Strategic and Cultural Misalignment

So, we all agree: to get the highest level of performance, your strategies and culture need to be aligned. But what if they aren't? What are your options?

First, you can change your strategies. While it may be possible to modify your strategies to some degree to more completely align with your culture, fundamentally changing your strategies so that they align with your culture can be a problem. For example, if your analysis of the market suggests that in order to optimize your performance you need to pursue, say, an innovative product differentiation strategy, and the culture you have in your organization does not support such a strategy, then abandoning this strategy may put the performance of your organization at risk. After all, you choose strategies because you are convinced that they will create competitive advantages for your firm.[6] Abandoning such strategies because they don't align with your culture can be very problematic.

Second, you can try to ignore this misalignment, perhaps hoping that—over time—your organization's culture will evolve in a way that will ultimately align with your strategy. However, our experience tells us that you usually do not have the luxury of time—you need to implement your strategies sooner, not later. And in the meantime, while you are waiting for your culture to evolve, your strategies direct your employees to do one thing while your culture tells them to do something else. In this setting—as Peter Drucker is alleged to have once observed—when there is a conflict between a firm's culture and its strategy, "Culture eats strategy for breakfast."

So, in the end, when there is a misalignment between your strategies and your culture, you often really only have one choice:

You need to change your culture!

The Culture-Change Problem

But how do you change your organization's culture? Great question!

Indeed, some of the world's leading thinkers on organizational change are skeptical about your ability to change your organization's culture. Consider, for example, John Kotter's views on culture change:

> One of the theories about change that has circulated widely over the past fifteen years might be summarized as follows: The biggest impediment to creating change in a group is culture. Therefore, the first step in a major transformation is to alter the norms and values. After the culture has been shifted, the rest of the change effort becomes more feasible and easier to put into effect. I once believed in this model. But everything I've seen over the past decade tells me it's wrong. Culture is not something that you manipulate easily. Attempts to grab it and twist it into a new shape never work because you can't grab it.[7]

Despite this pessimism, there are, of course, many books and articles that describe how to change an organization's culture.[8] Most of these apply one or another of currently popular models of organizational change to the problem of culture change.[9] And, as we will see, many of these change management models do have important implications for understanding and implementing culture change.

The Secret of Culture Change

However, our approach to understanding the problem of culture change did not start by examining the implications of these different change management models. Instead, we simply asked a large sample of business leaders what they did to change their organizational cultures. And it turns out that what these leaders told us is not emphasized in most prior work on culture change.

If you want to change your organization's culture, start by building stories.

This is the "secret" to changing your organization's culture—building stories.

In retrospect, the idea that building stories can be important in changing an organization's culture should not have been that surprising. After all, an organization's culture is typically developed and diffused throughout an organization by the stories employees share about the firm and its values and norms.[10] It follows that if you want to change your culture, you need to change the stories that employees in your firm share with each other.

But how do you build culture-changing stories?

What the business leaders we interviewed told us is that you build culture-changing stories by engaging in actions that are radically different from your organization's current culture—activities that establish a clear break with the past and that demonstrate a clear path to a new cultural future. These actions then turn into stories that exemplify the culture you are trying to create. These stories spread widely and rapidly throughout your organization, as employees talk—first in whispers, and later with excitement and enthusiasm—"Did you hear what our leader did?"

In short, the business leaders we spoke to didn't just "talk" about culture change. Nor did they just "walk" the culture change they hoped to create. Rather, these business leaders "walked" this culture change in a way that "talked" to their entire organization. They did this by purposefully and consciously and deliberately engaging in actions that built stories that exemplified the culture they wanted to create and stories that would rapidly spread throughout their organization. For these business leaders, building stories was "walking that talks."

We call this process "story building," and our research suggests that building stories is usually the first step in changing your organization's culture. And changing your organization's culture is often critical in efficiently and effectively implementing your strategies to realize their full potential.

Story Building, Not Storytelling

However, please do not confuse story building with storytelling. Of course, storytelling is an important phenomenon in most organizations. Telling simple, engaging, and inspiring stories is a great way to motivate and communicate with your employees.[11] A moving story about an athlete overcoming seemingly insurmountable odds, or a political figure's struggle to right some horrible wrong, or how an entrepreneur transformed an obscure business idea into a Fortune 500 enterprise are all great.

We can even learn about how to build culture-changing stories from people who have done this in their own organizations. Indeed, this is the fundamental premise of this book.

But this book is *not* about using these stories to try to change your organization's culture. We do not expect that any of the stories told in this book will change your organization's culture. You can retell them, if you would like, to exemplify the story-building process. But to change your culture, you must build your own stories. We can tell you—based on our research—the attributes that the stories you build must have if they are going to change your culture. But, in the end, they must be stories that you build. In short:

> *Culture change is about* **you** *being the culture you want to create by acting in ways consistent with the new culture and inconsistent with the current culture.*

You build these stories, even if you don't fully know what that future culture will be, and even if almost everyone else in the organization thinks you might be mad. Culture change is about building stories that exemplify the culture you are trying to create. Consider the following example.

A Story-Building Example

> **STORY 1.1 "Using a Customer Service Failure to Change an Organization's Culture"**
> **Manoel Amorim as CEO at Telesp (Telefonica)**
>
> Prior to my becoming the CEO of the Brazilian telecom company Telesp, the company was highly regulated by the government. Our only goals were to meet government-mandated service standards and to do so as efficiently as possible. And we were good at reaching these goals. We had met the service standards set by the government before any of the other Brazilian telecoms and had never been more profitable.
>
> During this time, the company had developed a very strong top-down, command-and-control culture. The government told top managers what they needed to do, top management told employees what they needed to do, and employees did whatever they were told. While very efficient in enabling Telesp to reach its government-mandated goals, this culture had

led to a very isolated, even elitist, top management team. As one example of this elitist culture: no regular employees were allowed to be in the same elevator as the CEO.

At some point, it became clear that the competitive situation at Telesp was about to change. Our government-protected monopoly in the São Paulo market was going to end, and we were going to have to compete for our customers' business. It was obvious to me that we were going to need to shift from a command-and-control culture focused on reaching government service requirements to a customer service–oriented culture focused on getting and keeping customers with new telecom products and high levels of customer support.

One of our first nonregulated products was a home Internet service called Speedy. This was a new technology for us, and Speedy had some growing pains. In anticipation of these problems, we had created a consumer helpline where customers could call and get assistance with Speedy. Unknown to me at the time, we had also set up a second helpline for senior managers at Telesp—where senior managers could get the "extra help" that they might need to make Speedy work.

As soon as I found out about this second helpline, I closed it. If senior managers had difficulties with Speedy, they would have to get the same support as regular customers.

In the meantime, I signed up for the Speedy service myself and encountered some difficulties. So I called the helpline. The young man on the other end of the line was helpful and tried very hard, but after two hours, he still couldn't make Speedy work for me.

Finally, I told him, "I just want to let you know that I am the CEO of Telesp, and that I have been very impressed by your effort to fix my problems."

He didn't believe me.

It took a while, but I finally convinced him that I was the CEO. Then I asked, "What kind of support from Telesp would you need to have been able to address my problem?"

This 19-year-old young man articulately described 14 things he would need to have to be able to address my problems. I said, "You sound like you know a great deal about how to fix problems with Speedy. Would you be willing to come to our next corporate executive committee meeting and share the list you have just shared with me?"

It took some convincing, but he finally agreed. Two weeks later, this young man—an hourly employee at our call center affiliate—gave a presentation to the executive committee about the 14 things we needed to do in order to help Speedy customers use this product. I thanked him and asked him to leave the meeting.

I then turned to the senior manager in charge of Speedy and asked, "How many of these 14 issues did you know about?" He responded, "About half." I then turned to the rest of the executive team. "As of today, we are suspending sales of Speedy. We are not going to continue to sell a product that we do not know how to support. Also, I expect that at our next meeting, the Speedy team will present a plan for how we are going to fix the 14 problems that need to be solved to help our customers. When that plan is implemented, we will begin selling Speedy again. And I am going to invite the young man you have just seen—and some of his call center colleagues— to be at this next meeting to make sure that the plan you propose will address the issues he has raised."

Two weeks later, a plan was presented. Shortly thereafter, it was fully implemented and we started selling Speedy again. I hired the young man from the call center into a management trainee job in the firm, and Speedy became a very successful product.

This is a great story. It has all the critical elements of a good story—a setting, characters, plot, conflict, and resolution. Indeed, it is almost a prototypical "rags to riches" story of a young man plucked from the obscurity of a call center to teach the organization's elite a little about what really goes on in the company.[12] It is entertaining. It is inspiring. It almost feels like it could be an outline for a movie script.

But this story was much more. It began the process of changing the culture at Telesp. This story was told and retold throughout the company. Ultimately, it was picked up by the leading business magazine in Brazil and printed as a lead article. And every time it was told, and retold, it sent a clear message to those who worked at Telesp: "The old command-and-control culture at Telesp is dead. We are developing a new culture where we must all work together to serve our customers." It gave employees—people who had for years never been asked how the firm's operations could be improved—hope that their ideas might actually be listened to.

And it wasn't just this story that had impact. This story started a "story cascade"—where people throughout the organization began to feel empowered to rethink the culture in the part of the business where they worked. And as they did so, they built their own stories, which led to other stories, and so on. Also, Manoel did not stop with this one story—he built others that all reinforced a simple message: "The old Telesp culture is gone; the new employee-engaged and customer-focused culture at Telesp is here."

And Telesp's culture changed. The organization was transformed. As a result, it was not only able to weather the storm created by new competition and new telecom technologies, it thrived in that storm. It became the most successful telecom company in Brazil, while the performance of telecom firms that maintained their command-and-control cultures faltered.

Also, note what the beginning of this culture-change process did *not* include: a well-defined list of values that the leader wanted the new culture to have, a plan for numerous training programs on what these values were and how they were to be implemented, and various kinds of incentives consistent with these new values. Some of these programs and policies came later,[13] but only after the leader showed, through his own actions, that he was irreversibly committed to culture change.

Building a Culture-Changing Story Database

While the story of Manoel at Telesp is interesting, it is just one example. There are already other examples of this kind of story building in the literature. If we were going to be able to document the effect of building stories on culture change that generalized beyond a few special cases, we needed to build a much broader database of such stories. So that is what we did.

The database we built includes over 150 stories derived from interviews with over 50 business leaders. These leaders included many CEOs—like Manoel Amorim—in both large and medium-sized firms. However, it also included division general managers in large global corporations; leaders in sales, manufacturing, supply chain, and other functions in large and medium-sized companies; plant managers; entrepreneurs in small firms; college deans in universities; and so forth.

Some of the leaders we interviewed perceived a mismatch between their organization's culture and the strategies they wanted to pursue and built

stories that changed their culture to align with these strategies. Others did not think that such a mismatch existed or tried to change their cultures without building stories. Still others tried to change their cultures by building stories but failed in this effort. This variance in outcomes in our sample made it possible to identify the kinds of stories business leaders need to build in order to change their cultures.[14] Those results are presented in this book.

The Attributes of Successful Culture-Changing Stories

The six attributes of stories built by business leaders that are likely to change a firm's culture are presented in Table 1.1. How they were exemplified in the first story that Manoel Amorim built to change the culture at Telesp is briefly summarized here. Much of the rest of this book examines how the culture-changing stories built by different business leaders have incorporated these six attributes.

The Actions That Build These Stories Are Authentic

One of the biggest challenges in changing an organization's culture is that its employees and other stakeholders are often unsure about how committed a business leader is to culture change. Because of this, they will closely watch each of a leader's actions, and parse each of the leader's speeches, searching for the limits of their commitment to culture change. Employees and stakeholders that perceive a mismatch between your culture-change rhetoric and your actual behavior will often choose to "sit out" your culture-change efforts, knowing that these efforts are unlikely to be sustained.

TABLE 1.1	Attributes of Successful Culture-Changing Stories

1. The actions that build these stories are authentic.
2. These stories "star" the leader.
3. The actions that build these stories signal a clean break with the past, with a clear path to the future.
4. These stories appeal to employees' heads and hearts.
5. The actions that build these stories are often theatrical.
6. These stories are told and retold throughout an organization.

So, to be credible, the actions taken by leaders that build culture-changing stories must reflect their deepest personal convictions—about who they are as people, what they value most in an organization, and how they think about the relationship between an organization's culture and its ability to perform. In other words, to be successful, your commitment to culture change and the stories you build to facilitate this change must be authentic.

Fortunately, as we will describe in Chapter 3, you don't have to be perfect in modeling a new culture to lead culture change. In fact, sometimes your failure to live up to your own highest values can be a source of a culture-changing story.

However, while you may sometimes fall short of living your own values, your employees must nevertheless believe that—at your core—you are committed to culture change. This means that the stories you build to change your organization's culture must be authentic to who you are, what you value, and how you think culture and strategy are linked.

Not surprisingly, as we will see in Chapter 3, this kind of story building almost always increases your personal vulnerability in your organization.

Thus, before building a story to begin the process of changing the culture at Telesp, Manoel had to be certain that a nonhierarchical customer service–oriented culture was going to be a competitive necessity for his firm. He had to be certain that he was willing to have the difficult conversations needed with his subordinates in order to make this kind of culture change happen. He had to be comfortable with the fact that some of his employees—even some of his best-performing employees (in the old culture)—might have to be let go as part of this culture change. And he had to be comfortable with committing to changing his firm's culture before the limitations of its current culture were fully manifest, even while knowing that the performance benefits of the new culture he was trying to build might not materialize for some time.

If Manoel was not fully comfortable with these and other implications of changing Telesp's culture, then there would always be a chance that he would not remain committed to culture change, especially if that change took longer or faced stronger headwinds than expected. Employees could have spotted this ambiguous commitment to culture change, and simply waited until Manoel's "fake commitment" waned and the old culture reasserted itself.

Since Manoel's commitment to culture change was authentic, the stories he built to facilitate culture change were accepted as authentic by his employees and other stakeholders.

A Successful Culture-Changing Story "Stars" the Leader

We have already suggested that stories about famous athletes, self-sacrificing politicians, and bootstrapping entrepreneurs can be interesting and motivating. But culture-changing stories are not about someone else. They are about you—the business leader. If you are going to build stories to change your organizational culture, *you* have to "star" in these stories. The only way that the stories you build can reveal your irreversible commitment to culture change is if your actions are central to building these stories.

This doesn't mean that you are the only player in your stories. The best story builders often involve other employees as participants or observers to witness those stories being built. This facilitates the communication of a story throughout your firm. It also helps create the "story cascade" mentioned earlier by enabling these and other members of your organization to build their own stories.

While Manoel was not the only "star" in the story he built, he was the major actor. Without his actions, there would have been no story, and without this story, there may well not have been the required culture change. But Manoel was not alone when he built these stories—some of its key elements took place in executive team meetings. This helped create a story cascade within Telesp that was instrumental in changing the organization's culture.

The Actions That Build a Story Establish a Clean Break with the Past Along with a Clear Path to the Future

Culture change is not "business as usual." In fact, it's about "no longer business as usual." So the story you build has to be based on actions you take that clearly violate the values, beliefs, and norms that currently dominate your organization's culture. These actions must be intentionally, even emphatically, radical.

Your actions also have to create a clear path forward. That path does not have to be detailed—in fact, as will be shown later (in Chapter 9), having a

too detailed vision of the future culture in a firm can actually make it difficult to realize that future culture. Force-feeding a new culture down your employees' throats will often not lead to culture change. But your story does have to show a path forward to a new culture that will differ in some important ways from the current culture.

For these reasons, rarely will it be the case that a single story built by a business leader will be enough to change a culture—especially if that culture is deeply entrenched. So not only does your first story have to create a clear break with the past and a path to the future, so do your second, and third, and fourth, and the many more stories you build.

The timing of your first story is also critical. You may have heard the phrase "If it ain't broke, don't fix it." But if you wait to build your first culture-changing story until your culture's impact on your performance is broken, it may be too late to change your culture. Organizational cultures, and their relationship to your firm's performance, need to be constantly evaluated and, as appropriate, adjusted. The stories you build will help you accomplish this objective.

Manoel had become CEO of a very centralized, very hierarchical—and yet very successful—organization. He had to show that the old culture which had emphasized top-down decision making to address performance goals imposed on it by the government would have to be replaced with a collaborative culture that focused on satisfying customers. And he had to do this before the hierarchical culture began preventing the firm from addressing the needs of new customers. He did this by asking hourly employees to present their analysis of their company's problems to the most senior managers in the firm—essentially turning Telesp's culture upside down. This was a break with the past with a path toward a new cultural future.

These Stories Appeal to Your Employees' Heads and Hearts

A culture-changing story must demonstrate a clear connection between a new culture and the financial performance of your firm. It must be built on the assumption that culture change is not a passing fancy but is a rational, hard-nosed requirement for a firm's survival and economic success. That is, culture-changing stories must appeal to your employees' heads. But because changing culture is also about changing the way employees and

other stakeholders feel and think, a culture-changing story must also appeal to their hearts—to their emotions, to their highest values, to what Abraham Lincoln called the "better angels of our nature." In this way, your efforts to change a culture must not be just a purely economic play, they must also be a call for your employees to join in a noble enterprise.

Manoel's analysis of competition in a deregulated environment provided compelling logic that there was a fundamental mismatch between this firm's old culture and its new competitive realities—an argument that appealed to the head. By choosing an "underdog" employee to lead a customer-service revolution, Manoel was also appealing to the heart of his employees.

The Actions That Build a Successful Culture-Changing Story Are Often Theatrical

These stories are entertaining. They are dramatic—they have good guys and bad guys. The actions used to build these stories are sufficiently striking that the stories will be repeatedly discussed around the real and electronic watercoolers in the firm—just like a good movie or game gets discussed. Building stories often involves business leaders doing things that "business leaders in the company are just not supposed to do," or at least what prior leaders would never have done—dressing up in costumes, singing songs, acting in comedic plays, and so forth. And for these reasons, it is personally risky.

Sometimes a business leader can feel pretty foolish getting involved in these theatrical efforts. But this is theater with purpose—to exemplify a new culture in a public and engaging way. It also sends a message about just how seriously a leader is committed to culture change.

Manoel built a classic "rags to riches" story—a story genre that has enduring popularity. Whether it be Pip becoming a wealthy gentleman in the Dickens classic *Great Expectations*, or Rocky Balboa leaving the slums of Philadelphia to become heavyweight champion of the world in *Rocky*, or an operator at a call center teaching the senior executives at Telesp how to fix product problems, it's all the same. But stories like the one Manoel built are even more powerful, because they are true. And in this case, it all began with the CEO staying on the phone for over two hours trying to solve a technology product problem—a very "non-CEO-like thing to do."

The Stories Are Told and Retold in an Organization

Culture change is not done in private and in back rooms. It engages most of a firm's employees and other stakeholders. And so, stories that are built to facilitate cultural change must also be public. Great culture-changing stories are retold frequently, and thoughtful leaders will find many opportunities and venues to retell these stories.

Retelling these stories also enables your employees to build their own stories. This helps create the story cascade that ultimately will help transform your culture.

Manoel's story was built in the company's executive committee—a public venue—and news about this event spread like wildfire. Later, it was distributed on the firm's internal newsletter. Moreover, the outcomes of this story—a revision of the customer support function—were also very public. Later, this story became the lead article in Brazil's most important business magazine—so not only did Telesp's employees know about it, all of the firm's other stakeholders did as well.[15]

Our research shows that these six characteristics of culture-changing stories dramatically increased the probability that the business leaders who built them were able to lead their organizations through a culture change. In fact, most of the successful culture-changing stories we have identified have most, if not all, of these attributes.

Is Culture Change Important Just for CEOs?

Clearly, the answer to this question is NO! Culture mediates the relationship between your strategies and your organization's performance. Your strategies are the bundle of activities your organization engages in to gain competitive advantages. To do this, these activities must increase your organization's revenues and/or reduce its costs, and must do so in a way that current and potential competitors find costly to imitate.[16]

However, these strategic activities can exist at multiple levels in your organization. So, for example, a CEO may seek a competitive advantage by engaging in activities that differentiate the organization's products relative to competitors' products. Functional business leaders and plant or office managers can engage in such activities when they implement quality manufacturing processes, when they develop marketing campaigns, when they

develop training programs, and so forth. And business leaders deeper within an organization can engage in strategic activities when they cooperate to improve organizational processes and practices of all kinds.

In short, strategy and competitive advantage are way too important to be left with just the CEO and other top managers. In the best firms, strategy and competitive advantage are every business leader's responsibility.

Thus, since every business leader in an organization can engage in activities that have strategic implications, it follows that every business leader needs to be concerned with how the culture in the part of the organization where they lead aligns with the strategies they are pursuing to help create competitive advantage. If there is a misalignment, then these business leaders will need to change their culture—and the story-building techniques discussed in this book are directly relevant.

Does Culture Change Apply Only to For-Profit Organizations?

The answer to this question is also clearly NO! To the extent that an organization—for-profit, not-for-profit, NGO, governmental agency, and so forth—has some set of goals or objectives it is trying to accomplish, then culture change may be important to leaders within that organization.

This will be the case when the actions you want to take to improve your organization's performance are not aligned with its culture. In these settings, whether you are working in a for-profit or not-for-profit setting, you will need to change your culture, and the story-building tools discussed in this book will help you accomplish this.

A Book on Culture Change, Not a Book on an Ideal Culture

Before presenting the results of our research in more detail, it is important for you to understand one way that this book differs from most prior books on organizational culture and firm performance. Most of these books have attempted to identify some sort of ideal organizational culture to which most, if not all, firms should aspire. Implicitly, these books have invited you to compare your culture with this ideal and to change your culture as needed.

This focus on identifying an ideal culture goes back to the very beginning of work on the relationships among organizational culture, firm strategies, and firm performance cited at the beginning of this chapter. While acknowledging the importance of this previous work, this book is *not* about describing such an ideal organizational culture. It seems to us that what makes an organizational culture ideal depends on how it aligns with the strategies that the firm is implementing. Different strategies will require different cultures for implementation. Thus, to the extent that firms pursue different strategies, it is unlikely that there is one ideal culture to which all organizations should aspire.

Instead, this book is about how you can change your organizational culture when it is misaligned with your strategy. We have studied firms that have successfully changed their cultures from being deeply hierarchical in nature to being much more participative, and vice versa. We have studied firms that have changed their cultures from technology driven to consumer driven, and vice versa. We have studied firms that have changed their cultures from emphasizing low cost and efficiency to emphasizing product differentiation and innovation, and vice versa. The point is that this is not a book that identifies some ideal culture for your firm. It is a book about how to change your culture so that it aligns with your strategy, no matter what those changes are substantively.[17]

Our main assumptions in doing this work have been that you, a leader in your organization, are best positioned to know (1) the strategies you need to pursue to enhance the performance of your organization, (2) the kind of culture you will need to realize the full potential of these strategies, and (3) whether or not your current culture will need to be changed to align with these strategies. Our task is to help you build stories to change your culture if that is necessary.

Our Methodology

The six attributes of effective culture-changing stories were developed through an analysis of over 150 culture-changing stories obtained from over 50 interviews conducted over 18 months. These interviews were conducted with a variety of different types of business leaders—including presidents, CEOs, functional vice presidents, entrepreneurial founders, and so forth—some of whom attempted to change their organizational cultures.

As suggested earlier, not all the business leaders we interviewed for this study tried to change their organizational cultures. Moreover, not all those who did try to change their organizational cultures, built stories to do so. And not all those leaders who did try to change their cultures by building stories were successful in changing their cultures. In short, our data collection did not examine only cases where leaders successfully built stories to change their cultures. This made it possible for us to identify the attributes of stories that are positively correlated with successful culture change.

The business leaders we interviewed were identified in three ways. First, all three authors have long histories of working with business leaders, working at many different levels in organizations, and working in a wide variety of industries around the globe. Many of these leaders were contacted and asked if they would be willing to be interviewed. Second, two of the authors (Manoel Amorim and Carlos Júlio) are members of the Young Presidents' Organization (YPO) and invited many of their contacts in that organization to be interviewed. Third, Manoel Amorim is a member of the Marriott School of Business National Advisory Committee and the Harvard Business School Alumni Group, both of which were sources of interviews. When invited, people were told that the topic of the interview would be to discuss how they, as business leaders, had attempted to change their organizational cultures.

Interviews were conducted via Zoom and typically lasted one hour. The purpose of the study was reiterated, and interviewees were asked if they would be willing to have their name and the name of their company revealed in the book. Most of those interviewed agreed to reveal their and their company's name, although there were sometimes specific facts that emerged in an interview that we were asked to not share. We have honored those requests and the few additional requests for anonymity.[18]

The interviews were recorded, and transcriptions were created. These transcriptions were then organized into different culture-changing stories that a particular leader had built over his or her career. On average, leaders who built stories to try change their organization's cultures shared around four stories each.

The six attributes of effective culture-changing stories were developed by analyzing approximately half of the stories in the database. These categories were then used to analyze the second half of the interviews in the database, as a way to test the generalizability of our list of attributes. Some

of the stories in the database did not possess more than one or two of the story attributes identified. Some of these "miscellaneous" stories were very interesting but did not contribute to our broader understanding of the culture-change process. Also, not all the stories that had five or six of these attributes led to successful culture change. But the preponderance of the evidence in our analysis was consistent with the idea that these six story attributes contributed to successful culture change.

We made no attempt to verify the facts in these stories. These kinds of stories get told and retold in organizations, and often change with each re-telling. We quickly concluded that efforts to objectively find out what was actually done to build a story in a firm would be futile. This was exemplified by one of the stories that came from our interviews:

STORY 1.2 "Was It Cheese or a Doughnut?"
Andy Theurer as CEO at ARUP Laboratories

When I was CFO of ARUP, I established a zero-tolerance policy for dishonesty and fraud. Given that we are in the medical lab testing business, our ability to conduct accurate and timely tests in a safe and ethical manner, while maintaining the confidentiality of our clients, was essential. Dishonesty and fraud were unacceptable in this setting.

One of the first times this issue came up was years ago, when an employee told me the following story. She had brought a bag of string cheese into the office, put it in the refrigerator in the break room, and when she came back to get the cheese, it was gone. Some days later, she brought another bag of string cheese—I guess she liked string cheese—to the office, put it in the common refrigerator, came back, and—once again—it was gone. She did this a third time with exactly the same result. Apparently, someone was stealing her cheese!

We decided to install a very simple camera in the break room to see who might be doing this. So, after installing the camera, she brought in another bag of string cheese and, as if on cue, it was stolen. However, this time we had video evidence about who stole her cheese. It was someone who worked in IT.

I called the culprit into my office, told him about the cheese being stolen, and gave him every opportunity to confess. He didn't. Then I told him that we had video evidence about who had stolen the cheese, and

still he didn't confess. Finally, I showed him the video, and he remained silent.

I immediately fired him for cause—not because stealing string cheese was such a huge deal, but because we needed a zero-tolerance policy on unethical behavior in the company, and because he wouldn't own up to his mistakes. We couldn't tolerate this kind of behavior.

Later, we found out that he had been stealing laptop computers from the lab and selling them. So, the cheese-stealing incident was only the tip of the iceberg. But through this story, I became known for my intolerance toward dishonest or unethical behavior in the company.

Funny thing, though. Many years later, after I became CEO, one of my direct reports told me how he came to know that I had zero tolerance for dishonesty or unethical behavior in the company. He told me that he had heard that I had fired someone, on the spot, for taking a doughnut out of a box of doughnuts left on a counter in the break room.

I had to laugh out loud. How the story about someone repeatedly stealing string cheese—and laptop computers—morphed into a story about someone taking a doughnut, I'll never know. And while it is very unlikely that I would ever fire someone for taking a doughnut from a box left on a counter in the break room, both stories—the cheese story and the doughnut story—communicate a core organizational value that is still important at ARUP: we are 100 percent committed to honesty and ethical behavior.

Thus, the point of these stories is not what did or did not actually happen when a story was built, but what the implications of these stories were for changing a firm's culture. In this sense, the stories in our database can be thought of as organizational myths in the way that anthropologists use the term "myth": Whether or not they reflect what actually went on in an organization, the messages they send about what values, beliefs, and norms should be dominant in a new culture are what is most important about these stories.[19]

We have no doubt that the results of these interviews, including evaluations of whether or not culture change actually occurred in an organization, reflect the preferences and biases of the individual leaders we interviewed. However, the pattern of our results across multiple interviews and multiple stories gives us confidence in our conclusions, despite these individual preferences and biases.

To make the stories printed in the book more readable, they were heavily edited from how they were given to us in the interviews. As a matter of courtesy, we passed these edited versions of the stories by the leaders who told them to us. We asked these individuals to ensure that the essential facts in a story were consistent with what they had told us. This led to a few minor edits of the stories, but in general the leaders we interviewed were willing to have their stories retold, warts and all, to help others learn how to lead cultural change in their own organizations.

Finally, not all the stories we collected and analyzed are included in the book. There were simply too many stories to include. However, all the stories we collected did have a substantive impact on the list of the six attributes of successful culture-changing stories we developed, and thus were essential to our research process.

About the Authors

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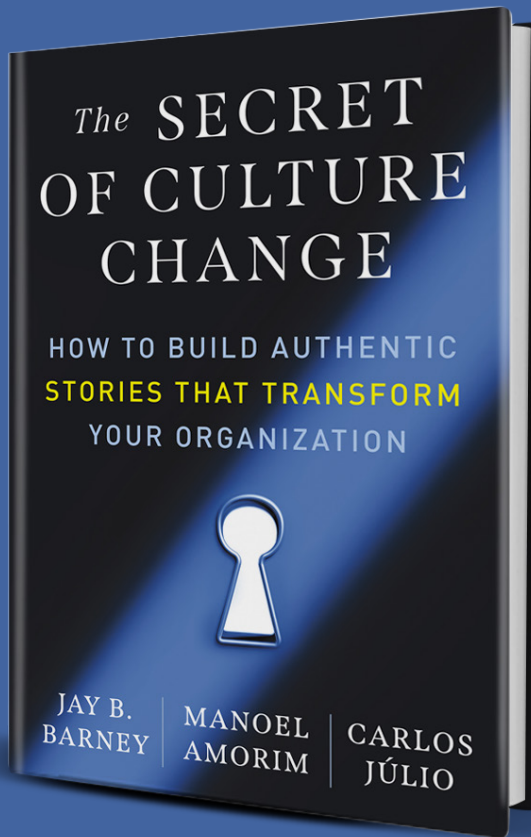
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