

Can Two Rights Make a Wrong?

Insights from
IBM's Tangible
Culture Approach

Sara J. Moulton Reger



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Foreword

Pardon my cynicism, but at this point in my life, the last thing I expect from a publication on organizational culture is to be impressed. Sure, I anticipate a few nuggets of useful information or I wouldn't bother to open a book at all, but I've learned it is best to keep my expectations low when browsing this genre. My skepticism is not so much an indictment of the authors who brave these deep waters as much as a recognition that this stone has been turned many times with little new to show for it in recent years, aside from a few notable exceptions.

Also, when I first received this particular manuscript for review, I thought the authors were asking for trouble because of the title they had chosen. With *Tangible Culture* on the cover, I was sure their collective necks were stuck out dangerously far. First, there is a claim associated with a tag like this. It implies a promise to help the reader grasp organizational culture as something other than the amorphous, nebulous enigma it has been throughout most leaders' careers. In addition, to live up to the headline hype, not only must the concept of culture come across as grounded and concrete, but the writing must also be relevant to the real world. To stand up against the title's portent, the book must come across to the reader as accessible, explicit, and substantive; but beyond that, it must be germane to the accelerated pace and advanced sophistication leaders contend with every day.

I thought the topic and the choice of title put the authors at risk, but, on the other hand, I knew that if they could carry through on their assertion, there was an eager readership waiting for the next meaningful advance in understanding this convoluted subject. Meeting either of the implied undertakings the title suggests (making culture discernible and

making the reading of it palpable) would justify the reader's investment, but accomplishing them together would make this book a welcome relief from the many others on the same subject that have more insight and significance in their dust jacket's description than in their actual contents. I'm happy to declare that the authors have delivered on both.

Sara Moulton Reger and her associates have taken some important steps toward unclocking the mystery that has surrounded corporate culture since it was first recognized as a key variable in organizational transformation. *Tangible Culture* offers the following:

- Solid conceptual support for the positions it advocates
- Easy-to-understand approaches, techniques, and application stories

The combination is what brings the title's promise of something "tangible" into focus.

Assuming that changing corporate culture is of more than a passing interest to you and that you are or soon will be involved in orchestrating a significant cultural shift for your organization (or one you are serving), I predict you will want to keep this book close by when it's time to produce measurable results.

Daryl Conner

Author of the best-selling books *Managing at the Speed of Change* and *Leading at the Edge of Chaos*

Preface

All of us experience them—those significant opportunities disguised as “what do we do now?” moments. They’re the chance to push the envelope, learn new lessons, and (for those of us who like to talk), gather great stories to tell and retell. This book is about one such moment—IBM’s \$3.5 billion acquisition of PricewaterhouseCoopers Consulting. But more important, it is about what we learned and how it expanded our capabilities in handling business culture challenges. We call these capabilities, and this book *Tangible Culture*.

Tangible Culture is written for business people. It is a step forward in demystifying the topic of business culture—making it more workable. It also provides new ways to think about culture and act on it.

We tell you what we did and what happened, and then give you examples and work steps of how to apply this learning to your own situations. Whether you are facing a merger or acquisition—like we were—an alliance, major transformation, or restructuring—or if you just want to know whether you are hiring the right people, making the best strategy decision, or ready to launch your vision or project—you will find some new thinking and new techniques here.

Specifically, you will find an actionable surrogate for the vast topic of culture—one that business people readily identify with, and agree is important and not simply “soft and squishy.” You will also find out how two rights *can* make a wrong—often the basis for culture clash—and what you can do about it. And you will learn a technique for clarifying expectations in a way that people will really “get” it—and do it. And best of all, each of these insights and techniques can be added to what

you are already doing. You do not need to unlearn anything you already know about dealing with culture requirements.

And, because business people have limited time, we have organized the materials so that you will not have to read the entire book to get benefit. There are signposts to help you choose how to read it and gain exactly the help you need.

Tangible Culture is written in three sections. The first details our learning—every step along the way of developing this new approach to culture transformation and integration. The second section shows you how to apply the approach to a series of initiatives where culture is important. Finally, you will see how some have applied the concepts creatively to their own efforts.

All in all, we truly hope that you find new ways to address culture proactively—taking it from a risk to competitive advantage.

I

Introduction— An Overview of *Tangible Culture*

By Sara Moulton Reger, Barbarajo Bliss,
Jeanette Blomberg, Sue Blum, Lisa Kreeger
and Kris Pederson

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Overview

This chapter provides an overview of the book, which we refer to as *Tangible Culture*. It describes the importance of culture to business, and briefly covers the key topic areas of *Tangible Culture* and the structure of the book. Readers familiar with the topic of culture may want to skim through the general materials in the middle of the chapter.

Will You Find Value in This Book?

Rather than risk wasting your time, we are going to be really candid: If you are looking for a silver bullet for fixing your organization's culture issues, you will be disappointed with this book. However, if you are open to some new ways of thinking about culture, and some new approaches to dealing with it, we have something for you.

If you nod as you read these questions, we believe you will find value in *Tangible Culture*:

- Have you ever made changes to processes, procedures, measures, incentives, and so on, but failed to see the desired improvement in performance?
- Have you ever taken action to address some cultural issues, but felt disappointed with the results—or perceived the actions as “soft and squishy, feel good”?
- Are you looking for practical business approaches to address your cultural issues—ones you can do without being reliant on culture experts?

Tangible Culture is written for business people, not for consultants or experts in the topic of culture. Of course, we hope the experts find value, too, but our purpose is to help business leaders and members of their organizations. We believe that you will find value because we have found value—and are continuing to find even more by using the concepts and techniques in this book.

Please do not let the size of this book deter you. We suggest you *not* read it straight through. Instead, we guide you through it, beginning with an understanding of the overall concepts. Then we help you use

this book as a reference to address situations where culture is relevant. Our hope is that you will come back to this book again and again, and that our conversational style will feel like we are chatting with you about your business requirements and how *Tangible Culture* can help you with them.

Why Did IBM Decide to Write This Book?

Tangible Culture represents some new thinking and approaches IBM developed while integrating its \$3.5 billion PricewaterhouseCoopers Consulting (PwCC) acquisition. We used the approaches on that effort, and later honed them in IBM Research into what you see today. The underlying concepts and method were filed for patent protection in 2004 by co-inventors Sara Moulton Reger and Mike Armano; however, we think more can be gained by sharing these concepts than by jealously guarding them.

Tangible Culture is new, yet ready to use. We say it is “proving” rather than “proven,” and we call this stage of development “launch and learn.” We are launching our current knowledge—and we know from experience that we will learn even more by doing so.

Since 2002, we have used these techniques in IBM and have gained benefits. First, we have new terminology to communicate more effectively. Second, we have new lenses to better understand our cultural challenges and how to address them. Third, we are better able to clarify expectations (important with our large, global employee population and with the increasingly complex business environment). Fourth, we can now go beyond the obvious and see the subtle misalignments that will impede progress if not addressed. Finally, we can now objectively evaluate progress on our culture-change efforts despite the fact that it is a highly intangible area. This has been valuable for IBM—and we want to share it.

In sharing this new knowledge, we expect mutual benefits. Certainly, we believe that readers will benefit from new approaches to difficult culture challenges. And IBM hopes that *Tangible Culture* demonstrates that IBM is much more than a technology expert. We understand business issues well—in fact, we need to navigate complex, global ones ourselves as well as help clients with them. Finally, we hope that readers will share their insights and experiences in using these materials so that we can learn from them.

Is Culture Really *That* Important?

Culture is frequently mentioned in business settings and, in our experience, it comes up most readily when it is viewed as a hindrance rather than a help. The authors believe that culture is an important business topic, but we are admittedly biased. So let's look at what other business and thought leaders say about it.

John Kotter, Konosuke Matsushita professor of leadership at Harvard Business School:

Culture is powerful for three primary reasons: 1) Because individuals are selected and indoctrinated so well. 2) Because the culture exerts itself through the actions of hundreds or thousands of people. 3) Because all of this happens without much conscious intent and thus is difficult to challenge or even discuss. Consultants, industrial salespeople, and others who regularly see firms up close without being employees know well how much culture operates outside of people's awareness, even rather visibly unusual aspects of a culture.

Tom Davenport, academic director of the process management research at Babson College and Accenture fellow (formerly with Towers Perrin):

Think of culture as the DNA of an organization—invisible to the naked eye, but critical in shaping the character of the workplace.

Larry Bossidy, retired chairman and CEO of Honeywell International, and Ram Charan, business advisor, speaker, and author:

When a business isn't going well, its leaders often think about how to change the corporate culture. They're right to recognize that the "soft" stuff—people's beliefs and behaviors—is at least as important as hard stuff, such as organizational structure, if not more so. Making changes in strategy or structure by itself takes a company only so far. The hardware of a computer is useless without the right software. Similarly, in an organization the hardware (strategy and structure) is inert without the software (beliefs and behaviors).

Kim Cameron, professor of management and organizations, Michigan Business School (formerly with Brigham Young University), and Robert Quinn, Margaret Elliott Tracy collegiate professor in business administration and professor of management and organizations, Michigan School of Business:

... successful companies have developed something special that surpasses corporate strategy, market presence, or technological advantages. Although strategy, market presence, and technology are clearly important, highly successful firms have capitalized on the power that resides in developing and managing a unique corporate culture.

Terrence Deal, Irving R. Melbo professor at the University of Southern California, and Allan Kennedy, writer and management consultant:

Understanding the culture can help senior executives pinpoint why their company is succeeding or failing. Understanding how to build and manage the culture can help the same executives make a mark on their company that lasts for decades.

Dave Ulrich, professor of business administration at University of Michigan, Steve Kerr, chief learning officer and managing director at Goldman Sachs, and Ron Ashkenas, managing partner of Robert H. Schaffer & Associates:

Investors have recently recognized the importance of intangibles that reflect the market value of a firm above or beyond its expected market value given cash flows or earnings. Culture and its derivatives (employee commitment and competence) become intangibles when they lead to investor confidence in the firm's future growth. Cultures can also become negative intangibles when the investor perception shifts....

Jack Welch, former CEO of General Electric (describing GE when he took the CEO position in 1981):

To be a winner, we had to couple the "hard" central idea of being No. 1 or No. 2 in growth markets with intangible "soft" values to get the "feel" that would define our new culture.

Sam Palmisano, CEO, IBM:

In the long term, I think, whether or not you have a value-driven culture is what makes you a winner or a loser.

Lou Gerstner, Former CEO, IBM:

Until I came to IBM, I probably would have told you that culture was just one among several important elements in any organization's makeup and success—along with vision, strategy, marketing, financials, and the like.... I came to see, in my time at IBM, that culture isn't just one aspect of the game—it is the game.... You've probably found, as I have, that most companies say their cultures are about the same things—outstanding customer service, excellence, teamwork, shareholder value, responsible corporate behavior, and integrity. But, of course, these kinds of values don't necessarily translate into the same kind of behavior in all companies—how people actually go about their work, how they interact with one another, what motivates them. That's because, as with national cultures, most of the really important rules aren't written down anywhere.

This last quote describes what this book is about: how people perform their work in response to the unwritten rules—which are often informal, tacit, and difficult to articulate. *Tangible Culture* provides ways to make these rules visible and workable—and, well, tangible. And we offer up the concept of Business Practices as a respectable surrogate definition for culture, as you will see later in this chapter.

To bolster the importance of culture identified above, there are many studies that point to culture as a frequent barrier to business efforts. Here are a few:

- A study of 156 bank mergers and acquisitions cited overlooking cultural differences as the first reason for failure. “If banks spent half as much time on ‘organizational’ due diligence as they do on the traditional kind, the number of deals would probably drop, but the success rate would rise.” (Wall)
- In an ATKearney study of 115 mergers from 1993 to 1996, 58 percent destroyed business value, and culture was cited as a top barrier to integration.

- In a survey of reasons for alliance failure, 69 percent of respondents listed clashes of corporate culture as one of the leading causes. (Corporate Executive Board)
- A cross-industry study of companies engaged in multiple alliances reported that the most common cause for alliance failure was “inability of partner organizations to work together.” (Ertel, Weiss, and Visioni)
- The GLOBE (Global Leadership & Organizational Behavior Effectiveness) Study of 62 societies, with more than 17,000 participants, confirmed that cultural barriers—or more specifically, the lack of cultural literacy—are impediments to global leadership. (House, Hanges, Javidan, Dorman, and Gupta)

After reviewing a number of relevant studies, Carleton and Lineberry dubbed culture clash as “undeniably the primary causal factor in the failure of mergers and acquisitions and strategic alliances.”

Given these studies, culture is an easy target to blame when things are not going well. In fact, the Corporate Executive Board states in their list of alliance myths, “Executives attribute the majority of alliance failures to unavoidable cultural mismatch between partners, believing that the alliance was ‘doomed from the start.’”

We agree with the Board that culture is sometimes unduly blamed. We also agree that the issue is not whether cultural gaps exist, but rather what should be done to address them. *Tangible Culture* helps business leaders take this kind of proactive approach: Because culture is likely to be an issue, what can be done and when should we start?

What Happens If Culture Is Not Addressed?

Companies face a number of issues when culture challenges are not addressed:

- **Increased costs and decreased productivity**—From a variety of sources, including delays, strife, rework, overturned decisions, and the duplication often allowed to exist in response to unresolved disagreements
- **Lost revenues and competitive risks**—From inconsistencies and increased internal focus

- **Staff issues**—From increased resistance, decreased morale, and potential loss of key personnel (“This is really frustrating, and that grass sure looks greener....”)
- **ROI shortfalls**—From slower results, higher costs, and/or lower productivity and revenues

In short: more risk and fewer results. Certainly, these issues erode business value, and this is what we want to address with *Tangible Culture*. We hope to help you avoid some costly problems, and give you techniques for dealing with ones you cannot avoid.

What Makes This Approach to Culture Tangible?

Edgar Schein produced a robust set of culture categories in his book *Organizational Culture and Leadership*. It is terrific, so we got permission to reproduce it in Table 1-1.

Table 1-1 Various Categories Used to Describe Culture from Schein's *Organizational Culture and Leadership*¹

Observed behavioral regularities when people interact: the language they use, the customs and traditions that evolve, and the rituals they employ in a wide variety of situations (Goffman, 1959, 1967; Jones, Moore, and Snyder, 1988; Trice and Beyer, 1993, 1985; Van Maanen, 1979b).

Group norms: the implicit standards and values that evolve in working groups, such as the particular norm of “a fair day’s work for a fair day’s pay” that evolved among workers in the Bank Wiring Room in the Hawthorne studies (Homans, 1950; Kilmann and Saxton, 1983).

Esposued values: the articulated, publicly announced principles and values that the group claims to be trying to achieve, such as “product quality” or “price leadership” (Deal and Kennedy, 1982, 1999).

Formal philosophy: the broad policies and ideological principles that guide a group’s actions toward stockholders, employees, customers, and other stakeholders, such as the highly publicized “HP Way” of Hewlett-Packard (Ouchi, 1981; Pascale and Athos, 1981; Packard, 1995).

1. *Organizational Culture and Leadership*, Third Edition; Schein, E. H.; Copyright © 2004, Jossey-Bass. Reprinted with permission of John Wiley & Sons, Inc.

Rules of the game: the implicit, unwritten rules for getting along in the organization; “the ropes” that a newcomer must learn in order to become an accepted member; “the way we do things around here” (Schein, 1968, 1978; Van Maanen, 1979a, 1979b; Ritti and Funkhouser, 1987).

Climate: the feeling that is conveyed in a group by the physical layout and the way in which members of the organization interact with each other, with customers, or other outsiders (Ashkanasy, Wilderom, and Peterson, 2000; Schneider, 1990; Tagiuri and Litwin, 1968).

Embedded skills: the special competencies displayed by group members in accomplishing certain tasks, the ability to make certain things that gets passed on from generation to generation without necessarily being articulated in writing (Argyris and Schön, 1978; Cook and Yanow, 1993; Henderson and Clark, 1990; Peters and Waterman, 1982).

Habits of thinking, mental models, and linguistic paradigms: the shared cognitive frames that guide the perceptions, thought, and language used by the members of a group and taught to new members in the early socialization process (Douglas, 1986; Hofstede, 2001; Van Maanen, 1979b; Senge and others, 1994).

Shared meanings: the emergent understandings created by group members as they interact with each other (as in Geertz, 1973; Smircich, 1983; Van Maanen and Barley, 1984; Weick, 1995).

“Root metaphors” or integrating symbols: the ways in which groups evolve to characterize themselves, which may or may not be appreciated consciously but become embodied in buildings, office layout, and other material artifacts of the group. This level of the culture reflects the emotional and aesthetic response of members as contrasted with the cognitive or evaluative response (as in Gagliardi, 1990; Hatch, 1990; Pondy, Frost, Morgan, and Dandridge, 1983; Schultz, 1995).

Formal rituals and celebrations: the ways in which a group celebrates key events that reflect important values or important “passages” by members, such as promotion, completion of important projects, and milestones (as in Deal and Kennedy, 1982, 1999; Trice and Beyer, 1993).

Many of the categories in Table 1-1 are hard to see directly, such as habits of thinking and shared meanings. Others may be easy to see but may not be as easy to equate with the “real” culture, such as espoused values and formal philosophy. Schein’s list helps to demonstrate the complexity of culture, and this makes it difficult to describe and act on directly. And these same characteristics make culture intangible and vague.

Tangible Culture helps to make culture efforts more understandable and objective. First, it defines a proxy for culture—one that business leaders agree is relevant and under their influence. Second, it provides a way to constructively resolve conflicts that arise. Finally, it provides a technique to define a contextually relevant future state, which helps people understand expectations and enables an objective evaluation of progress on culture efforts. All of these help to make culture more tangible.

What's in *Tangible Culture*?

Tangible Culture is divided into three sections:

- **Section I, “The Basics,”** tells the story of our journey in developing *Tangible Culture*. It begins with IBM's acquisition of PwCC and the need to integrate it into an existing consulting unit. We used some traditional approaches and developed some new ones. Our evolving thought processes are laid out to help you understand and apply them easily.
- **Section II, “The Application,”** moves beyond the IBM acquisition story and presents a menu of initiatives where culture is important. From mergers to alliances to transformation and beyond, we discuss some ways to apply *Tangible Culture* concepts by adding them to efforts planned or already underway. You may want to scan the topics available, read those most relevant to your current needs, and return to other chapters to meet your future needs.
- **Section III, “The Projects,”** briefly presents situations where the concepts have been applied creatively. It demonstrates how others are using them and assures you that *Tangible Culture* is worthy of consideration even though it is still “proving.”

To help *Tangible Culture* be a ready reference, there is a short overview for each section and chapter. Also, to keep the content brief and make it easier to apply as a reference, we often communicate in bulleted lists and tables.

Have limited time and want to target your reading? See Table 1-2 for some ideas.

Table 1-2 Targeting Chapters

Are you thinking...?	Target Chapters
I just want the basics.	Chapters 4–7 (plus Chapter 3 for traditional approaches to culture)
Tell me what IBM learned when it integrated PricewaterhouseCoopers Consulting.	Chapters 2, 4–7
I've got a culture challenge today. Can you help me?	Chapters 8–12 (plus Chapters 4–7 for explanation of the basics)
How have others applied these concepts? Is there only one way to use them?	Chapters 13–14

The foundational concepts within *Tangible Culture* are Business Practices, Right vs. Right, and Outcome Narratives. Let's spend a little time on each one of them:

- **Business Practices**—The unseen hand (or autopilot) that propels organizational action.

Business Practices are the informal rules that tell people how to execute their work. They are patterns of action that members of the same organization exhibit. They are powerful because they make organizations distinct, even if they use the same processes, policies, measures, and technologies that other organizations use.

Business Practices exist for every area of the organization, including processes, policies, leadership, measures, technology, strategy, rewards, and recognition. They establish specific expectations for each of those areas; they are important drivers of action yet they are not discussed regularly.

Business Practices are a sufficient surrogate for the complex topic of culture in business settings. They are easier to see and describe than other culture definitions, and can be acted on directly if necessary to meet the organization's requirements. They are also complementary to other techniques, such as values, principles, and behavior statements.

- **Right vs. Right**—The good thing that can cause big trouble.

Having lots of good options is a good thing, isn't it? Well, not always—and definitely not when the options conflict and are currently in practice. In most situations where previously separate internal or external groups must work together—such as a merger, acquisition, alliance, or major reorganization—there is a clash of Right vs. Right: options that are correct for achieving the objective yet in conflict with each other. In some types of situations, the conflict is Right vs. Right Business Practices, and in others, Right vs. Right mindsets are the issue.

Right vs. Right tends to crop up at the operational level—when executing the strategy or design. Most often, top leaders delegate these details to middle and lower levels, and here is where history and preferences come into play, and the conflicts begin.

Right vs. Right facilitates candid discussions of areas hampering current results, or that are likely to hamper future results. Right vs. Right is a constructive way to look at these common issues. The approach helps to overcome culture clash and helps companies to achieve targeted results more quickly.

- **Outcome Narratives**—How to get to the right place the right way.

Due to continual change and more multi-enterprise situations, business complexity is an ever-increasing issue. More frequently, multiple people are required to make difficult decisions and take action together. Unfortunately, many of these situations are unclear and reasonable people will disagree about how to handle them. Outcome Narratives are a new format, based on structured storytelling, which clarifies these situations. They are also an effective way to communicate Right vs. Right decisions.

The key to Outcome Narratives is their structuring. A likely problem is identified, along with the desired outcome, the roles needed to achieve that outcome and how people are expected to fulfill their roles. They are an effective communication tool, and spotlight the subtle changes that need to be made. And they provide an objective foundation to evaluate progress—a difficult challenge that has hampered culture work—and help to pinpoint additional actions needed to overcome remaining barriers.

These three concepts—Business Practices, Right vs. Right, and Outcome Narratives—are separate, but interrelated. We like to think of them as three bags of “Legos” or building blocks. You can select one or more of the bags and use the contents to configure many different solutions to culture needs. This is helpful because no situation involving culture is completely like another one.

The concepts may also be combined with other traditional approaches. It is like buying a new lens and filter for a camera: The camera is now more capable, yet none of the previous capabilities have been lost and may be used as desired.

Conclusion

Culture is an important and difficult business topic. *Tangible Culture* is IBM’s open sharing of its thought leadership for culture transformation and integration. It includes some new concepts, how they were developed, and how they can be applied to a variety of business situations. We hope *Tangible Culture* gives you some new ways to think about culture, and new terminology and approaches to address it. We also hope that this book becomes a reference manual for helping with your business initiatives.

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