Is culture change a fad? Driving business results at Penna, ten years on

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Abstract

Purpose – Ten years ago Penna, the global HR services group, needed a radical business and culture re-invention if it was to survive. This article aims to tell the story behind Penna's journey and describe how a sustainable culture change intervention became the cornerstone of a successful business.

Design/methodology/approach – This case study is the result of an initial ethnographical research followed by concrete and systemic interventions.

Findings – The case study identifies four elements that sustained the business impact of a culture change program over a significant period of time.

Originality/value – This longitudinal case study follows a culture change program in an organizational context over a period of ten years.

Keywords Culture change, Business results, Organizational coherence

Paper type Case study

The problem with culture

It is clear that as we emerge from recession we are inheriting an economic environment far different from previous cycles – we are living in a VUCA world[1]. Organizations that can manage through volatility, uncertainty, complexity and ambiguity will do better than their competitors. For most organizations this will require a radical culture change. Executives often mean culture when they talk business. Increasingly, what thwarts their success is the lack of engagement, attitude, integrity or collaboration of their people – attributes of an ideal culture.

Changes in the boardroom often trigger company-wide ''transformation programs'' where values and missions get re-defined, communication plans rolled out, scorecards adjusted and training sessions delivered. However, most of these programs are based on cosmetic interventions, paying lip service to culture change and avoiding some of the difficult decisions that need to be made.

It is a fact that most change programs fail to create measurable business returns. It is often the case that these programs fall into the ''going through the motions'' category, where senior executives spend a couple of days at a ''retreat'' producing copious notes on flip-charts. The communication of these bullet-pointed ''good intentions'' is unfortunately the best outcome they can hope for. Months later, still waiting for the big miracle to happen, people experience a sense of déjà-vu and growing skepticism. A few iterations of this kind will develop an implicit agreement that culture change in organizations can only be a fad.

A different approach: ten years ago

It was July 2003. Penna, the global HR Services group, was operating as four different businesses, built around silos and struggling to truly serve the needs of its customers. Like so many organizations, it talked a good game of being ''one company'' but then presented

itself in four ''divisions'' – an interesting organizational construct meaning to divide or keep separate. People were seriously demotivated, the organization felt stilted and internal politics made infighting the norm. Profits were subdued and employee turnover high. For Penna this had serious implications: our clients looked to us to see whether we practiced what we preached. We were a clear case of the ''cobblers children had no shoes'' and something significantly different had to happen.

We were determined to challenge ourselves to build a culture that would last, that would make a difference in the world of work, that would drive solid business outcomes and that would engage people along the way. We needed to develop a deeper understanding of what makes cultures change – and stay that way. We decided to get the basics right, once and for all.

Getting the basics right

The first step was to be clear on what kind of an organization we would like to be. Early on we agreed on the ''behaviors'' that would define good citizenship at Penna and would align us with the focus of the organization of being truly customer centric. We deliberately focused on behaviors over values, as qualities we could observe, we could reward, we could recruit for and we could manage performance against. We defined our four behaviors: accountable, collaborative, supportive and inspiring.

So, what was different then?

Of course, most organizations have their list of behaviors. At the end of the day, most businesses want for people to do the right things when it comes to working together and delighting their customers. What made the difference at Penna is what we did with our list of behaviors – something we still do after ten years, every day.

We embedded our behaviors across the organization following the entire HR cycle. Every moment of truth had to reinforce our Penna behaviors – from recruitment, to performance management, to rewards, and even to our exit interviews.

We operated our culture on the following four non-negotiable principles:

1. *Relentless vigilance*. An organization has to be eternally vigilant for behaviors and actions that might be inconsistent with the culture it is trying to create. It is too common for good intentions to fade away, giving space to a variety of small deviations from the ideal. In turn, these will erode and confuse the culture you are trying to create.

2. *Zero tolerance*. We decided to never negotiate on our behaviors. Early in the process we had a top-billing consultant who personally accounted for some of the highest revenues ever recorded in the company. His financial performance was exceptional. His behaviors, however, were counter cultural and quickly the word was out that the Penna behaviors were just nice words, but if you billed enough, the company would turn a blind eye to non-collaborative or unsupportive behavior. The decision was taken that this consultant would leave the business – a courageous decision, but one that meant the integrity of the culture was maintained. Had that decision not been taken it is entirely possible that an erosion of the culture would have begun and would most likely have corroded the organization.

   Ever since that first test of the solidity of the behaviors there have been other tests where new people showed up determined to challenge our behaviors. Initially people watched to see if leaders would spot this and take action. Soon, when leaders had shown that they

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would not tolerate deviation from the by now deep rooted behavioral norms, followers soon stepped up and challenged people too.

We gave everyone in the organization tools to help out with this. We introduced something called ''fast feedback'', which enabled people to challenge and explain the reason for the challenge, and where the individual could achieve even better outcomes, all in the context of our agreed four behaviors.

3. *Consistency and coherence vigilance.* To achieve consistency in the creation of our culture we continue to check the alignment between our beliefs, our intentions, our promises and our actions (using the LAT©, a tool designed to restore organizational coherence[2]). This ongoing exercise assures that we create a coherent environment where we believe in our plans, we promise what we intend to do and that we do what we say we will. Of course, this is something that needs to be continuously monitored to protect our culture from erosion.

4. *Embedment.* It is the thousand little things done consistently that create a culture. No big bang followed by random experiences will be credible for employees and customers. Embedding cultural change is about understanding the thousand moments of truth and actively working on them to make them be examples of the culture. How offices are designed, how meetings organized, how bad news gets communicated, how mistakes are treated, etc. – all should embed our core behaviors.

The proof is in the pudding

A good test of an organization's values is when you ask people to ''guess'' what those values are based on their real experiences (not just testing whether they can memorize lists). Looking at spontaneous, everyday interactions and asking ''what do you think we stand for''? We do this regularly to make sure we are still on track.

As you would expect, it was not always an easy ride for us. In fact, it was hard work to maintain our culture at many times during these ten years. Major acquisitions made us double in size overnight, a continuous flow of new people joined us at all levels and we had to endure economic pressures like everyone else. There were many times when we could have abandoned our culture, especially when ''louder'' priorities got our attention.

Perhaps the ultimate test is to measure the impact that culture has on our business. We have successfully ridden through the ups and downs of the last few economic crises, continuing to grow as a business because of the way our people are with customers and with each other. We owe our business success to our culture – no doubt about it.

A sustainable culture

We are confident we have managed to create a culture that works for us and for our business. Our experience shows that culture change needs not be a fad, but a pillar for a sustainable business.

However, we believe that its sustainability entirely depends on our ability to continuously reinforce what is important because cultures can get eroded very quickly. The malleability of cultures – like two sides of the same coin – allows us to change or loose them with the same speed and ease.

In a world where the average tenure of a CEO is short of three years, a continuous change of priorities, direction or rules of engagement can easily confuse the organization and erode its culture.

What we learned

Today we can say that culture change can really work, even after ten years in a very challenging environment. Away from being a fad, we believe that the right culture is the basis for a successful business over time.

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Values should not be changed just because ''you had them for too long''. The secret is not in the labeling, but in the realization, policing, persistence, and relentless monitoring of the application of these values in everyday interactions within the company and with its customers.

Culture change is about leaving no stones unturned, challenging Beliefs, Intentions, Promises and Actions and making them be coherent no matter what. Of course, if this is too hard, there are plenty of alternatives to keep busy with, but do not expect much from them over time.

Notes

1. VUCA is an acronym used to describe or reflect on the volatility, uncertainty, complexity and ambiguity of general conditions and situations. The common usage of the term VUCA began in the late 1990s and derives from military vocabulary.

2. LAT© Javier Bajer (www.javierbajer.com)

About the authors

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Gary Browning joined Penna in 2002 and was appointed chief executive in 2005. His earlier career included 12 years with the WPP Group where, from 1997 to 2002, he was group managing director of BDG McColl Ltd, a brand communications consultancy employing 200 people. Browning has sat on the Investors in People UK Human Capital Management standards group board and is currently chair of the Strategic HR Network. He is a member of the Institute of Chartered Accountants in England and Wales, and qualified with KPMG having studied for his degree at Warwick University.

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