



# Building Culture Change Momentum: Four Practical Shifts that Can Unlock Progress

By Ned Calder and Leslie Rikleen

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Culture change is a critical enabler of organizational transformation. Here are four approaches industrial companies can use to make cultural change practical and clearly tied to business outcomes.

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**B**usiness leaders talk a lot about the importance of culture. There is broad acknowledgment that it is a critical enabler of business growth and transformation. Incumbents like Ford and GM in the automotive industry openly discuss the need to change their cultures to keep up with disruptive entrants.

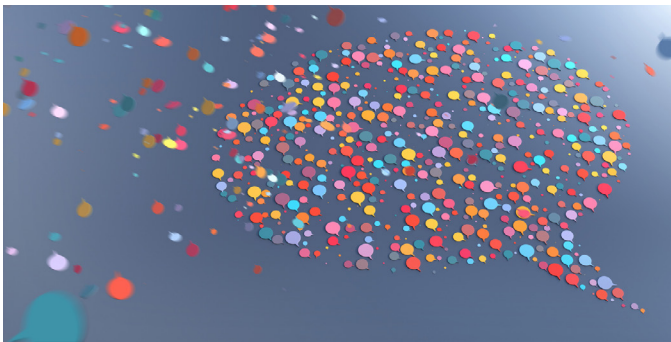
Non-digital natives talk about evolving their cultures along with investments in technology to capture the full value of AI and other digital technologies. And yet, tangible progress is slow. While 92% of executives believe that it is directly tied to business outcomes, only 16% feel it is where it needs to be at their firms.<sup>1</sup> This is, in part, due to the inherent ambiguity of the concept.

Often conflated with broader notions such as organizational values or overly broad generalizations, culture becomes an elusive – and often ignored or overblown – target. This challenge is especially prevalent in industrial companies where the often vague concept is a poor match for their bias towards tangible and process-oriented measures. However, given the degree of disruptive change within industrial markets today, making progress against cultural impediments is crucial.

Addressing these challenges requires stripping away the confusing language and low-impact initiatives and focusing on practical solutions tied to real business problems. Below we highlight four shifts in how companies approach this challenge that can help progress.

## 1. Talk less about culture and more about behavior.

For the amount of discussion about culture, you would think that it is a well-understood construct. However, there is little consistency in how organizations define it. In our experience, a more practical approach is to avoid the complexities of trying to come up with a definition and focus instead on specific behaviors. After all, how people act is the thing most organizations want to change, as it has direct impact on outcomes and in aggregate shapes a culture.



Shifting to behaviors also encourages specificity about the desired change versus talking in abstract about attributes of the whole organization. A focus on a subset – whether a circumstance, function, team, or business line – makes it easier to articulate the behavior, its impact, and its desired manifestation. While changing the behaviors of an entire organization elicits metaphors of pushing a rock up a hill, changing the behavior of one specific group is a more approachable problem.

W.L. Gore & Associates, which prides itself as being a product leadership company, selling offerings that no one else in the world can manufacture, offers as an example of this shift. The vision set by its founders and perpetuated by its CEO creates a clear and direct connection between culture and underlying behaviors.

Rather than simply articulating an aspiration of being a best-in-class product company, Gore focused on defining specific behaviors that enabled teams to achieve that goal. One behavior the company mandated was that product development teams start every effort by writing a clear and compelling product concept statement. This plainly worded statement describes the product's North Star in clear language and ensures that throughout development, the product's value will not be eroded.<sup>2</sup>

For example, the company's Glide Dental Floss statement is: "Easy to use and clinically proven dental floss that slides easily between teeth without shredding." This behavior of writing and organizing around these statements ensures Gore perpetuates its culture of product leadership.

## 2. Focus on behaviors tied to specific business outcomes.

Another opportunity to focus culture change efforts is to move away from cultural goals that seem positive but have no direct connection to a company's specific business outcomes. Such goals are often borrowed from companies that leaders admire. We often see logic that looks like: Company X has a reputation for innovation because it behaves in Y way, therefore we should figure out how to embrace more Y in our culture. This is misguided.

Cultures, like other organizational attributes, need to be fit-for-purpose. They should tie to the company's strategy and take account of an organization's unique circumstances. One such example is the transformation at Home Depot that took place as Robert Nardelli took over as CEO in the early 2000s.

Home Depot had grown up and was famous for its entrepreneurial culture. Individual managers had significant autonomy around how to run stores to improve customer experience and drive growth in local markets. However, as the company expanded, that same entrepreneurial spirit created challenges as Home Depot increasingly focused on, for example, larger supplier relationships that had relevance across many stores. The culture no longer fit the strategy. The historic entrepreneurial approach needed to evolve to drive scale and discipline across the ever-growing company.

In addition to ensuring that culture change efforts are clearly focused on business priorities, drawing a clear connection between the two helps with buy-in across the organization. For example, proclaiming “we need to increase collaboration across business units” can be met with skepticism as people resist change that will require them to act differently and disrupt existing routines. However, explaining clearly how behavior change will lead to tangible improvements in key business outcomes – say, enabling the company to penetrate a new market when their business units collaborate – can rally employees around a clear, shared purpose.

### **3. Go beyond surface-level symptoms and address underlying blockers.**

It is not enough to name and communicate the desired behaviors. To make progress, you need to thoroughly understand what gets in the way of those behaviors today. The success rate on culture change programs is low, from 15% to 35%.<sup>3,4</sup> One contributing factor is that companies don't fully interrogate the range of blockers that are holding back the desired behavior and creating a 'shadow culture'.

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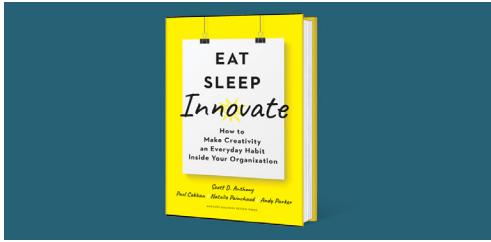
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For example, one manufacturing client we worked with wanted to accelerate its innovation efforts by consolidating resources against a narrower project portfolio. As a first step, the company focused its strategy so as to concentrate resources against a smaller number of high priority projects. This was a helpful action but missed the root cause driving project proliferation: employees believed their promotions were directly tied to their participation in a range of side projects.

So, even though the strategy prioritized a small number of projects, there was still a significant amount of resource leakage because team members were dabbling in other efforts. Armed with this insight, the client made refinements to its promotion criteria and associated role-modeling to encourage focus on top priority efforts.

### **4. Use both formal organizational changes and less formal behavioral nudges.**

Another opportunity to accelerate progress against culture change is to leverage the full set of tools available to address prioritized root cause blockers. Companies often jump to “formal” organizational changes to solve behavioral challenges. For example, changing incentive schemes to encourage leaders to focus on longer term growth efforts.



Learn more about blockers and nudges in our book *Eat, Sleep, Innovate*.

While changing incentives may be helpful, it is a lengthy and difficult process with all sorts of complexities, such as how to measure contribution or impacts on compensation in other positions, and requires engaging a wide range of stakeholders, such as human resources and finance.

Companies can complement their more formal interventions by drawing on insights from behavioral science to create “nudges” that encourage behavior in direct ways. In the words of Cass Sunstein and Richard Thaler, who popularized the term, a nudge is something “that alters people’s behavior in a predictable way without forbidding any options or significantly changing their economic incentives. Nudges are not mandates. Putting fruit at eye level counts as a nudge. Banning junk food does not.”

Nudges are often lower cost, lower risk, and can be implemented faster than more complex solutions. DBS, the global bank leader, demonstrates how to successfully use nudges to drive change. The company realized that an inefficient meeting culture was detracting from company performance and wanted to find ways to improve it. They identified two root causes: meeting time was not well used; and meetings were suppressing diverse voices while reinforcing the status quo.

Rather than tackle these root causes with formal mandates or highly complex solutions, the client introduced a right-sized intervention: assigning two roles within each meeting – the Owner and the Observer.

The Owner was responsible for encouraging the meeting to have a clear agenda, keeping track of time, and ensuring all participants had an opportunity. The Observer, on the other hand, took the crucial role of holding the Owner accountable by providing a live recap at the meeting’s conclusion.

This low-risk, low-cost intervention completely transformed the client’s meeting culture, saving >500,000 employee hours and increasing the percentage of meetings with an equal share of voice from 40% to 90%. (You can learn more in the Harvard Business Review article “[Breaking Down Barriers to Innovation](#).”)

There is growing recognition of the effectiveness of these types of solutions. Many governments and companies are creating “nudge units,” behavior-insights teams that provide their organizations with the skills and data to leverage this tool set in a range of internal and external situations.

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In conclusion, changing culture is a critical enabler of organizational transformation. While many companies have ongoing programs, there is a significant opportunity to enhance their level of impact. The key to unlocking higher levels of impact for many industrial companies starts with shifting mindsets toward a more practical and business orientated approach.

## ABOUT THE AUTHORS



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## ABOUT INNOUGHT

Innosight is a strategy and innovation consulting firm that helps organizations navigate disruptive change and manage strategic transformation. Now a member of the Huron Consulting Group, we work with leaders to create new growth strategies, accelerate critical innovation initiatives, and build innovation capabilities. Discover how we can help your organization navigate disruption at [www.innosight.com](http://www.innosight.com).

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## ENDNOTES

1. [Graham et. al.](#), 2022
2. Spencer, J. (2021). From Dental Floss to guitar strings: Successful grassroots product launches. [Booklocker.com](#)
3. [Gartner](#)
4. [Institute for Corporate Productivity](#)

### Key Takeaways

1. **Focus** on specific behaviors that influence the culture
2. **Align** desired behaviors with business outcomes
3. **Address** underlying blockers
4. **Utilize** the “right-sized” intervention, whether it’s a formal organizational change, an informal nudge, or something in between