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Culture Change for the Analytical Mind

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When a company fails to execute effectively, the culprit is often the how and why of countless individual decisions and actions. Why do Sally and George do what they do every day? The answer lies in the organization's culture, a topic that can be confounding, particularly to

the rigorously quantitative and analytically inclined among us.

The problem with culture, if you ask an engineer or an accountant, is that most approaches to organizational culture treat it as an artifact: They describe it in fascinating detail and often analyze its history to understand how it came to be. But most approaches stop there, leaving unanswered the question that many engineers, accountants, and managers find most interesting: How can it be changed to work better?

By failing to make culture something "actionable," these approaches leave the impression that, while it may be observable and describable, the subject is too "fuzzy" to submit to measurement or in-depth analysis.

But is it? What if culture could be measured and manipulated? What if it could be broken down into its core components, traced back to its root causes, and purposefully adjusted?

Now that's the sort of culture even an engineer or an accountant could get her arms around. And a concept and methodology called Organizational DNA does precisely that: It makes "culture" actionable.

Decoding Your Culture

We use the DNA metaphor because it is helpful in describing and under-

standing the idiosyncratic traits of organizations. (When we say "organization," we refer to any working unit—be it company, government agency, not-for-profit, university—or any division, committee, region, or functional unit therein.) Like human DNA, an organization's DNA is an integrated pattern of four basic building blocks, or levers, that combine and recombine to express and, in some ways, even predict that unique organization's performance. These levers—decision rights, information, motivators, structure—largely determine how an organization looks and behaves, both internally and externally (see Figure 1).

Figure 1: The Four Building Blocks of Organizational DNA

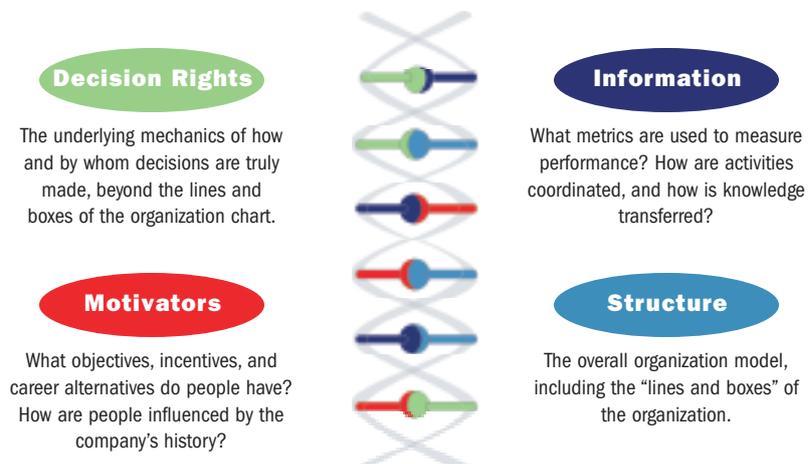
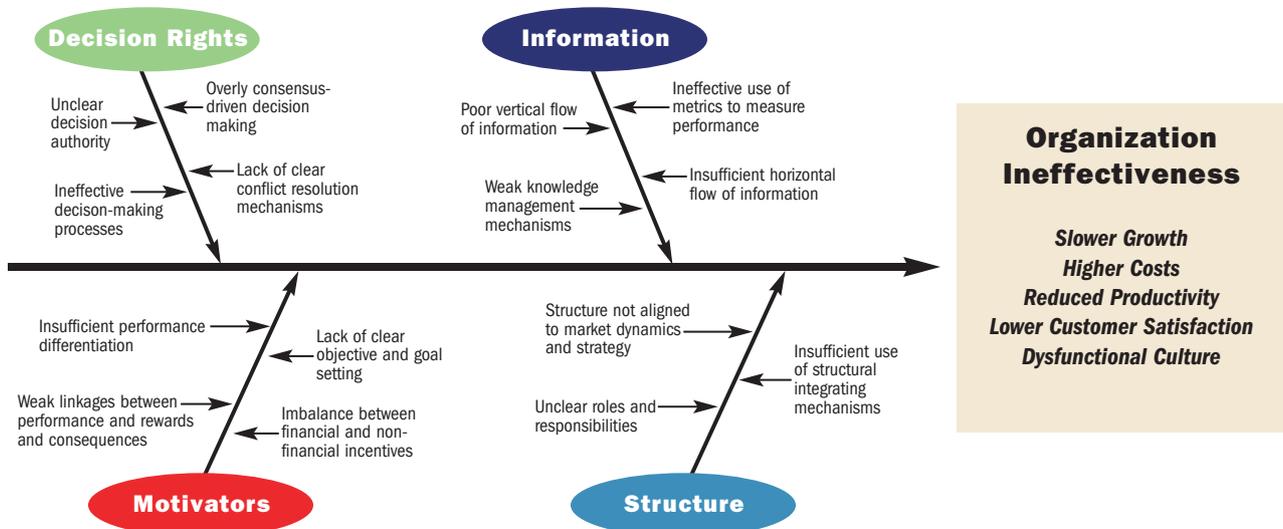


Figure 2: Example Root Causes of Poor Execution



The good news is that, compared to human DNA, organizational DNA is modified more easily.

Using this DNA framework, we can access a way to think about culture analytically. Instead of addressing organizational performance issues by focusing on the symptoms of dysfunction (e.g., pointless and overcrowded meetings, endless analysis, managers second-guessing every decision), we can identify the underlying root causes (e.g., unclear decision-making authority, failure to bring critical information together with decision making, performance appraisals that don't distinguish the best from the rest) and adjust the appropriate levers in the organization's DNA to fix the problem. This approach gives new meaning and

purpose to the typical organizational restructuring.

The four building blocks—both independently and in the way they interact—define an organization and largely determine how it will function and perform. They explain the triumphs and the trials in an organization's ability to execute (see Figure 2).

The Seven Types of Culture

No two organizations have the same culture, but there are common cultural patterns that we have identified based on our experience and extensive research (see sidebar, Analyze Your Culture). Four of these patterns are unhealthy—they describe organizations that can't execute effectively—and three are fundamentally healthy.

Based on the nature of each of its

four DNA building blocks and the degree of coherence between and among them, most organizations fall into one of these seven cultural patterns: passive-aggressive, overmanaged, outgrown, fits-and-starts, just-in-time, military precision, and resilient (see Figure 3).

Engineering a Winning Culture

No building block stands alone; it's how they combine to create an organization that really matters. That's one of the features that distinguish this approach to organizational design: It considers multiple factors that determine and predict an organization's ability to execute and how effectively they are integrated. Only in combination do the four building blocks become the key to unlocking superior performance. And that combination must be coherent and coordinated.

There's no universal prescription for success in engineering a winning culture. It depends on an organization's starting point. Flattening the organization and delegating decision rights is the right answer for an overmanaged organization, yet it couldn't be more wrong for a fits-

ANALYZE YOUR CULTURE

For more information on Organizational DNA or to test your own organization's profile, visit the *Org DNA Profiler*® at www.orgdna.com.

Since its launch in December 2003, the *Org DNA Profiler*® has captured responses from more than 50,000 individuals. Respondents come from companies of all sizes in 24 different industries and represent every function and level in the corporate hierarchy. Since adding a field to collect country data in April 2004, we have received profiles from more than 100 countries.

and-starts firm, where decision rights need to be reined in and more top-down control asserted.

Of course, the normal challenges that accompany any kind of culture change are only compounded in a merger situation where two companies are trying to integrate the best elements of their distinct and different cultures in a highly compressed time frame (see sidebar, Culture Clash: Applying Organizational DNA to Merger Integration).

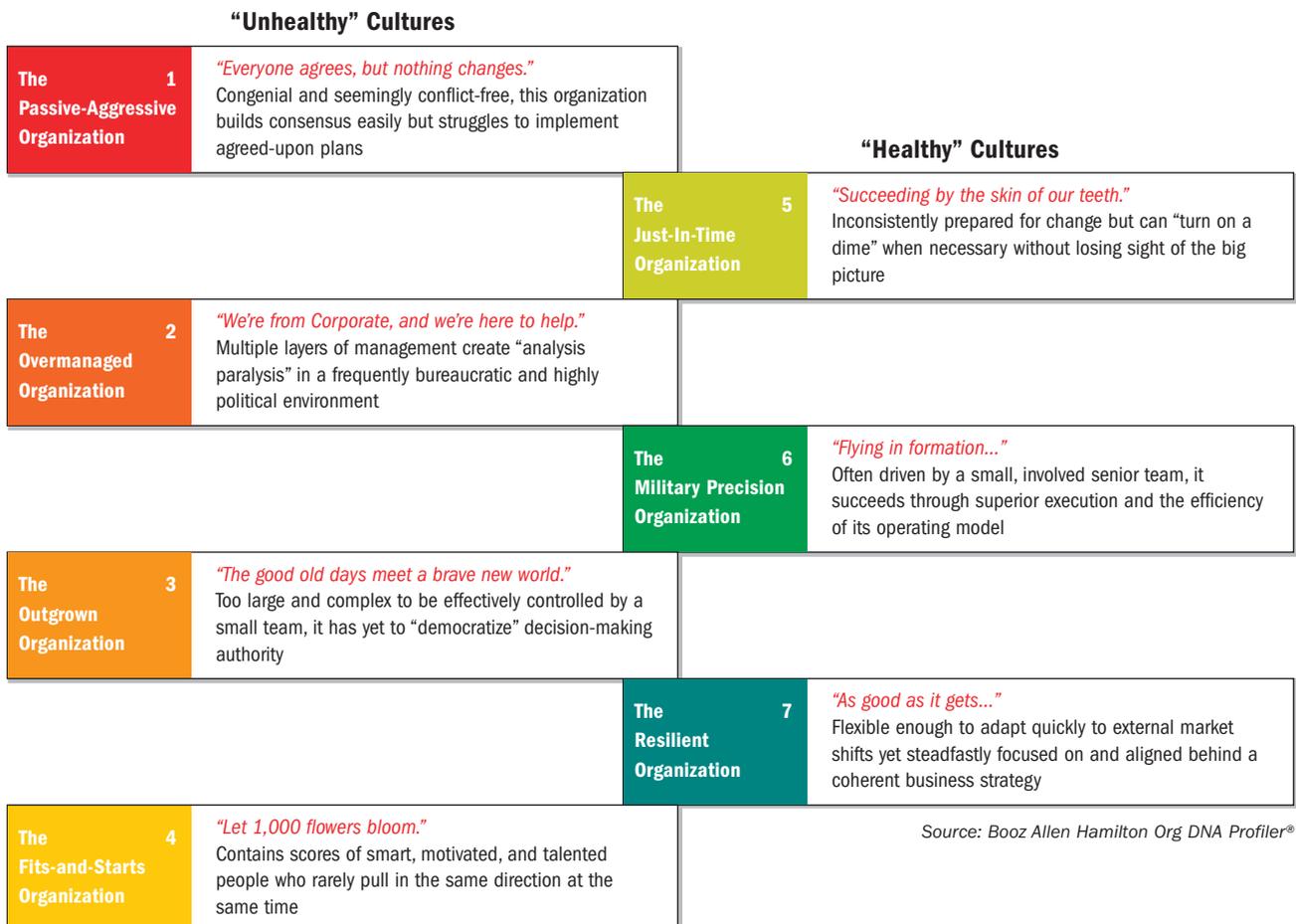
While there are no one-size-fits-all solutions in successful culture change, what is universal is the need to address and align all four levers of the organization's DNA so they work together rather than at cross-purposes to further an organization's progress toward its goals.

When all is said and done, an organization is a collection of individuals, each of whom makes decisions every day based on the information available to them and the incentives they face. The Organizational DNA approach explicitly recognizes this simple truth by considering the essential factors that determine an individual's behavior in an institutional context. In instances where we have administered the *Org DNA Profiler*® within a given organization, it has yielded an unusually accurate snapshot of exactly how and why things get done in that organization...or don't. It moves beyond superficial symptoms to the root causes of poor performance.

Any attempt to address a business

weakness or strategic opportunity must start with an analysis of what makes that organization tick—its DNA. Yet so many traditional approaches to organizational transformation start with the conclusion that the problem lies in the strategy or in the culture of the company. Culture plays a key role in organizational performance, but it's an outcome of the organizational system, not an input to the system. Adjust the building blocks, and you change the system. Change the system, and you change the culture. Change the culture, and you unlock strategy by enabling execution. We call it "culture change for engineers" (and accountants) because it is predicated on specific, actionable adjustments to each of the four levers of an orga-

Figure 3: The Seven Cultural Patterns



Source: Booz Allen Hamilton *Org DNA Profiler*®

Culture Clash: Applying Organizational DNA to Merger Integration

If changing one organization's culture is hard, transforming two organizations' cultures in the context of a merger is excruciatingly difficult.

Merger integration is more than consolidating offices and changing the name on the door. Capturing the full (or even promised) value of a merger requires the careful integration of each element of both organizations' DNA.

Decision rights—One company has a maverick culture where it's "fire, ready, aim"; the other is more deliberative and likes to "ready, aim, aim, aim, fire." How do you reconcile these two opposing styles of decision making? Who decides what and how in the combined organization?

Information—Who knows what? Who needs to know what? How do you penetrate the silos to transfer knowledge and measure performance in the new, combined organization?

Motivators—How do you reconcile different compensation and incentive schemes? What objectives, incentives, and career alternatives will people have? How do you keep people motivated and productive through the uncertainty of a transition phase?

Structure—What does the combined organization look like? How do you avoid the "us vs. them" mentality that often emerges when organizations misunderstand one another's culture?

Organizational DNA can help. Using the *Org DNA Profiler*[®], companies can capture the views of all parties in a merger and surface issues around each of the four levers, both *before* the deal is done as part of due diligence and *after*, when the two legacy firms try to identify best-of-both practices and integrate operations. It can significantly enhance the execution of the merger and its potential returns.

nization's DNA. That difference in starting point and perspective, coupled with the recognition that the task is difficult, represents an opportunity to create an enduring competitive advantage over rivals and leads to a fundamentally different way of thinking about organizational issues and strategy. The most resilient and consistently successful companies have discovered that the devil is in the details of their organization and its culture. For them, culture change isn't some amorphous, feel-good exercise—it's a tried and true method for delivering

real, measurable results. ■

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Note: For more information on Organizational DNA, visit www.orgdna.com, or refer to the book *RESULTS: Keep What's Good, Fix What's Wrong, and Unlock Great Performance* by Gary L. Neilson and Bruce A. Pasternack, ©2005 by Booz Allen Hamilton Inc., published by Crown Business, a division of Random House, Inc.