



Fast
Track to
Performance:

CULTURE TRANSFORMATION

Implementing a companywide cultural transformation is not easy—especially at a multinational giant like Lenovo, Scotiabank or Intuit.

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ILLUSTRATION BY MIGUEL MONTANER

The world's biggest manufacturer of smartphones and memory chips is on the verge of major change. In March, Samsung executives announced the company will transform its culture to embrace a startup mentality, according to Reuters. It is an interesting declaration from a company whose culture has long had a reputation of being rigid and staid—the opposite of an agile startup.

The pivot comes on the heels of declining smartphone profits at Samsung, which is now under pressure to foster innovation and growth in new areas. So, according to *The Korea Times*, beginning midyear the nearly 80-year-old company is planning to move away from a top-down culture in favor of a less hierarchical, more dialogue-driven work environment that offers more training and learning opportunities.

If history is any indication, however, the Samsung executives spearheading culture change may soon encounter turbulence despite their best intentions. “It has been estimated that only about 1 in 4 efforts to change an organization’s culture are successful,” says James L. Heskett, UPS Foundation professor emeritus at Harvard Business School and author of *The Culture Cycle: How to Shape the Unseen Force That Transforms Performance*. Insigniam’s latest executive sentiment survey (see page 38) similarly found that two-thirds of CEOs and managing directors either believe that installing and leveraging the right corporate culture is not going well or are still trying to figure out how to do it.

So chances are that Samsung is in for a bumpy ride. According to Shideh Sedgh Bina, Insigniam founding partner and *Insigniam Quarterly* editor in chief, far-reaching, long-lasting corporate culture change is possible—if managed intentionally and collaboratively. That means there must be a commitment from executives to drive change, a willingness to battle the status quo, a channel for employee engagement and an ability to maintain that culture so it stays strong and effective long after the initial transformation has taken place.

Leading Change

For proof that culture change is possible, look at Lenovo. A little over a decade ago, the

company was a blip on the industry’s radar, a Chinese company serving a mostly Chinese market. But all that started to change in 2005 when Lenovo acquired IBM’s personal computer division and began a meteoric rise.

The acquisition fast-tracked the organization to become a global player—Lenovo instantly moved to the No. 3 spot on the list of the world’s largest PC manufacturers. But it also created a major challenge: How does a primarily regional organization that spent its first 20 years operating within a culture based on Chinese values and hierarchy go global?

The answer: slowly and intentionally.

For the first couple of years after the acquisition, Lenovo operated as one company with two systems, according to Yolanda Conyers, vice president of global human resources and chief diversity officer for Lenovo. (Ms. Conyers co-authored *The Lenovo Way*, a book that delves deep into the organization’s massive culture change, with Gina Qiao, the company’s senior vice president of human resources.) But the company was losing some of the cohesion that made it successful in China, and the usual way of doing things was not tenable.

“In the early days of the integration, it was very tough for both sides—East and West—to align,” Ms. Conyers says. “We had to have the difficult conversations about trust and intentions, and our leadership team had to help the company figure out a way for the very different perspectives to coexist and then eventually blend. It was a confusing, frustrating time for our leaders and our organization, and it reflected in our morale and our bottom line. But quite frankly, we had no choice. We had to succeed at this integration or fail as a company.”

To turn the tide, Ms. Conyers and the rest of the senior leadership had to build a new corporate culture that bridged Eastern and Western mores—and executives had to lead



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the way. The biggest mistake in putting together two firms is to assume you will somehow just add the best of each culture together.

In reality, you have to invest in deliberately constituting a new culture, Ms. Sedgh Bina says.

To set the new tone, CEO Yang Yuanqing moved his family from Beijing to North Carolina, which became the co-headquarters for Lenovo. “The intention was to create a world-class global enterprise,” Ms. Conyers says. “Our leaders wanted nothing less than to reconstruct Lenovo’s entire cultural DNA. They wanted to create a new way of thinking inside one unified Lenovo company.”

Leadership also worked to break down traditional hierarchies that existed within the organization. As Ms. Conyers describes in *The Lenovo Way*, for instance, Mr. Yang wanted to change the way long-standing employees addressed him. Previously, they would call him “Chief Executive Officer Yang,” or *Yang Zong* in Mandarin, but he felt this would not work for a company looking to build a culture that embraced the norms of a global workforce. So he and his senior leadership team spent a week meeting and greeting employees in the office lobby, introducing themselves with their given names, not their titles.

Today Lenovo employs some 60,000 people and is the largest PC manufacturer in the world. In 2015, it jumped 55 spots on the Fortune Global 500 list to reach 231. Its now-established position as a global organization with a global culture has also helped it transition in major new lines of business, including its 2014 acquisitions of Google’s Motorola Mobility and IBM’s x86 server division. “One of the things we did with the x86 and Motorola phone business was perform a cultural survey and understand the strengths of both cultures—what we do and don’t have in common,” Ms. Conyers says. “It takes time, but we’ve done this so much that we have a

Lenovo’s Steps to Cultural Transformation

Amid multiple major acquisitions, Lenovo has found a way to successfully merge East and West to create a global culture that touts its diversity as a primary feature. According to Yolanda Conyers, who literally wrote the book on Lenovo’s cultural transformation, these were some of the key factors of success that the organization’s leadership still abides by today:

- **Adopt a “zero-mindset” mentality.** Employees were asked to let go of the ways things were done in the past, even if they were successful, and realize that they may have to do things differently moving forward. “We never start from the place of being a Chinese company and we’re going to do things the Chinese way. We continue to merge the best practices and thinking of all those countries and business cultures,” Ms. Conyers says.

- **Start with an understanding of how each organization and culture operates.** Rather than garnering this understanding secondhand, Lenovo’s executives experienced it for themselves. CEO Yang Yuanqing moved his family from Beijing to North Carolina, which became the co-headquarters for Lenovo. And Ms. Conyers spent time working out of the company’s Beijing office.

Today, the organization remains committed to building a workforce of employees who understand each other by providing training across cultures and mentors who work with key individuals.

- **Identify early adopters.** Ms. Conyers says that early adopters really self-select by displaying a willingness to go above and beyond. Some of Lenovo’s early adopters volunteered to swap offices to advocate for the culture changes coming, and they became go-to trusted advisers.

- **Be transparent about the differences and expectations the culture change will bring.** It will not only ease employee tension about where the organization is going but also open leadership’s eyes to employees who will not be a good fit.

process where we sit down and talk about it and create interventions where we need to.”

“It’s necessary to have corporate culture that’s clear about what it is,” she continues. “We’ve created a culture that respects differences. In some cases we may compromise or adopt a practice that we think will work best. We’re global-local.”

Banking on Change

Faced with major disruption and evolution, companies in some industries look to culture as the lever that can differentiate them in the marketplace. And hardly any industry has seen as much disruption over the past few years as banking.

Executives at the Bank of Nova Scotia (commonly known as Scotiabank) took a hard look at this disruption and responded by re-centering the organization’s culture to become more customer- and performance-oriented, rather than centered on transactional efficiency.

Under the leadership of CEO Brian Porter, it was identified that all bank employees (not just those on the front lines) needed to recognize how they could put the customer first—and that meant evolving the way they do business. His goal: Simplify

the organizational model to be closer to customers and more agile.

“Bank employees needed to recognize how they could put the customer first,” says John Doig, the bank’s chief marketing officer. “One way that we recognized we could do this was by evolving the way we do business. We want customers to be able to do their business with us, how they want—branch, phone, tablet, computer—where they want and when they want.”

Ms. Sedgh Bina is clear that “the most high-performing corporate cultures put the customer at the center and invest in the employees as the most powerful access to the customer.”

Scotiabank is seeking to recast traditional bank branches as inviting and comfortable places to meet with staff members who can advise customers on big issues like saving for retirement or paying for college. It is also retraining many front-line employees in financial advisory skills. One major bank initiative, a tech foundry called the Digital Factory, is meant to help make digital innovation part of the bank’s culture. The initiative was launched in late 2015 and will eventually employ more than 350 programmers, user-experience designers and data scientists. Its purpose is to provide a space where teams can be empowered and challenged to design and deliver a game-changing customer experience,



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Michael Zerbs, the bank’s co-head of IT, said in a statement.

A big focus of the Digital Factory will be delivering a distinctive mobile experience. When the bank analyzed which customers were downloading its mobile app, it found that half of them never took the next step and signed up for an online account. “Scotiabank should be in their pocket,” Mr. Doig says. “We need to make that mobile experience as easy as possible so they want to use it.”

In order to make these shifts in culture stick, it was imperative that all employees see this top-level support. As Mr. Doig sums it up, “If the CEO’s tone doesn’t support the change, there will be no change.” But it was also important to give Scotiabank employees a voice, because it was their culture too.

Harvard’s Dr. Heskett agrees: “Companies that handle culture change well are those in which leadership is trusted, usually because of a ‘no surprises’ approach to decision-making and a willingness to share information across the organization.”

To do so, the bank has engaged in extensive conversations with its employees, asking for ideas, curating suggestions and creating action plans in response. One such conversation was the Scotiabank Jam, a three-day online discussion held earlier this year among the company’s 88,000 global employees in which they vetted values, beliefs and ideas for improving the customer experience. “People were free to comment, criticize or just view,”

Mr. Doig says. “We had more than 1 million page views over three days.”

The feedback session was more than just an open forum—bank leadership is also working to implement some of the suggestions. The input helped management hone the





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values (including integrity and accountability) that now define the bank's new culture. And management curated employee feedback into a set of action plans with time frames assigned for each. Mr. Doig notes that putting some of the employee suggestions into action was a critical part of the change process. Asking for feedback without using it will only set your efforts back.

The Long Game

Transforming a culture is not a one-time effort. It has to be constantly nurtured and encouraged. Financial software company Intuit, for example, has long established its culture of innovation, which has helped it produce popular applications such as TurboTax. Despite that success, however, it is not one to rest on its laurels. Instead, according to Kris Halvorsen, the company's chief innovation officer, Intuit keeps its culture fluid and responsive by maintaining a relentless focus on customer experience (all employees are encouraged to visit customers in their offices to watch how they work) and offering breaks from routine for pure ideation. By cultivating new ideas, the organization promotes receptivity to change. "One of the key features of Intuit's culture is that we believe innovation is everybody's business," Mr. Halvorsen says.

Employees are encouraged to take unstructured time each week to brainstorm and try out new ideas. Selling the concept of a break in routine to line managers was no picnic when it was instituted in 2006, but the innovation team remained persistent, using successful examples of this time of experimentation to win over the skeptics. Importantly, the time does not mean goofing off. Intuit puts guardrails in place to channel ideas toward useful results, and employees are asked to apply their efforts to a defined set of strategic goals. There is even a

framework—called "Design for Delight"—that sets out a methodology for innovation.

Intuit's commitment to driving that innovative culture has been especially key as the organization strives to transition away from packaged software to a cloud model. "Our CEO Brad Smith set a grand challenge to the company: Transform from a North American desktop software company to a global, cloud-based software-as-a-service leader," Mr. Halvorsen says. "And just as important as what we would change is what we didn't change: our mission and values." Embracing this change means encouraging experimentation, risk-taking and receptivity to new ways of doing things, Mr. Halvorsen says.

Intuit leadership also nurtures its culture of innovation by making it a key topic of the interview process. This allows leadership to ensure new employees will be supportive of—and assets to—the environment Intuit has worked hard to create. "We have a craft demonstration as part of the interview process," Mr. Halvorsen says. "You're asked to solve a problem and present the results. Then we see people explain how they're thinking, show how they went about solving this problem, and you get a different view of their ability to be intellectually flexible. These kinds of things don't come up if you're just asking questions in an interview."

Intuit's methods seem to be working. According to Mr. Halvorsen, the company now has about three-fourths of its 37 million customers using its cloud-based products, and its connected-services customers are driving more than 70 percent of Intuit's revenue.

Because culture change is no quick and easy process, Dr. Heskett says leaders need to celebrate forward progress. "Improvement should be measured and rewarded one step at a time, with every effort made to recognize small wins along the way." **IQ**