



CULTURE

Your Unwritten Rules Are Winning

You can't fix culture by talking about it. Which is why many leaders mismanage it while focused elsewhere.

By **Katerin Le Folcalvez**, Insigniam & Elixirr Partner

A garden is not what you announce. You can stand at the edge of bare dirt and declare, with conviction and a printed values statement, that this is now a garden. You can hold a town hall about the garden. You can paint “garden” on a sign and stake it into the ground. The dirt will remain dirt.

A garden is what you *tend*. The daily, mostly invisible work of watering some things and not others, of pulling weeds, of pruning what has grown beyond its shape. The garden is the accumulation of those choices.

Culture works the same way. And most enterprises, faced with a culture problem, reach for the announcement. They refresh the values, run a town hall, commission a survey, appoint a chief culture officer. None of this is wrong, exactly. None of it is the work, either. The work is what gets watered.

Mike Stow, vice president of global marketing for surgical robotics at Medtronic—a global medical technology company with an annual revenue of \$32 billion (USD) in 2025, that develops and delivers devices, therapies, and services to improve patient outcomes across a wide range of conditions—says it plainly:

“Your people, and therefore your culture, is ultimately what carries the strategy through to successful execution.”

When that culture has been quietly governing the organization in ways its leaders have never named, the strategy gets carried somewhere other than where it was supposed to go.

The hard truth is this: culture is not what your people believe. Culture is what your organization rewards, allows, and protects when no one is officially watching. It is the unwritten answer to what actually happens here when someone takes a risk that fails, or escalates a problem that embarrasses a peer, or pushes back on a senior leader who is wrong. The values poster can say anything. The garden tells you what is actually growing.

And the dangerous part, the part that makes culture the hardest performance constraint of all, is that the people who designed the garden are usually the last ones to see what is actually growing in it. Edelman's 2025 Trust Barometer captured this gap empirically. For the first time globally, employee trust in employers declined three points to 75%, while 68% of respondents said they believe business leaders deliberately mislead them, a 12-point increase since 2021. The trust gap and the culture gap are the same gap.



THE HARD TRUTH ABOUT CULTURE

Your culture is already set. Every decision your organization makes, every behavior it tolerates, every leader it promotes is writing it in real time. The question is not whether you have a culture—it is whether the one you have is the one you think you have.

AI & CULTURE



AI Doesn't Break Culture. It Exposes It.

AI does not fail because people misunderstand the technology. It fails because the organization's culture tells them, quietly and consistently, that using it is unsafe, unrewarded or misaligned with how success is actually measured. Adoption surveys may show enthusiasm, but the real test happens in private moments when someone could use an AI agent, chooses the familiar path instead, and no leader asks why.

That choice is rarely irrational resistance. It is often a rational response to broken incentives. Leaders may say they want speed, experimentation and reinvention, while bonuses, performance reviews and promotions still reward caution, conformity and legacy expertise. AI exposes that contradiction immediately. It also threatens identity, especially for senior experts whose value has long been tied to analysis, judgment or specialized knowledge. A prompt-engineering workshop cannot resolve the deeper fear that AI may diminish what made someone important.

That is why successful AI adoption requires Human Architecture: a disciplined process for redesigning the human system around the technology. The sequence is Reveal, Unhook, Invent and Implement. Organizations must surface the unspoken identity stories at risk, release people from outdated definitions of expertise, co-create new role expectations, and only then implement new tools and workflows.

Used honestly, AI becomes one of the most powerful cultural diagnostic tools a company has. It reveals where incentives, rituals, leadership behaviors and innovation claims are misaligned. AI does not break culture. It exposes what was already broken and forces leaders to decide whether they will redesign the system or look away. **IQ**

—Adam Hofmann, Elixirr Partner

WHAT CRIPPLES CULTURE



09%

TRUST FALL

Managers who say they can always rely on their colleagues and business units¹



28%

LOW ADOPTION

Leaders who say a lack of employee adoption hinders change management.²



29%

HELP WANTED

Executives who said culture was the main reason they sought help from consultants.³



MOMENT OF TRUTH

Ask yourself:

If asked today, what would your employees say your organization actually rewards?

A Look at the Data

The most consequential research on culture in the last decade used the actual words employees were writing, in volume. Researchers led by Donald Sull and Charles Sull, working with Ben Zweig of Revelio Labs and the MIT Sloan Management Review/Glassdoor Culture 500 dataset, analyzed 1.4 million Glassdoor reviews and 34 million employee profiles to identify which conditions best predicted whether an employee actually left.

A toxic corporate culture is, by their measurement, ten times more predictive of attrition than compensation.

Not *slightly* more predictive: ten times more. Toxic culture is the dominant variable in whether your employees leave, and it dominates the variable most executives privately assume is the real lever, pay.

The researchers were specific about what they meant by toxic. Five attributes, in combination, define it: disrespectful, non-inclusive, unethical, cutthroat, and abusive. None appears on a values poster. All describe what some cultures actually reward when no one is officially watching.

The strongest single predictor of toxic culture, the same team later

found, was toxic leadership: the people who set the tone at the top are the people whose behavior most directly determines whether the rest of the organization is a place worth staying in.

The MIT research is not the only data on this point. Hypothesis Group, the market research firm and an Elixirr company, surveyed senior executives at \$1B+ U.S. enterprises about why their major initiatives failed. Of those who participated, 28% identified the same diagnostic problem in different terms: “change was treated as technical, not organizational.” The framing itself is the diagnosis. Leaders consistently approach culture as a downstream consequence of structural change, when both bodies of research keep insisting it is the upstream variable.

What the Diagnosis Sounds Like From Inside

Jennifer Zimmer, a partner at Elixirr who works extensively with biopharma leadership teams, has watched this pattern repeat across organizations under acute pressure.

“The biggest gap is between leaders’ stated long-term priorities and what the organization actually executes day to day,” Ms. Zimmer says. “Most leaders say they are focused on long-term objectives, strategic

priorities, and the future. But in practice, execution is often driven by the most immediate short-term need. Organizations get pulled toward whatever crisis is in front of them: meeting quarterly expectations, fixing a breakdown, or responding to the latest urgent demand.”

The gap is not between strategy and execution. It is between what leaders say is the priority and what the culture actually rewards. The strategy is what leaders talk about. The culture is what leaders pay attention to.

Ms. Zimmer is more pointed still on what this produces. “More and more employees are burned out because they are being asked to deliver on immediate needs while also being held accountable for long-term priorities. Organizations talk a great deal about resilience, mental health, and burnout, but in many cases nothing is changing structurally. They are not managing the chaos. Everything remains important. And when everything is important, people pay the price.”

When everything is important, people pay the price. That sentence is the cultural equivalent of saying the quiet part out loud. Most organizations have, without anyone deciding to, established a culture in which every initiative is critical and every quarter

is the most important quarter. The result is not energized employees. It is exhausted ones, who learn that the rational response to everything is important is to disengage. The culture has trained them to.

Gallup’s State of the Global Workplace 2025 captures the macro pattern. Global employee engagement fell to 21% in 2024, the lowest level since the pandemic, with disengagement costing the world economy \$438 billion in lost productivity. Half of the global workforce is actively or passively looking for a new job; among workers under 35, the figure is 58%. The exhaustion Ms. Zimmer describes is not a local condition. It is a planetary one, and it is moving in the wrong direction.

The Nine Elements of What is Actually Happening

Culture, examined carefully, is not one thing. It is a system constituted by nine distinct elements, each of which can either fuel or starve the strategy the enterprise has set for itself.

The nine elements: the language and the network of conversations people use, including what they will not say out loud and to whom; the customer orientation that shows up in actual decisions; what is valued in everyday operations, observable in what gets praised and what gets tolerated; accountability and responsibility, whether people see themselves accountable for tasks or for results; traditions, rituals, heroes, legends, and artifacts, the stories the organization tells about its past; the leadership dynamics of how decisions get made and how dissent gets received; the unwritten rules for success, which every employee knows even though no one has said them aloud; decision rights and processes, who actually decides versus who is consulted for the appearance of inclusion; and legacy, the founding story and accumulated history that shapes what the organization believes itself to be.

Most culture initiatives fail because they touch one or two of these elements while leaving the other seven to keep doing what they have



All Hands on Deck

According to *Harvard Business Review*, individual performance is two to three times more likely to be rewarded than collaboration. Most organizations celebrate the team and promote the individual.⁴

“Your people, and therefore your culture, is ultimately what carries the strategy through to successful execution.”

—Mike Stow

Global Marketing, Surgical Robotics
Medtronic

IN OUR CLIENTS’ WORDS



When culture breaks down, this is how leaders describe it from the inside.



Leaders aren’t embracing change.



We keep launching initiatives that don’t stick.



Our culture undermines our strategy.



We need a new culture, or culture change, to succeed.



always done. Tending a culture means looking at all nine, naming what each is currently producing, and deciding what to keep, what to weed, and what to plant.

Mr. Stow captured the discipline this requires when asked how he diagnoses where performance is breaking down.

“The root cause likely isn’t as simple as structure, execution, or the underlying ways teams work together,” he says. “It likely lies deeper and across all three. Too often we look for simple answers to complex problems. We need to look more holistically and be willing to understand why some initiatives succeed and others fail.”

What it Looks Like When an Enterprise Does the Work

To bring the issue to life, consider the case of a regional health care system in the United States that, at the start of the previous decade, faced structural transformation in its industry. Reimbursement was shifting from fee-for-service to value-based care. National benchmarking was about to expose every regional system’s quality and service metrics to direct comparison. The leadership team committed to a bold strategy: rank in the top 10% nationally in quality, service, and cost.

The system was, by every visible measure, performing well: strong financials, decades of solvency, regional reputation. By national metrics, it was middle-of-the-pack on quality and below average on patient satisfaction. Reaching national leadership would require a scale of internal change the organization had no experience producing.

The leadership team commissioned a cultural assessment. Not a values refresh. Not an engagement survey. A systematic examination of all nine cultural elements, with the question framed honestly: which of these is currently fueling our strategy, and which is currently starving it?

What surfaced was uncomfortable. The culture was, in the language of the assessment, financially-driven and budget-mentality. This had served the organization well for decades. It was also the reason patients were, in the

words of the chief learning officer, “an of course”, a stakeholder whose well-being was assumed to follow from operational excellence rather than treated as the work itself.

A leadership coalition was formed, including senior executives but also informal leaders with real influence: physicians, nurses, middle managers, frontline employees. They identified employee engagement as the keystone, the leverage point that, if shifted, would shift everything downstream. They commissioned breakthrough projects on length of stay, readmissions, patient safety, and physician engagement. The values were not announced. They were demonstrated, project by project.

The numbers tell the rest. Within the first year, employee engagement scores moved from the 51st to the 88th percentile nationally. Patient satisfaction moved from the 22nd to above the 70th percentile. Hospital-acquired infections dropped 44%. Heart failure readmissions fell from 21% to 13%. Pneumonia readmissions fell from 21% to 9%. Within five years, the system had been recognized as one of the highest-performing health care systems in the United States.

The strategy worked because the culture had been changed to support it, not by talking about it, but by tending it, deliberately, across nine elements, for years.

Lessons Learned the Hard Way

The largest cautionary tale in modern American business about what happens when a culture rewards the wrong thing is the cross-selling scandal at Wells Fargo, which unfolded between roughly 2002 and 2016 before becoming public.

Frontline employees were given aggressive cross-sell quotas, several times the industry norm, transmitted through performance reviews, bonuses, and the threat of being fired. The pressure produced what such pressure produces. Employees, in increasing numbers, began opening accounts and credit cards in customers’ names without their knowledge. The bank eventually paid more than \$3 billion in fines, and the Federal Reserve imposed an asset cap that constrained the bank’s growth for years.

CASE STUDY

Your Post-M&A Culture Won’t Build Itself

When two successful companies merge, the instinct is to focus on the numbers—synergies, cost savings, combined market share. Culture is treated as something that will sort itself out once the financial logic is proven. It rarely does. Yet, the pattern repeats with striking consistency.

When a major automaker acquired a European brand built on worker empowerment and flexibility, its hierarchical, process-driven culture collided with everything the acquired company stood for. The deal, valued at \$6 billion, was unwound eleven years later for less than a third of that. A telecommunications giant’s \$35 billion acquisition unraveled for the same reason — two cultures, fundamentally incompatible, pulling in opposite directions on everything from advertising to technology. The acquirer eventually wrote down 80% of the deal’s value.

Research across more than 6,000 mergers confirms what these cases illustrate: a cultural divide between organizations directly and measurably harms the acquirer’s financial returns. By some estimates, half of all M&As ultimately fail — and culture is the fault line most often ignored until it fractures.

The organizations that get it right share a common discipline. They treat cultural integration not as a post-close activity but as a strategic imperative from the start. They assess both cultures rigorously, build coalitions across levels of the organization, and create something genuinely new rather than imposing one culture on the other or trying to stitch the two together.

The Hard Truth

You cannot merge two balance sheets and assume the cultures will follow. The culture you fail to deliberately build will build itself—and it will build something neither side chose.

What is most diagnostic is what happened in the years before the scandal became public. Branch employees raised the issue with management. Internal compliance flagged concerns. The unwritten rule, however, was clear: *the metric was the metric*. People who hit it were promoted. People who escalated concerns about how the metric was being hit found those concerns absorbed by a system that needed the metric more than it needed the truth.

Yet, the Wells Fargo of the present day is not the Wells Fargo of that period. The bank has spent the years since 2016 doing the slower work of cultural reconstruction: changing incentive structures, accountability systems, and the unwritten rules through deliberate retraining of what gets rewarded. The asset cap was lifted in 2025. The case stands not as a current diagnosis but as the clearest available example of what happens when a culture diverges from its stated one.

The Wells Fargo of 2026 represents what is possible when a company *does the work*, so to speak. Wells Fargo has reported strong financial performance with renewed growth in both consumer and commercial businesses, and granted each of its 215,000 full-time employees a \$2,000 award to mark the asset cap's removal.

CEO Charlie Scharf, who has led the work since 2019, called the milestone evidence that “we are a different and far stronger company today because of the work we’ve done,” in the company’s Q4 2025 earnings release in January 2026. Even cultural breakdowns on this scale are recoverable, when the gardener decides to do the gardening.

The AI Dimension

Every executive currently considering an AI deployment is implicitly making a cultural decision they may not realize they are making. AI tools amplify whatever the culture already rewards. If the culture rewards speed over accuracy, AI will produce more speed and less accuracy at scale. If it rewards activity over outcomes, AI will produce more activity and fewer outcomes. If it rewards plausible-sounding output over



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Katerin Le Folcalvez is a Partner at Insigniam, an Elixirr company, where she has spent more than 25 years advising senior executives on large-scale transformation and breakthrough performance. Her clients include companies in the fast-moving consumer goods, retail, automotive, manufacturing, pharmaceutical, and service industries. Clients credit Ms. Le Folcalvez for her energy and spirit, which, combined with strategic insight and questions that push wider and deeper thinking, catalyze a desire to create big futures together. She is known for enabling senior teams to see what has not been seen before, challenge entrenched assumptions, and design novel approaches that unlock new levels of growth. Ms. Le Folcalvez’s work is grounded in a simple conviction: in highly competitive, margin-sensitive categories, business as usual is never enough—growth comes from bold ideas matched with rigorous execution fueled by inspiration. Ms. Le Folcalvez is recognized for her ability to empower people to think newly, act differently, and deliver unprecedented results. She enjoys working with enterprises that are committed to creating long-term economic and societal value and is experienced in turning the complexities and strengths of these companies into a competitive advantage. Ms. Le Folcalvez is based in Paris, France.

honest output, AI will produce more plausibility and less honesty. This is not an AI problem. It is a culture problem that AI exposes. The organizations that will derive real value from AI are not the ones with the best AI strategies. They are the ones with cultures that already reward the behaviors AI is being asked to amplify: rigor, accountability, willingness to escalate, willingness to say I don’t know. The garden tells you what you have been growing. AI just makes the harvest faster.

What This Means for You

The first work of culture change is not to refresh the values, commission a survey, or appoint a chief culture officer. It is to look, honestly and across all nine elements, at what your organization is currently rewarding, allowing, and protecting, and to ask, with the discipline most executives reserve for financial reviews, is this what we want growing?

This is harder than it sounds because the answers are uncomfortable. The senior leader everyone has learned to route around is, in most enterprises, a senior leader. The unwritten rule that escalating bad news is a career-limiting move is, in most enterprises, true. Naming what is growing in the garden requires acknowledging who has been doing the watering.

Satya Nadella, who took over Microsoft in 2014, offers a public record of what the work looks like. He framed the transformation he wanted as a shift from a “know-it-all” to a “learn-it-all” culture. Building on earlier changes such as the end of stack ranking, Nadella restructured leadership meetings from gladiatorial competitions to collaborative problem-solving sessions, and changed what got rewarded. The results speak for themselves: Microsoft was worth roughly \$300B when Nadella became CEO; as of the latest finance data, its market cap is about \$3.15T, or roughly 10x larger.

CXOs willing to do this work, and cultivate culture fully, are the ones whose strategies will outperform the market and overcome the hard truths.

That’s because culture is not what you announce. Culture is what you tend. **IQ**

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