

Expect the Unexpected

HOW LEADERS CAN EVOLVE THEIR ORGANIZATIONAL CULTURE IN TURBULENT TIMES

By Angus Beveridge and Sophie Hall

Historically, many business leaders have attempted to manage the unexpected by focusing their efforts on contingency plans, which typically outline information like the cascade of leadership communication, IT and business continuity actions. The COVID-19 pandemic has illustrated that while these plans may be suitable for addressing short-term disruption, they do not provide a long-term road map for navigating turbulent environmental or industry change. The magnitude and unexpected impacts of the current climate are greater than traditional contingency plans can accommodate. Beyond emergency process changes and increased resources, business leaders need to rapidly transform their organizational cultures.

[COVID-19](#) forced organizations and employees to adapt to a significantly more distributed workforce, virtual work arrangements and a departure from conventional social connections. While most organizations will

not face challenges on this scale regularly, there are interesting cultural lessons to learn from this experience.

Effectively redefining an organization's culture sets up teams to thrive during any period of uncertainty. To address the tectonic shifts that so many businesses confront, from life sciences firms accommodating [new, more personalized treatment paradigms](#) to healthcare providers' shift toward delivering care across new alternative settings, leaders must prioritize cultural transformation and [focus on the change leadership skills](#) that are critical during moments of disruption.

A Deliberate Approach to Cultural Transformation

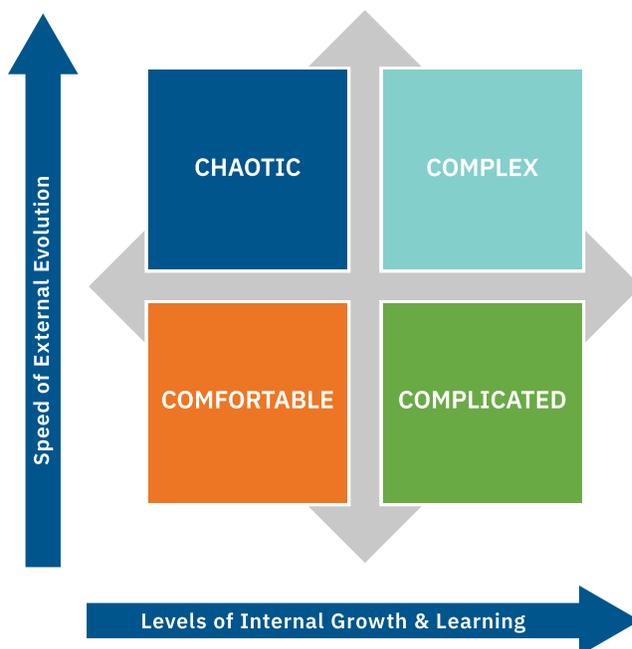
Leaders are often valued for and pressured to make swift decisions. But even in turbulent times, it's critical to understand what it is you are attempting to solve before taking action. Adapting an organization's culture in response to external challenges requires leaders to:

1. Diagnose the attributes of your current internal culture.
2. Understand the nature and impact of the external forces compelling change.

3. Identify and acknowledge the changes that need to be made in order to be successful.
4. Plan interventions that will encourage the requisite changes in employee behavior, mindsets and beliefs.

The reality that most global business leaders face is often one of elaborate organizational systems with multiple stakeholders, multiple agendas and vast amounts of data.

Using the following framework can simplify complex organizational systems by creating a shared language everyone can use to diagnose the current culture and design a future state. This approach will significantly improve the chances of creating sustainable cultural change, even once the initial momentum of transformation dissipates.



The type of cultural evolution an organization needs typically depends on the speed of external disruptive forces and an organization's internal capacity to adapt and thrive in a new environment. For example, organizations reacting to an acute health emergency need the ability to quickly design new offerings based on their core business and to communicate new ways of working internally.

Comfortable

- Patterns capture repetitive sets of activities and behaviors which work well and are commonly understood.
- The future is predictable and success is clearly understood.
- Applying best practices helps drive efficiency.
- Feels comfortable and safe.

Complicated

- Patterns of successful existing and new activities and behaviors are detectable.
- Available choices are visible and the end goal is clear.
- Expert support is the answer.
- Feels supportive and challenging.

Complex

- Patterns of successful activities and behaviors coded after the event.
- Choices are ambiguous and success is constantly changing.
- Consistent learning is the only way to survive.
- Feels entrepreneurial.

Chaotic

- No organizational cohesion or structure.
- Contradictory activities and behaviors thrive.
- There is an immediate threat to short- and long-term survival (crisis mode).
- Feels unmanageable and frightening.

Enabling these changes demands an internal operating model that can withstand complicated and complex cultural frames. Cultures that feel comfortable or chaotic are unlikely to help the people within them be or feel successful during uncertain times.

Shifting from one cultural frame to another is not a simple task. It requires the right level of executive leadership focus and attention.

Preparing to Thrive in a Complicated Environment

Likely trigger: New competitor or customer groups emerging

There are many examples of incumbent companies becoming complacent due to their dominant market position. This usually occurs when leadership teams maintain a strong internal focus on efficiency and preserving the status quo, but are less attuned to subtle market changes and new industry entrants — until they begin materially affecting the organization.

One high-profile example of this thinking is Blockbuster, which was approached by Netflix in 2000 with an offer to purchase them for \$50 million — when the media newcomer saw an opportunity to blend the best of both organization's core capabilities. Netflix was deemed too small and niche by the Blockbuster board, who had not recognized the early signs of interest in subscription-based content and missed an opportunity to evolve. At its peak in 2004 the company employed approximately 84,000 people worldwide and by 2010 they were forced to file for bankruptcy.

Once disruption begins directly influencing operations and market share, organizations must adapt their comfortable culture to embrace a much more complicated environment. [Leaders need a new approach](#), gathering data and expertise to help understand how the external environment has evolved, encourage internal conversations that challenge the current wisdom and generate new ideas, and perhaps even reallocate or restrict resources to spark innovation.

Positioning for Growth in a Complex Environment

Likely trigger: Shifting customer behavior and internal business models

Across industries, the ways customers interact with businesses — from retail and financial services to healthcare and pharmaceutical organizations — is shifting fast. These changes will require organizations to develop new, flexible operating models that address evolving consumer preferences and needs. Leaders must emphasize the importance of funding and pursuing experiments that are “safe to fail” rather than attempting to impose a predefined course of action. They will also need to embrace ambiguity for a period of time to allow new opportunities to surface.

For instance, retail banks are continually evolving their operating models to align with customers' expectations for greater digital access and integration with emerging fintech services. Newer online banks can deliver rapid customer service and different targeted offers to encourage customers to switch banks, directly challenging traditional financial institutions. Many incumbent banks' models rely on building long-term customer loyalty through personal, high-touch relationships, which historically demanded an extensive physical branch presence and a suite of standard offerings. From a cultural standpoint, banks should acknowledge higher levels of customer churn and increase their multichannel capabilities in order to attract and meet customers where they are.

Whether adapting to anticipated or unexpected change, most leaders have the strategic planning experience to design imperatives and associated activities that will guide their organizations. The greater challenge is encouraging the people throughout an organization to behave in different ways and buy in to the new business models that are necessary to survive in the short and long term. By developing a consistent way of describing cultural evolution, leaders equip employees with the information and clarity they need to reshape their individual actions and attitudes in the future.

Key Takeaways

Cultural transformation must be a priority in order to maintain business continuity and growth during and after periods of turbulence. To do so:

Think Differently.

Recognize the need to expand contingency plans beyond financial, operational and technological factors, accounting for ways to preserve employee engagement and adaptability.

Plan Differently.

Regularly assess the organization's current culture, taking into consideration the variety of social or competitive trends that indicate an opportunity to transform.

Act Differently.

Develop a shared language all leaders and stakeholders can reference to simplify the process of identifying, planning and reinforcing cultural change.



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