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The Insider's Guide to Culture Change

Creating a Workplace That Delivers, Grows, and Adapts

Siobhan McHale • HarperCollins Leadership © 2020 • 208 pages

Management / Corporate Culture
Management / Change Management

Take-Aways

- If your employee culture is weak, your company will be weak.
- Australia's ANZ Bank underwent a successful cultural change.
- Change management expert John Kotter used ANZ's transformation as a case study at Harvard.
- To fix your culture, you must first diagnose it properly.
- Encourage employees to reframe how they regard their jobs and their work identities.
- Free your corporate culture from embedded negative patterns.
- Consolidating cultural improvements requires everyone's commitment.

Recommendation

Achieving commercial success has never been harder. Costs are high, competition is fierce and customers grow more demanding every day. These issues become infinitely more challenging if your employees are not engaged. In this step-by-step guide, employee culture expert Siobhan McHale offers helpful ideas about revitalizing your corporate culture and increasing your employees' satisfaction and engagement. Her book offers promising assistance with this burgeoning problem. As Gallup reports in its publication "The Worldwide Employee Engagement Crisis," 87% of employees worldwide experience disengagement at work. McHale tells you how to extricate your employees from that morass.

Summary

If your employee culture is weak, your company will be weak.

Weak cultures make for weak companies. People are unhappy at weak companies, so sales, profit and revenue suffer, making the company even more shaky. According to Gallup, a majority of employees around the globe report feeling disengaged at work. Disengaged employees deliver only a fraction of what they could achieve if their companies or jobs fully engaged them.

"If you want a high performing, agile, market dominating company that gets results no matter what challenges it faces, you'd better create a culture that will get the job done."

In the face of massive employee indifference, strengthening your employee culture is a matter of survival for every company, regardless of age or size. Your new culture should focus on your workforce's values, how your employees regard their roles, and what patterns they perceive, optimistically or pessimistically, in "how things work around here."

Australia's ANZ Bank underwent a successful cultural change.

Siobhan McHale spent seven years as "head of transformation" at the Australia and New Zealand Banking Group Limited (ANZ). She supervised a team of change-specialist professionals, working with CEO John McFarlane and his executive team to revitalize the bank's sinking culture. Their efforts in the early 2000s helped ANZ transform itself from Australia's worst performing financial institution to the world's top performing bank, according to the Dow Jones Sustainability Index.

Before this effort, ANZ was in serious trouble. Its fees lacked transparency. It had to close many branch offices, and it had a bad reputation with customers. The employee culture was poisonous.

"Culture change can be extraordinarily rewarding, but it can also be challenging. Remember, the journey may require you to give up the ways that once made your organization successful."

Many of the bank's 32,000 employees reportedly hated their jobs and felt no loyalty to the bank. ANZ's revenues and profit were in a tailspin. The bank's flawed employee culture, largely a result of management's single focus on the bottom line, generated many of these problems.

Change management expert John Kotter used ANZ's transformation as a case study at Harvard.

After ANZ's dramatic turnaround, which famously transformed it into the "bank with the human face," Harvard professor John Kotter, a respected authority on change management, interviewed McHale about ANZ's strategies. From that meeting, Kotter repackaged what he had gleaned into a feature in his instructive case studies on change management presented to his Harvard MBA students.

"A bad culture will leak value from your business, drop by corrosive drop."

A successful change management effort is worth studying, because, as a 2015 McKinsey report found, nearly 70% of business change initiatives don't deliver viable benefits. Yet because change management is necessary in combating employee disengagement, companies must strive to make successful transitions.

To rebuild ANZ's culture, McHale and her colleagues developed a "culture disruptor" program in four steps.

To fix your culture, you must first diagnose it properly.

Before McHale went to work at ANZ, its previous change efforts had not only failed, they had worsened its situation. Old cultural customs, patterns, assumptions and habits always die hard, if they die at all. Even in dysfunctional cultures – and even when culture change will benefit them – many employees, managers and executives resist embracing a new path.

Consultants from McKinsey & Company had previously pinpointed issues ANZ should resolve. McHale confirmed that those problems were toxic. Most notably, employees' rude or indifferent behavior angered customers and damaged community goodwill. Many Australians saw ANZ as "greedy and insensitive" as they suffered from its lack of fee transparency and the shuttering of many local branch offices. Even Australia's Financial and Consumer Rights Council stated that most Australians hated ANZ.

"Fee increases or branch closures cause a great public outcry in which any rational explanation from the bank...is ignored, ridiculed or dismissed. They have become corporate pariahs." (Australia's Business Review Weekly, January 2001)

McHale discovered a habitual pattern of dysfunction and obsolete command-and-control behavior that she regarded as the source of ANZ's reputational problems with the banking public. She discovered that senior executives made every decision, including how employees on the front lines should handle customer concerns. This ironclad policy left clients waiting, often for weeks, to get answers to basic queries. Executive policy forbade frontline employees from making any decisions on their own. Yet, dissatisfied clients naturally blamed those employees for all their problems with the bank. And just as naturally, employees resented shouldering the blame and grew even more disaffected in their dealings with customers.

This increased customer irritation, and the cycle perpetuated itself. As it looped around, executives blamed branch office "order takers" for customers' wrath. Everyone pointed fingers at everyone else as customers grew increasingly dissatisfied and alienated.

As you set out to diagnose your corporate culture, keep these factors in mind.

- Many times, leaders can partially diagnose their culture by spending time in the workplace and speaking directly with employees.
- As you uncover problems and try to achieve a full understanding. Don't rush to implement solutions; first, make sure your ideas will work.
- To be sure you get accurate information, speak to people with differing perspectives.
- Don't discount the "soft stuff," such as feedback, morale and recognition for superior performance. Measure these factors, and take specific actions to improve them.
- Successful transformation requires identifying the major "co-created" patterns that shaped your employee culture.

Encourage employees to reframe how they regard their jobs and their work identities.

To transform how your employees regard what they do at work, ask them to reframe their roles on the job, so they can appreciate their work from a different perspective.

For example, consider Sarah Connors, who runs the cardiology department at New York's Mount Sinai Hospital. Her normal daily routine encompasses the many roles she occupies in her life. In the morning, Connors fulfills the roles of wife and mother. She wakes up, gives her husband a hug, prepares breakfast for their two children and sees them off to school. Then she dresses for work and takes a train to Mount Sinai, where she is a supervisor.

"Culture change never follows a straight line."

To start her workday in her role as a teacher, Connors discusses cardiology with her first-year medical students. Sometimes, she covers budget and equipment needs with her boss, often in the role of negotiator. These are only a few of her daily roles.

Like everyone else, Connors has a distinctive personality. However, in all her roles, she never allows her personality to drive her actions. Many change consultants believe that, contrary to how people operate psychologically, they should try to get workers to change their personalities so they more easily

adapt to change initiatives. That is not effective, but you can use a better approach. Accept your employees as themselves and their personalities as part of who they are, and reframe their roles as you initiate cultural transformation. To put it another way, “modify the role, not the person.”

McHale and McFarlane took this approach. They worked to get ANZ employees to reframe their roles to see themselves as service providers, not order takers. This change in emphasis produced a resounding, positive shift to a new, improved employee culture.

Keep these essentials in mind as you try to reframe how your staffers regard their roles.

- To speed up transformational change, reframe four main roles: “the boss, the leadership group, business units and all employees.”
- The best leaders spend at least 20% or more of their time tending to their roles as change agents.
- While HR always plays a major role in introducing positive change, other departments must embrace their related responsibilities.

Free your corporate culture from embedded negative patterns.

Established cultures are like bad habits – they are difficult to break. The executives at ANZ addressed this problem through a restructuring effort they called “Restoring Customer Faith.” This effort was designed to substitute a positive new pattern for a negative old pattern. The bank’s main problem was that its customers no longer believed in it.

“Patterns lie at the heart of workplace culture.”

The change initiative focused on employee and executive cooperation and accountability under the slogan “We work together to serve the customer.”¹⁴ The new initiative put customers at the head of the line, a change that employees embraced.

For example, a teller named Ella received an urgent call from a customer, Tim. Thieves had taken his credit card, and he was about to leave on a flight out of town and needed a new card. Tim said the traffic was so bad he couldn’t get to the bank without missing his flight. Ella told Tim not to worry. She generated a new card, got in a cab, told the driver to step on it and delivered the card to Tim in time for him to make his flight. Tim thanked her and declared, “You’ve got a customer for life!”¹⁴ Executives at ANZ applauded Ella’s initiative and independence. With that new corporate attitude about customer service, actions such as Ella’s became the norm.

As you attempt to help your firm break out of negative embedded patterns, keep these factors in mind.

- As you plan a change initiative, investigate how other, similar firms handled their change programs.
- Your behavior as a leader affects the culture of your organization.
- Implementing major transformational change requires developing, implementing and following a formal plan.

Consolidating cultural improvements requires everyone's commitment.

McHale and her team worked on ANZ's culture for seven years, being vigilant over the long run to make sure the changes that the company underwent stuck. This diligent maintenance provided the fourth and final step of the bank's culture disruption program.

In conjunction with Charles' work, ANZ's CEO and his executive team introduced corporate initiatives that increased the momentum of the company's change process. These programs included a community volunteer service campaign that helped restore local communities' trust in the bank.

Engaged employees deliver results, and that's what happened at ANZ. Its profits more than doubled in seven years, and its share price increased to become three times higher than its previous low.

"Culture change can be extraordinarily rewarding, but it can also be challenging. Remember, the journey may require you to give up the ways that once made your organization successful."

Additionally, ANZ won numerous leadership, service and employee engagement awards, and became a desirable place to work. As a 2001 article in *The Australian* put it, ANZ radically transformed itself "from the industry lame duck into a highly polished money-making machine with an eye to its customer needs." As you consolidate the gains you achieve in your cultural change efforts, find ways to measure them so you can track your progress and find solutions to any setbacks.

Today's changing, challenging world requires companies and leaders to remain agile and flexible, always ready to abandon old habits and try new approaches while prioritizing employee and customer needs.

About the Author

Consultant **Siobhan McHale** currently serves as the Executive General Manager of People, Culture & Change at DuluxGroup. Soundview named this book as the Best Business Book of 2021.



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