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Gartner for HR Leaders

# 3 Culture Conversations Every CEO Must Have With the Head of HR



## Overview

A positive organizational culture can provide both financial and reputational benefits. CEOs are therefore looking to revamp their organizations' cultures to realize those benefits. Gartner research has shown, however, that employees are not demonstrating the culture organizations need. Since organizational culture typically falls under the scope of the HR function, CEOs must work with their heads of HR to create a culture that drives the organization.

To align their workforce with the desired culture, CEOs must have three conversations with their heads of HR:

**Conversation 1:** Define your culture as a set of tensions, not attributes.

**Conversation 2:** Listen to your employees' unfiltered feedback to uncover your true culture.

**Conversation 3:** Embed culture leadership into business leadership.

## Key findings

- Despite investments in culture, only one-third of organizations have the culture they actually need to drive future business performance.
- To build a culture that performs, organizations must align the workforce with the culture by improving the knowledge, mindset and behavior simultaneously and for the entire workforce.

## Recommendations

The three conversations CEOs must have with their heads of HR should do the following:

**Conversation 1:** Define culture as a set of tensions, not attributes, by identifying points of tension in the culture and helping employees navigate them. Our research found that organizations taking that approach improved workforce-culture alignment by 16%.

**Conversation 2:** Listen to employees' unfiltered feedback to uncover the true culture by asking leaders not to interpret feedback, but to create space for employees to share it. Our research found that organizations taking that approach saw 11% more confidence in culture understanding.

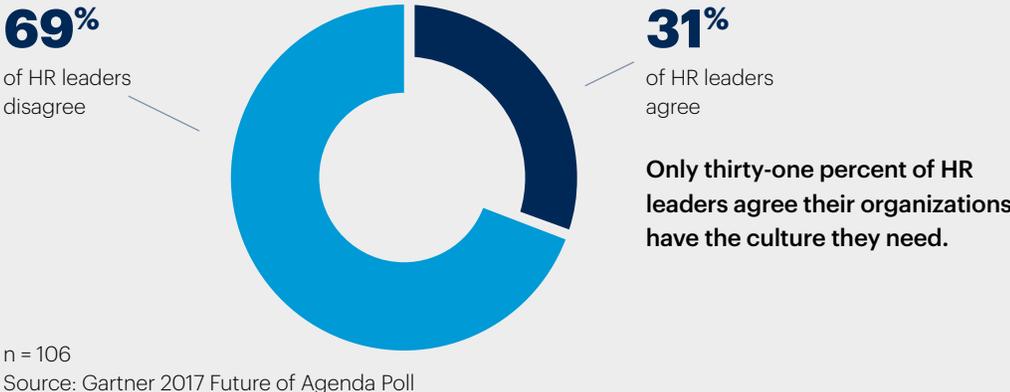
**Conversation 3:** Embed culture leadership into business leadership by holding leaders accountable for remodeling business processes to reflect the culture. Our research found that organizations taking that approach improved workplace-culture alignment by 18%.

# Introduction

A strong organizational culture has proven benefits for an organization's financial performance. In addition, culture is under more investor scrutiny than ever. It is now the most discussed talent issue on earnings calls, with the number of mentions having grown 7% annually since 2010. Furthermore, today's environment of increasing transparency means an effective culture can create positive customer and public perceptions of an organization. So it's no surprise CEOs are personally invested in corporate culture. And because CEOs rely on their CHROs to drive culture and purpose, they need to ensure their CHROs are in a position to build a successful culture.

Unfortunately, only one in three organizations has the culture it needs. Considering the time, effort and money (an estimated more than \$2,200 per employee) organizations spend on culture, this low number is not the result of a lack of commitment.

**Figure 1: Agreement That the Organization Has the Culture It Needs to Drive Future Business**

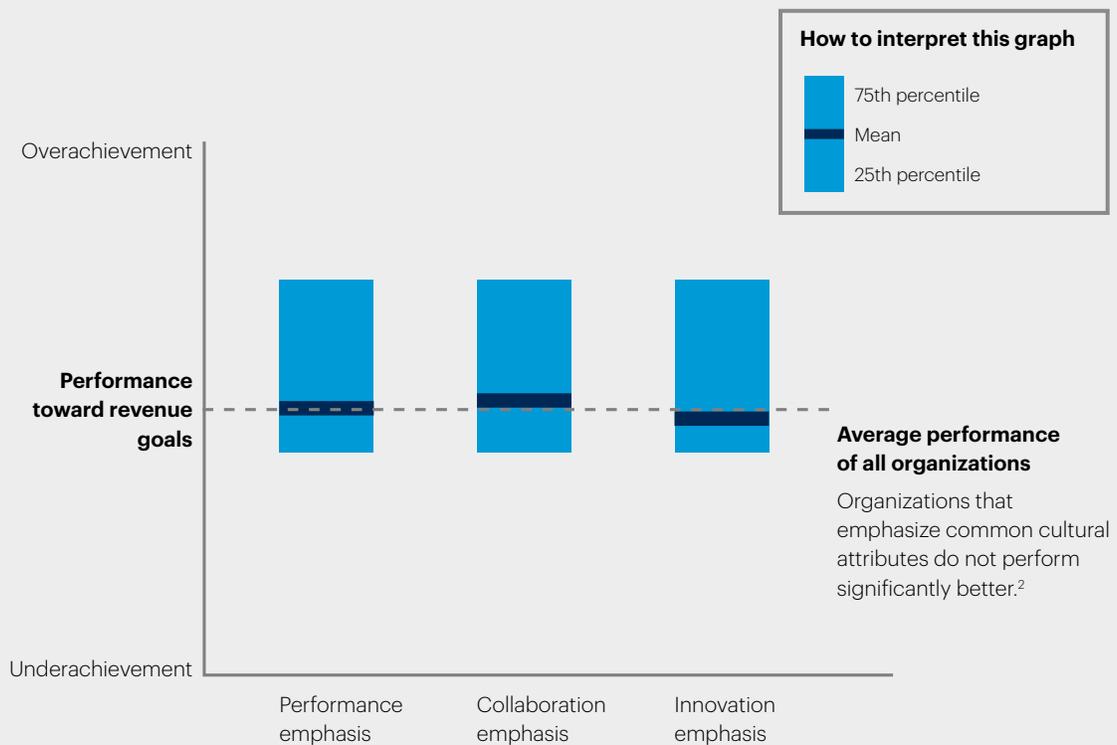


Many CEOs believe the problem is rooted in figuring out the type of culture their organization needs, so they set out to find — or institute — the relevant cultural attribute or attributes. In fact, most CEOs aim to emphasize a select few attributes they think work for all organizations (for example, innovation). However, no single cultural attribute is guaranteed to improve performance against financial goals (see Figure 2). Furthermore, at most organizations, executives know what the culture needs to be. The challenge is therefore less about defining what the culture should be and more about determining how to get there.

Throughout our research, we found that most organizations are not correctly turning their cultural visions and plans into action. Employees failing to demonstrate the culture is a shortcoming caused by three gaps:

- 1. A knowledge gap (69% of employees)**  
The culture exists as an idea in the organization, but the workforce does not believe in or act on the culture.
- 2. A mindset gap (87% of employees)**  
Employees buy into what they think the culture is but don't actually understand it or act on it.
- 3. A behavior gap (90% of employees)**  
Employees' actions are aligned with the culture, but employees do not understand or believe in it.

**Figure 2: Organizational Performance Toward Review Goals by Emphasized Cultural Attributes<sup>1</sup>**



**Organizations that emphasize performance, collaboration and innovation all have the same average organizational performance.**

n = 190 HR leaders

Source: Gartner 2017 Culture Benchmarking Survey

<sup>1</sup> "Emphasis" refers to whether survey respondents selected a given attribute as one of the five attributes their leadership considers most important to the organization.

<sup>2</sup> No significant correlation was found for these emphasized cultural attributes or any of the following additional attributes: customer focus, energy, entrepreneurialism, honesty, integrity, leadership, passion, respect, results orientation, safety, transparency and trust.

In other words, employees don't know what culture is needed, don't believe the desired culture is the right one and don't behave in a way that aligns with the desired culture to deliver the organization's strategy.

To build an effective culture, organizations must align the workforce with the culture by closing these three gaps. We have termed the alignment of worker knowledge, mindset and behavior the desired culture workforce-culture alignment (see Figure 3).

The three gaps in workforce-culture alignment are not new; in fact, an abundance of guidance from consultants, literature and elsewhere is aimed at helping organizations close them. However, most solutions still fail to help CEOs achieve the highest possible impact on business outcomes from culture. We've identified two often-overlooked keys to aligning the workforce with the culture:

**1. Optimize knowledge, mindset and behavior simultaneously.**

Most guidance focuses on helping organizations increase knowledge, mindset or behavior individually, and they prioritize one to close first. However, this strategy has no statistically significant impact on an organization's performance against financial goals. To achieve up to a 9% increase in financial goals, culture management strategies should simultaneously close all three gaps.

**2. Optimize knowledge, mindset and behavior for all employees.**

Most guidance instructs organizations to prioritize particular employee segments for which they should improve the culture. However, organizations in which

all employees have similar knowledge, mindset and behavior have a 12% higher impact on employee performance than organizations in which knowledge, mindset and behavior vary widely across employees.

Gartner research has found that when the average organization strongly aligns employee knowledge, mindset and behavior with the desired culture — simultaneously and for all employees — they see a significant improvement in performance against revenue goals (up to 9%), performance against talent management goals (up to 8%), employee performance (up to 22%) and reputation outcomes (up to 16%).<sup>3</sup> To achieve these results, the best strategy is to change the enterprisewide systems and processes that set the organization's cultural tone. Below are three key conversations CEOs should have with their head of HR to ensure they are equipped to build an effective culture strategy:

**Conversation 1:** Define your culture as a set of tensions, not attributes. Clarify that employees must live the culture by navigating competing interests, and give them the tools to do so.

**Conversation 2:** Listen to your employees' unfiltered feedback to uncover your true culture. Create an environment that elicits an honest assessment of the current state of culture in the organization.

**Conversation 3:** Embed culture leadership into business leadership. Hold leaders responsible for driving organizational culture in the same way as other business outcomes.

**Figure 3: Model of Workforce-Culture Alignment**



Source: Gartner 2017 Culture Benchmarking Survey  
<sup>3</sup> Reputation outcomes include the positivity of customer and general public perceptions of an organization.

# Conversation 1: Define your culture as a set of tensions, not attributes

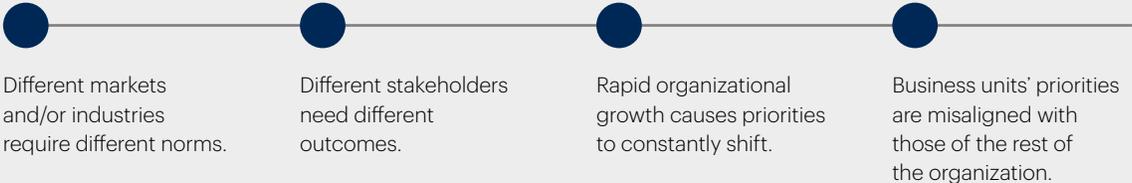
CEOs play a huge role in defining their organizations' culture. Tenured CEOs may look to redefine culture, perhaps after a merger or acquisition. When a new CEO steps into the role, it is hardly uncommon to redefine the organization's cultural attributes (such as collaboration or innovation).

A focus on attributes makes sense in theory because it gives employees a clear set of expectations. In practice, however, these lists of expectations usually lack sufficient detail and confuse employees. This is because typical culture strategies focus on individual attributes in isolation. In contrast, leading companies focus on the intersection between attributes because

that's where tensions arise that can confuse employees and cause them to not act — or act incorrectly.

These points of conflict or contradiction between culture attributes — culture tensions — can arise due to conflicting values, stakeholders or objectives (see Figure 4). For example, an organization might say it wants employees to be both innovative and rigorous; innovation requires employees to be comfortable with failure, but that is difficult if the organization only promotes employees who are rigorous to a fault and play it safe.

**Figure 4: Sample Causes of Tension Between Cultural Attributes**



Culture tensions can arise due to conflicting values, stakeholders, objectives or priorities.

Source: Gartner

Cultural tensions are not necessarily bad, and they are often strategically necessary. So rather than avoiding cultural tensions, organizations should help employees navigate them. To do this, organizations typically encourage employees to prioritize whichever attribute is most urgent, most important to a key stakeholder or most likely to keep operations running smoothly at any given time.

However, this sends the wrong message. Allowing employees to prioritize one attribute can signal that some culture attributes are “negotiable” when they aren’t. Using our previous example of innovation versus rigor, if an employee prioritizes innovation for one project, that does not mean rigor can be neglected completely.

Prioritizing one side of a cultural tension could also create a disconnect between the stated culture and actual norms, causing culturally aligned employees to become frustrated. For example, employees who were originally excited about a company’s innovative approach might feel jaded if they are constantly asked to prioritize rigor and play it safe.

To help employees correctly navigate cultural tensions, it is critical for CEOs and heads of HR to rethink how culture is defined:

- First, organizations must understand and acknowledge the tensions. CHROs should consult employees to get their perspective on what tensions they experience within the organization’s culture. The leadership team should then come together to determine which perceived tensions are strategically necessary.
- Second, organizations should articulate the tensions to employees. More importantly, they should provide a framework that explicitly articulates what the cultural tensions are, why they exist and how employees should live all sides of the tension in their day-to-day work.

<b>Next steps</b>	
<b>What CEOs should stop</b>	CEOs should stop focusing on defining culture as a handful of “good” attributes to invest in and promote in isolation from one another.
<b>What CEOs should start</b>	<ul style="list-style-type: none"> <li>• CEOs should start identifying the tensions that define culture and create competitive advantage when executed well.</li> <li>• CEOs should also create a framework or other tools to explain culture tensions to employees and how they can navigate them.</li> </ul>
<b>Questions CEOs can ask their heads of HR</b>	<ul style="list-style-type: none"> <li>• What are the tensions that exist in our culture?</li> <li>• Which tensions are vital to our culture? How do we know?</li> <li>• How do we help employees navigate those strategic tensions?</li> </ul>

Source: Gartner

## Conversation 2: Listen to your employees' unfiltered feedback to uncover your true culture

Organizations with a strong understanding of their culture can accurately diagnose the current culture, identify barriers that block the culture, hold leaders accountable for driving the culture and anticipate and implement culture change. Unfortunately, very few executives have an accurate understanding of how culture is actually manifesting in their organizations. In fact, only 10% of CHROs report that leadership fully understands their organizations' culture.

Learning about the culture is especially difficult for CEOs. When CEOs ask leaders about the state of culture, they all want to look good; some senior leaders

will be straightforward, but most will not. Even with good intentions, senior leaders don't always know the real issues behind how work gets done. Therefore, CEOs must not only encourage the unvarnished truth but also create an environment that demands it.

To get the unvarnished truth, conventional culture data, such as descriptive survey data, is inadequate. This data typically only focuses on employee satisfaction (for example, engagement and turnover metrics) and is only collected once a year. For CEOs to get an honest view of culture, they instead need unfiltered and actionable qualitative information.

Next steps	
<b>What CEOs should stop</b>	CEOs should stop only asking leaders for their interpretation of employee feedback on the culture.
<b>What CEOs should start</b>	<ul style="list-style-type: none"> <li>• CEOs should start asking leaders to listen to what the culture is.</li> <li>• CEOs should remove the stigma associated with reporting the negative aspects of culture.</li> <li>• CEOs should also create a forum for employees to confidently share unfiltered feedback on the culture with senior leaders.</li> </ul>
<b>Questions CEOs can ask their heads of HR</b>	<ul style="list-style-type: none"> <li>• What tools do we have today to understand the culture?</li> <li>• How do we involve employees more in assessing and communicating the culture?</li> <li>• What do I need to change to encourage more feedback?</li> </ul>

Source: Gartner

# Conversation 3: Embed culture leadership into business leadership

Once you know the true culture, it's much easier to hold leaders accountable. But how do you do that? When you ask your executive team and top leaders about their roles in culture, the most common answer is "role modeling." In fact, Gartner research shows that four in five organizations rely on senior leader role modeling to drive the culture.

This makes sense because employees look to leaders to confirm whether their own behaviors are aligned with the organization's culture. However, leaders' efforts to role model culture are incomplete at best. Great role modeling is characterized by three components:

**1. What they say**

Leaders communicating the importance of culture.

**2. How they behave**

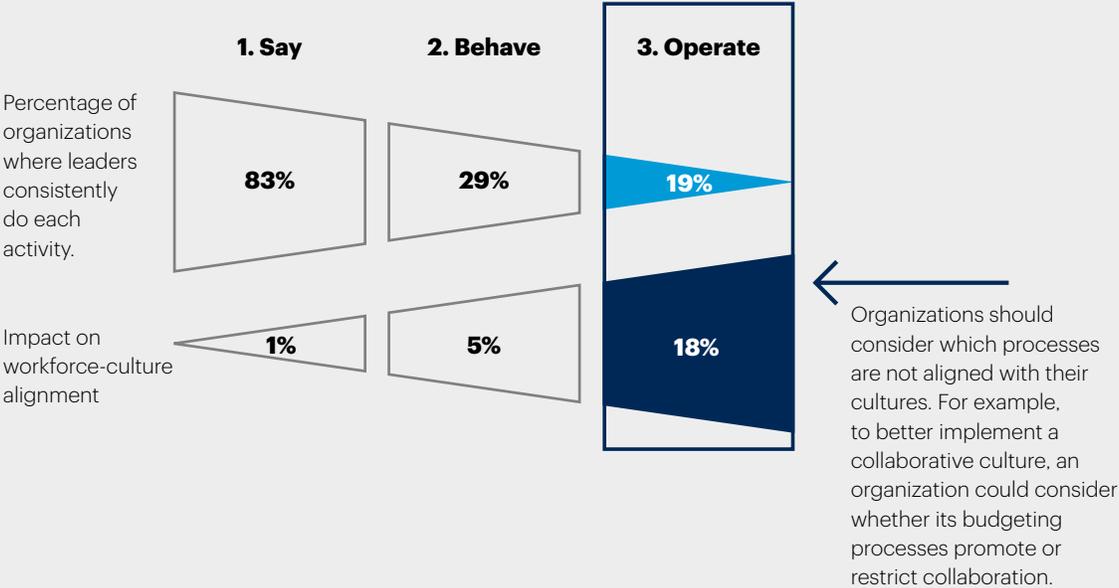
Leaders behaving in a way that is consistent with the culture.

**3. How they operate**

Leaders managing business processes (such as budgets, structures and policies) based on the culture.

Many leaders prioritize the "say," and some focus on their own behavior, but most overlook the "operate" component. However, the operate component has the biggest impact on workforce-culture alignment, meaning that leaders are least focused on the most important aspect of role modeling. To operate according to culture, organizations must first identify which processes to change (see Figure 5).

**Figure 5: Prevalence and Impact of Leader Role Modeling Components**



Culture tensions can arise due to conflicting values, stakeholders, objectives or priorities.

n = 7,052 employees; 190 HR leaders  
 Source: Gartner 2017 Culture Workforce Survey; Gartner 2017 Culture Benchmarking Survey  
 Note: Percentages for leader behavior and impact on each component are calculated independently of one another and thus do not add up to 100%.

One organization, RTI International, addresses process barriers to culture by giving leaders employee feedback on the culture to ensure they understand the challenges, then tasking a cross-organizational team, led by HR, to address those barriers. The CEO and CHRO not only encourage this team to “go bold” as they examine systems and processes but also give the team its own charge code and flexible timelines.

Equipping leaders to remove process barriers is critical, but without any accountability, it can become a side-of-the-desk activity. Leaders are asked to do a lot, and aligning business processes with culture is not quick or easy, so culture is often perceived as “extra” work that is not core to achieving business strategy.

Accordingly, getting leaders to prioritize it takes more than just a mindset shift. Providing tangible incentives is not always right because it makes culture outcomes distinct from the business outcomes.

Thus, CEOs must also ensure leaders are actually making the necessary business process changes.

To get leaders to focus on the operate component of cultural role modeling, CEOs should treat leaders’ responsibility to drive culture the same way they treat other business activities.

<b>Next steps</b>	
<b>What CEOs should stop</b>	<ul style="list-style-type: none"> <li>• CEOs should stop establishing culture objectives that are distinct from business objectives.</li> <li>• CEOs should also stop getting leaders to just “walk the talk” (personal role modeling).</li> </ul>
<b>What CEOs should start</b>	<ul style="list-style-type: none"> <li>• CEOs should start holding leaders accountable for remodeling business processes to reflect the culture.</li> <li>• CEOs should also ensure leaders know where to invest to address process barriers to culture.</li> </ul>
<b>Questions CEOs can ask their heads of HR</b>	<ul style="list-style-type: none"> <li>• How do our leaders think about their role in driving organizational culture?</li> <li>• How can we raise the stakes on culture leadership at our organization?</li> </ul>

Source: Gartner

## Conclusion

Organizational culture is an organization's identity internally — and more often externally — and is a key area of focus more than ever before. As the two executives most closely linked to culture, CEOs and heads of HR must ensure their organizations' culture helps drive business outcomes. This means maximizing workforce-culture alignment, which ensures business processes are aligned with employees' knowledge, mindset and behavior.

By helping employees navigate necessary culture tensions, listening to the unfiltered employee perspective on culture and holding leaders accountable for leading the culture, CEOs and heads of HR can maximize culture's contribution to financial, reputation and talent outcomes.

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## About this research

Gartner surveyed more than 7,500 employees and nearly 200 HR leaders around the world and interviewed more than 100 HR leaders globally to determine the most effective approaches to creating an organizational culture that helps drives performance.

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