Culture in a Time of Change

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During moments of large-scale change, culture is one of the most important tools an organization has at its disposal to drive business results. Culture can be a constant through uncertainty, a manual for leaders in redefining or doubling down on values, or a north star to guide workers through transformation.

To effectively use organizational culture as a means to an end, though, leaders must first understand each of its component parts. One popular model of culture, developed by the Swiss-American psychologist and MIT professor Edgar Schein, posits that culture operates on three levels: assumptions, or the emotional, linguistic, and thought patterns that workers believe they share with one another; artifacts, encompassing behaviors, norms, documentation, technology use, and other on-the-ground factors in how an organization operates; and values, or the "why" that drives the other two categories.

Michael Watkins, a professor of leadership and organizational change at the International Institute for Management Development, offers an analogy building on Schein's model: Leaders looking to understand how best to actively shape culture, he says, should think of it as "a sort of layer cake." The top layer is language, or an organization's shared vocabulary and frameworks; the middle layer is behaviors; and the base of the layer cake is values and beliefs—not necessarily the aspirational stated values an organization puts out into the world, he clarifies, but the observable ones guiding decision-making. ("There's often a substantial diversion" between the two, he notes.) While some organizational changes will lean more heavily on one or two of those layers, Watkins says, successful change efforts will take all three layers into account.

In this playbook, you'll read about organizations that did just that as they navigated major shifts in their business model and way of working. Each case study in the following pages includes practical takeaways for leaders to apply to their own change efforts, as well as insights from academics and other experts who study culture about how best to steward it through change. Read on for new ideas, actionable strategies, and frameworks to best align your values and culture to business goals amid the ever-evolving world of work.

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01 How LHH united several companies under an entirely new culture

The challenge

In 2022, the staffing agency Lee Harrison Hecht (LHH), a subsidiary of the Adecco Group, absorbed several other Adecco Group companies to become a full-service recruitment agency united under one brand and one management structure. The reorganization was driven in large part by the Adecco Group's desire to provide a more seamless experience for clients around their professional talent needs. In practice, however, the new LHH—which now included professional recruitment, talent development, upskilling and reskilling, and leadership coaching services in addition to outplacement and mobility services—was starting off less as a united organization than a collection of disparate parts.

"We were bringing together very different companies and histories and ways of working together," says Gaelle de la Fosse, president of LHH, who assumed her role during the company's transition. Rather than doing so by molding the incoming brands to LHH's existing culture, she explains, the leadership team opted to create something totally new, informed by each of its additions: "We were starting from scratch, basically."

The goal

At the top of the new leadership team's priority list was creating a sense of internal cohesion driven by a common understanding of the new organization's culture. "If you don't manage for these people that you're putting together to share a common vision [around] strategy, but also to share a feeling of belonging and shared values, it never really ever works," de la Fosse says.

Getting all employees to feel a part of one organization was critical on two levels: Beyond serving internal morale, it was also important for realizing the stated goal behind the consolidation in the first place. "If we want to create something that gives a more holistic added value to the clients, then it means that we need our teams to link arms and to look in the same direction," de la Fosse notes. "If it doesn't make sense internally and people don't collaborate, you kind of defeat the purpose."

What LHH did

Over several months, the company's leaders went through a multi-step information-gathering process to learn two things: what employees understood their current culture to be, and what they wanted it to become. The first provided a starting point for leaders to identify gaps between different branches of the newly consolidated company, while the second helped them understand where they should focus on finding commonalities to act as the foundation for a new culture definition.

Data collection and sense-making: As a first step, LHH employees were invited to fill out a survey about current and desired values using the Barrett model, a framework that asks workers to identify their personal priorities and motivators in areas such as community and self-expression. After roughly 80% of employees had responded, the company convened focus groups with workers across all levels and locations of the company to interpret the results, combing through the values their colleagues had singled out to group commonly repeated concepts into larger themes.

Translating ideas into action: Once the initial round of focus groups yielded a set of values that would form the basis of LHH's new culture, the company held a round of employee workshops—similarly diverse across level, function, and geography—to work through how those values should manifest as behaviors.

From these discussions, the leadership team created its set of "culture commitments," or values statements framed as imperatives. "We felt that we needed something that was more engaging for people, and that's why we chose to formulate it in a way that it would give a desired behavior," de la Fosse explains. One value that emerged from data collection, for example, was a desired emphasis on learning; as a culture commitment, that theme became "Learn every day."

Activation: Following an initial town hall to roll out its culture commitments across the organization, LHH worked to bring those commitments to life on two levels:

- **Company-wide:** LHH leaders looked for opportunities to knit together its culture commitments, its business strategy, and its day-to-day work. To activate "Learn every day," for example, the company encouraged employees to take advantage of their access to the same leadership training and coaching services that LHH provides for its clients.
- **Location-specific:** The company implemented a system of culture ambassadors, volunteer employees who worked under the oversight of country presidents to create programming for each commitment. "We really rely on local creativity to figure out the best way of conveying, for instance, 'Winning together,'" another one of LHH's commitments that emphasizes team unity, de la Fosse says. "In Spain, every Friday, they have a drink together....Do they do it in Paris as much as they do it in Madrid? No. But in Paris they'll do picnics with teams that won on projects. Managers are empowered to do the things that they think are right culturally, locally, that make sense for them."

Takeaways and tactics

Treat culture change as a grassroots movement. In mapping out how the company's new culture would come together, LHH leaders made it a point to build from the bottom up rather than the top down. "I didn't want it to come from the management or from me," de la Fosse says. I wanted our colleagues to shape the culture they wanted and the culture they felt would make us successful."

Research supports this line of thinking: Employee buy-in for any change is greater when people feel like they've had some influence over what that change looks like. In a 2021 McKinsey study of workplaces that had gone through major transformations, the most successful change efforts were at the organizations where workers said they'd been more involved in the process. That effect was especially pronounced for workers lower down in the organizational hierarchy.

"Change always happens at lower levels of organizations, not at the top," notes Matthew Paese, senior vice president for leadership insights at the human resources and leadership consultancy Development Dimensions International (DDI). A leader's job, he explains, is to "to provide the best example, to model, to be clear about their expectations and why"—but to do so later in the process, once employees have helped clarify what it is that needs to be modeled, rather than as part of a mandate.

Frame values as actions. Scholars of organizational behavior point to the "values as magic" trap as one common pitfall in communicating values organization-wide: "Too often, leaders assume that if they continually recite their organization's values, the words will take on an incantatory power, and employees will fall under their spell," explained the authors of a 2022 Harvard Business Review paper.

Recasting values as commitments—"here's something we do," versus "here's something we believe in"—helps organizations circumvent that trap. By imbuing values with action, leaders help employees understand in a more concrete way how to enact the organization's core beliefs. (Some of LHH's other commitments, for example, include "reach high," a commitment "to strive for excellence in everything we do," and "win together," a commitment to "build relationships through trust, transparency, and collaboration.") Watkins recommends codifying commitments under a purpose—which he defines as "why we exist beyond making money"—and keeping the list of commitments to somewhere between three and five, to create a set that feels both complete and easily memorable.

Filter universal ideas through local norms. "We don't try to enforce common activations of the culture," de la Fosse says, pointing to LHH's commitment to "Make it fun" as another example of local custom influencing how the commitment is expressed: "In the US, they do Halloween parties. That would make no sense in France."

The need to incorporate local influence applies to the behaviors undergirding values as well. "Every skill, every competency has its own cultural context," Paese says. "For example, how someone disagrees in

Asia may have some nuances [different] from how we disagree in North America." When building a cultural definition that includes behavioral examples, ensure local leaders feel empowered to interpret those examples according to their geographic culture. Culture ambassadors may work with local HR teams to create a supplemental culture document that grounds the broader organizational values in their location-specific norms.

02 | How Atlassian leaned into experimentation while transitioning to a fully distributed model
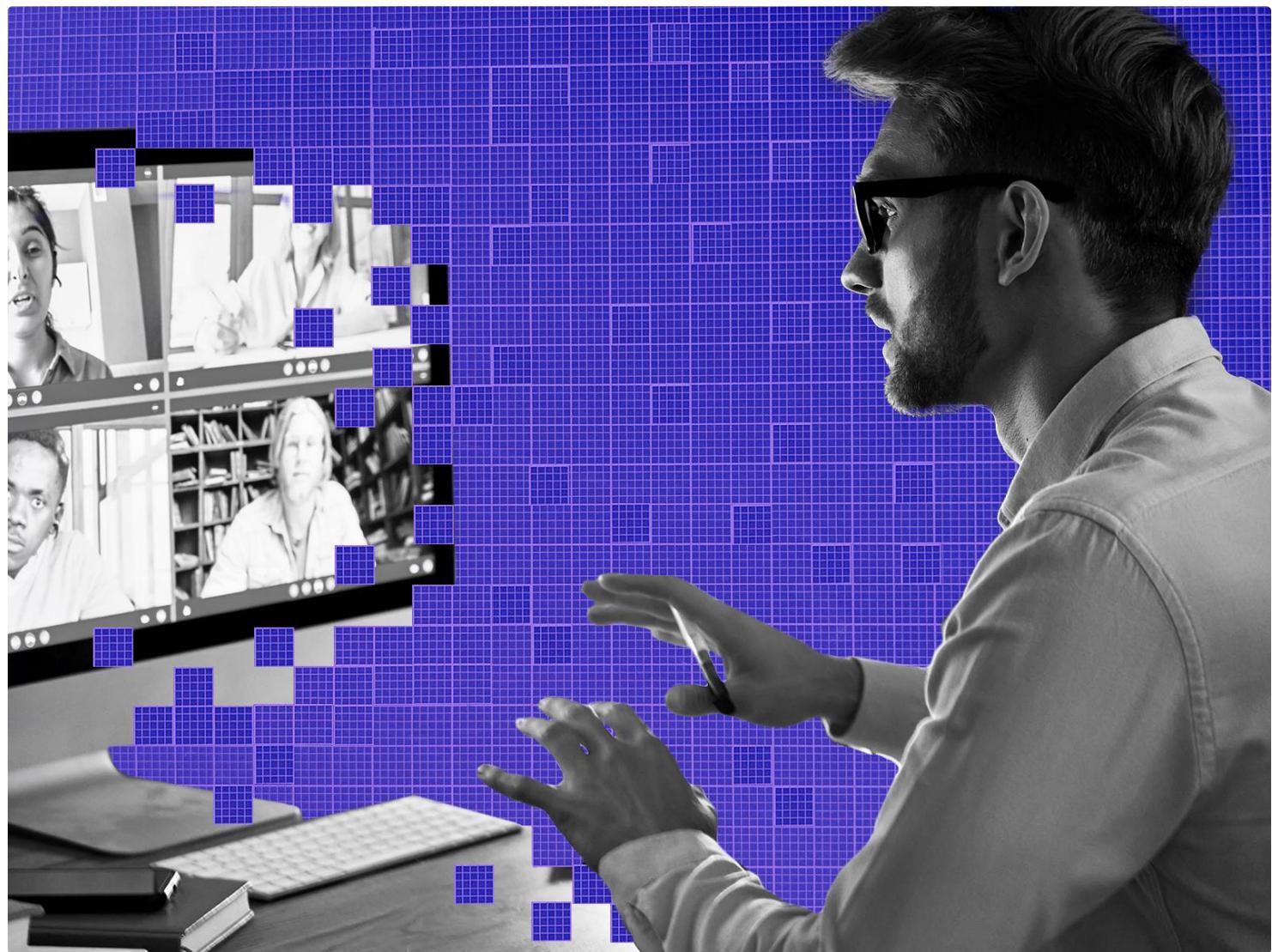
The challenge

In 2020, a few months into the Covid pandemic, Atlassian leaders made the decision to move permanently to a fully distributed workforce. The company, which makes software tools for digital collaboration, had long prided itself on having a strong culture rooted in the mission of its products: "a very high-transparency culture, high-trust culture, [with] lots of information sharing... [and] high clarity," says Molly Sands, head of Atlassian's Teamwork Lab. As employees transitioned to a new way of working for the indefinite future, the task at hand was to ensure that culture was preserved.

The goal

Atlassian's leaders had two priorities in managing the transition. The first and most urgent was to address the immediate ramifications of and questions around the decision, while the second, longer-term priority was to help employees learn and settle into new patterns around collaboration and connection. In both cases, they needed to move forward in a way that captured the same spirit of transparency that had defined the company's work to date.

What Atlassian did

In the short term:

In the early days of the transition to distributed work, Atlassian co-founders Mike Cannon-Brookes and Scott Farquhar minimized layers of communication between themselves and their workforce, talking directly to employees in regular blog posts that included videos of themselves speaking into camera. While much of the content of these updates was policy- and compliance-focused, the two co-founders also made it a point to proactively highlight unknowns—a move that served to strengthen trust between Atlassian's employees and their leaders, creating a sense that all were on the same level in terms of the information available to them.

"In a time of really acute change, where things are moving quickly and people don't know what to expect, the more that you can be sharing transparently what you do know, what you don't know, and how you're figuring those things out, the better," Sands says. "It can bring an enormous amount of comfort for people."

Over the longer term:

In keeping with the earlier embrace of the unknown, Atlassian leaders framed the next phase of its existence as a continuous experiment: Rather than working to arrive at a destination in which ways of working were solved for and set, the company would elevate as part of its culture a practice of hypothesizing, trying, and learning, including assembling a dedicated unit within the business. Team Anywhere, the function launched in 2020 to oversee the transition to distributed work, houses Sands' Teamwork Lab, a team of behavioral scientists dedicated to testing and identifying best practices around remote collaboration.

"There's a lot of things we know help teams, there's a lot of things we know about culture, and there's a lot of things we do not know," Sands says. "There's so many great things we can do here [with distributed work], but there's just a lot to learn about how to do them." One experiment, for example, examined the effects of emoji use in text communication, while another tested whether biweekly asynchronous updates from managers—either in written form or as Loom videos— could help workers gain more clarity around team priorities. (The answer: Yes, and viewing those videos also helped employees feel more connected to their managers.)

Once the Teamwork Lab determines that a practice ought to be adopted, either in certain roles or company-wide, team members add documentation around that practice to the company's distributed work handbook. To ensure that it has the necessary reach, Sands and her colleagues also rely on a network of distributed work evangelists, "a community within Atlassian of about a thousand employees that are advocates for ways of working," she says. "They're all people that care about making work feel really great and be a better experience for their colleagues. And anytime that we have new things, we'll offer them to them and they help us raise awareness and get teams to try things out."

For its experimental orientation to yield results, Atlassian also had to cultivate in its workforce the right skills to succeed through ambiguity. To that end, Sands says, leaders have increasingly emphasized the ability to write well and clearly. "We've done a lot to help Atlassians learn to write really clear, concise messages," she says. "That's certainly a part of our culture." The expectation is reinforced through both the technology tools available to workers—the company has seen widespread adoption of its AI writing assistant—and training materials and other resources based on Teamwork Lab insights.

Takeaways and tactics

Enlist employee ambassadors to encourage adoption of specific practices and behaviors. Designating employee volunteers as active shapers of culture, as in Atlassian's ambassadorship program, counteracts a psychological tendency that often inhibits change: People need to be reminded that they actively create culture, rather than simply existing within it.

In a paper published earlier this year in American Psychologist, a team of Stanford psychology researchers laid out a "four i's" framework for culture change, with change happening at the level of ideas, institutions, interactions, and individuals. Each of these components, the researchers argued, is influenced by and influences the others, yet the power of individuals in shaping culture is often overshadowed by a focus on the other three, especially in more individualistic local cultures. "We want to help people remember that yes, they are individuals, but they are also making culture through their actions," co-author Hazel Rose Markus explained in a Stanford interview. "How our everyday actions can contribute to a larger culture and to its change is something I think we are less likely to think about."

Use video strategically for internal communication. The Teamwork Lab's research on manager Loom videos found that asynchronous video communication was more effective than text in certain areas: Some 32% of workers who received video updates said they felt more connected to their managers, versus 15% who received written messages. For feeling adequately recognized by their managers, those

numbers were 32% for videos and 19% for text. When asked if the regular updates helped them increase goal clarity, however, written messages had the edge: Some 26% of employees who received them said they helped, compared to 23% of employees who received videos.

Publicize incremental learnings. Research has shown that emphasizing even minor victories—moving to the next phase of a project, a new insight gained—is among the most powerful factors in getting workers into the right headspace to support high performance. Experimental cultures can be a rich source of these motivators: Every hypothesis tested and data point gathered is a step forward in an organization's understanding of how to succeed, and therefore a small win in itself.

Making incremental progress more visible across the organization also supports what Watkins calls "visioning," or the process of moving from a leader's personal vision for an organization to a vision shared by all employees. An organization's vision—related to but distinct from its purpose—is the imagining of "a desirable future" that's "ambitious but achievable," he explains. When leaders have a continually growing knowledge base about how to make work more impactful, employees can have a more concrete sense of the steps an organization is taking to go from its present to the vision of its future.

03

How Microsoft is returning to its cultural roots to navigate the shift to an AI-focused future

The challenge

Over the past few years, Microsoft has shifted its business focus to prioritize AI and <u>cybersecurity</u>—a change that took place against a backdrop of other major changes both inside and outside of the company, including the Covid pandemic, the move to a hybrid work model, and societal and geopolitical upheaval, all of which had the cumulative effect of leaving employees feeling unmoored.

The pace of internal and external change has been "intense," says <u>Amy Coleman,</u> corporate vice president of human resources and corporate functions at Microsoft. "That intensity has some of our employees saying, 'Hey, is our culture still here? Is it still durable? It feels different.'" Some 50% of Microsoft's workforce had joined in the years since that original culture transformation, further fueling the sense that workers weren't fully bought in.

The goal

Microsoft had famously initiated a major cultural shift in the mid-2010s, when CEO Satya Nadella led the company's workforce to <u>embrace a growth mindset</u>, a concept popularized by psychologist Carol Dweck in her book <u>Mindset</u>, as the foundation of its culture going forward. A growth mindset is one rooted in the belief that anyone can develop and improve, as opposed to a fixed mindset, which holds that abilities are predetermined; at Microsoft, it was defined by a willingness to be curious, lean into uncertainty, take risks, and experiment.

A decade later, leaders saw in employees' feelings of disconnect the need to assess whether that principle was the right cultural foundation for Microsoft's next phase. Coleman's team retraced their steps, embarked on a listening tour similar to the one Microsoft leaders had done years ago during the initial move toward a growth mindset-focused culture. The team relied on a mix of large-scale surveys, local focus groups, data scientists, and psychologists to collect and interpret answers to a set of key questions: "What is still true? What is not? What needs to be redefined? What needs to be shared?" Coleman says.

The conclusion they reached: "The culture didn't need to change, but we needed to change how we were talking about it," Coleman says. They also needed to re-ground employees—both those who had been present for the initial adoption of the growth mindset culture and those who had joined in the years since—in how that culture manifested, as well as how it would help the business achieve its goals.

To that end, leaders focused on internal education and awareness around the growth mindset and what it meant at Microsoft, including reinforcing a shared cultural language. The message they needed to convey: A growth mindset "is the core element to our culture that's going to take us into our AI ambition, into security being our first priority, into being a high-performance, high-empathy company," Coleman says. "All of those things that we want to achieve, we really believe the growth mindset is the key to that."

What Microsoft did

To re-educate workers around the growth mindset, the company revisited a tactic it had successfully used in the past: "culture conversations," or interactive group discussions on a given topic, led by managers and organizational leaders. These conversations, which began place across the company in the later part of 2024, were intended to accomplish four things: prompting workers to reflect on Microsoft's culture evolution, clarifying the meaning of a growth mindset culture, explaining how the company's culture would help advance its new business priorities, and inspire people to recommit.

Manager toolkit: To support its managers in leading culture conversations, Microsoft's HR and employee communications teams created a toolkit that is part resource repository, part training program. In addition to talking points, FAQs, facilitation instructions, and pacing recommendations for going through all the materials, it includes background information on the growth mindset and the link between culture and business success.

The toolkit also highlights how Microsoft's thinking around the growth mindset has changed over the past decade, Coleman says, and "the next view" of what it will mean going forward. "We're reminding people what the growth mindset is—obviously, we have a lot of new employees—but it takes you a little bit farther, because we have been on this journey for 10 years."

Language modeling: Part of reinvigorating the culture is coaching employees on how to describe it, Coleman says, noting Microsoft has supplemented its discussion program with an effort by leaders to talk about the growth mindset culture in more deliberate terms. Often, "people use 'culture' like, 'Oh, we're going to be a security culture, because security above all else is Microsoft's priority,'" she says. "Well, no, we're actually saying we're going to be a culture grounded in a growth mindset, so we can enable our security priority."

Takeaways and tactics

Define key terms. Microsoft's emphasis on language reflects the fact that creating a clear and common understanding of a word or phrase can be enough to meaningfully change the way employees interact with one another. Multiple studies have found that having a shared workplace vocabulary positively impacts workers' job satisfaction, willingness to share knowledge, and intra-team communication, among other things.

Enlist managers as a key part of your strategy, and clarify their roles.
A manager-specific resource like Microsoft's messaging toolkit mitigates a common weak spot for organizations going through culture change: lack of clarity for middle managers around the role they're supposed to play in the change. More specifically, research has found that even when managers feel equipped to endorse culture—that is, to act as internal spokespeople for their employer's purpose and values —they less frequently see it as their role to enrich culture, or to encourage members of their teams to experiment with ways to express those values in how day-to-day work is done.

When managers do feel empowered to take on the task of enriching company culture, it sets the stage for "cultural management," a style of leadership that is a hallmark of a strong culture overall, explains <u>Glenn Carroll</u>, a professor of management and organizational behavior at the Stanford Graduate School of Business. In cultural management, norms are so ingrained throughout an organization that leaders and managers can spend less time on educating and enforcing, leading to less bureaucracy and greater efficiency and autonomy.

Carroll cites the example of General Motors CEO Mary Barra famously doing away with the company's detailed dress code policy in favor of the simple edict that employees should "dress appropriately." Rather than using rules to influence workers' appearance, "they start managing culturally, which is to provide people with a set of normative guidance about how to do it," he says. "In this case, she doesn't even provide the normative guidance—she just empowers all the mid-level and lower-level managers and their teams to decide the right thing to do, the right way to dress."

The more specific and unique you can make your culture description, the better. Microsoft's emphasis on the growth mindset as its cultural foundation set it apart from many of its peers whose core values often more closely mirror run-of-the-mill corporate buzzwords. When a set of company values reads like a list of generic statements or broadly nice-to-have traits, employees are less inclined to make an effort to align their work with the culture, Carroll says. "Far and away, the most popular value in America and the Fortune 500 is integrity," he notes. "The problem is, when you're in an organization and they say, 'Our top value's integrity,' people say, 'Yeah, of course, I'm honest. There's nothing here to do to worry about."

An organization that uses distinctive language to describe its culture may see downstream improvements in performance. A 2015 <u>analysis</u> of the values listed on the corporate websites of Fortune 100 companies found a positive correlation between the uniqueness of an organization's stated values and its financials—and notably, that correlation existed independently of how well the companies studied actually lived up to those values. "We set aside the question of what organizations do, and the extent to which their behaviors match their claims," the study's authors wrote. "We are interested in the power of the words themselves."

04

How Deloitte used its return-to-office inflection point to bolster a culture of healthy disagreement

Illustration by Charter · Photo by iStock AnnaStills

The challenge

In 2021, as many organizations were navigating the transition back to in-person work or figuring out what their hybrid programs would look like, the Deloitte Consulting leadership team was tasked with crafting a policy that reflected the needs of nearly 90,000 people, as well as the clients they served. To do so, they needed to find a way to accurately capture and objectively evaluate employee sentiment on a topic that felt uniquely tricky to navigate. "A, there's a ton of passion around [return to office]," says Dan Helfrich, chair and CEO of Deloitte Consulting. "B, there are a ton of people making sweeping generalizations and broad-based statements about how 'everyone' feels."

The goal

Helfrich saw the inflection point as an opportunity to strengthen Deloitte's culture of healthy disagreement. "Culture is a living and breathing organism, so it's something that you seek to advance and evolve as opposed to seek to preserve or maintain," he says, and bringing to light employee disagreements around the office return—rather than immediately attempting to find consensus—could be a driver of that evolution. Publicly airing disagreement "helps you deal with conflict better in the future," he says. "It helps you create an organization where providing feedback is a more natural thing, versus something that people fear." To that end, leaders organized a company-wide debate, inviting every employee to weigh in both synchronously and asynchronously and to engage with one another around what the in-office policy should look like going forward.

What Deloitte did

In setting up the logistics of the debate, leaders prioritized a multi-part structure that would engage as many people as possible, motivated by "the fundamental belief that debate improves decision making," Helfrich says. "The broader the diversity of the voices, the more informed the choice is."

Discussion: Every employee was invited to a virtual internal chat room, which remained open for several weeks; to encourage more active and honest conversation, the online chat was unmoderated, without any oversight by management. Leaders also wanted to encourage workers to step outside of their own lived experience to adopt a more objective stance, and so prepared a video to share in the chat presenting relevant data, such as the amount of time the average person spent on the road at each level of the organization. To supplement the main thread, any employee who wanted could join a smaller hour-long structured group session via Zoom, facilitated by a volunteer moderator tasked with keeping the conversation solutions-focused.

Analysis: In all, the debate amassed nearly 65,000 engagements, while hundreds of workers opted to participate in the small-group conversations. Once the company had collected as much data as it could, leaders moved to identify the themes that had arisen during the active debate phase. In addition to automated sentiment analysis, "we had people read through every single text comment that was provided," Helfrich says. Comments were sorted by variables including seniority and geography, and then grouped by theme according to where the commenter wanted the organization to go.

Rollout: Ultimately, after weighing the different sentiments that emerged—and noting that many of the opinions shared ran counter to assumptions about what different groups of workers would want—Deloitte leaders landed on a flexible working arrangement. In communicating the decision to their workforce more broadly, they emphasized a) that it was based on the perspectives employees had shared, and b) that they understood the result couldn't please everyone, a way of assuring employees that all voices had been heard and considered. "Part of our practice is going to want us to go with door number one, part of our practice is going to prefer that we go to door number two, so let's acknowledge that as we actually make a choice," Helfrich says.

When leadership teams pull back the curtain on the decision-making process, he adds, they set themselves up to be more nimble and responsive in the future: "When you make those choices, [if] you're saying, 'As you can tell, this is a really tough call, and as the world goes forward, we're going to monitor this,' then as the world changes, you're in a better position to evolve, adjust, and change."

The initial debate also set the stage for more debates to come. Based on the success of that first experiment, Helfrich's team has held several additional debates over the past few years—largely focused on initiatives related to business growth and professional development—both as an efficient way to work through contentious issues and as a way of keeping the value of healthy disagreement at the forefront of employees' minds.

Takeaways and tactics

Set up official channels to capture employee sentiment around big decisions before they happen. In a 2022 research memo, Carroll identified several levers that have been shown to help an organization strengthen its culture. One of those levers is "broad decision-making structures, [which] get many people involved in the decisions of the organization," he wrote. "Even if their impact is minimal, say a public forum seeking input, involvement helps them understand and implement decisions."

Helping more people feel involved in decision-making can also facilitate a culture of "disagree and commit," something Helfrich points to as an outcome of Deloitte's debate practice: "Healthy organizations demonstrate to people that their dissenting voices have been heard, and therefore have a higher proportion of disagreers who will commit." (Amazon's Jeff Bezos is a high-profile proponent of the "disagree and commit" approach, even citing it as a key tactic in one shareholder letter.)

Train managers in how to manufacture trust. Slightly under half of workers trust their direct managers to do the right thing, and roughly a third say the same of senior leaders, according to DDI's most recent Global Leadership Forecast report. The organizations that don't suffer from low trust, Paese notes, are the ones that "expose people to the simple things they can do moment to moment, day to day, that increase the supply of trust. It is a manufacturable resource." DDI's research identified several manager behaviors that increase trust, including three that are central to successful debate: listening with empathy, sharing rationale for decisions, and encouraging people to challenge old ways of doing things.

Choose debate topics with care. For leaders interested in hosting company-wide debates at their own organizations, Helfrich recommends using two criteria for topic selection: Is it something people feel passionately about? And is it something likely to elicit a wide range of opinions? The first helps ensure an active, vibrant conversation, while the second allows leaders to harness the power of debate as a trust- and empathy-building exercise. "A way to get respect from your team," Helfrich says, "is to show them you understand the breadth of perspectives and that you consider them even in making a choice that some material portion of your team might disagree with." Choosing a more contentious topic also provides more flexibility for leaders in determining the eventual outcome, he adds; otherwise, there may be "a situation in which 99.5% of people feel a certain way, and therefore, if you want to make a decision that's aligned with the 0.5%, it's going to be really tricky."

How to strengthen culture in a time of change—a PMI case study

Illustration by Charter · Photo by JLco - Julia Amaral

Amidst a rapidly changing business landscape and endless wave of disruption, can we ever talk enough about the key to successful transformation?

For many companies, transformation is no longer a one-time initiative but rather an ongoing series of incremental changes—each carrying immense opportunity and high risk. In this environment, forward-thinking organizations like Philip Morris International (PMI) are building a strong company culture as the foundation for navigating disruption. With a bold vision to create a smoke-free future, PMI believes that people are the driving force behind its success and cultivating a company culture that empowers employees to embrace innovation and drive meaningful change, while taking pride in how people work together.

To explore this ambitious journey, we sat down with Frederic (Fred) Patitucci, Chief People & Culture Officer at PMI, to learn how PMI has enabled every employee to foster a strong, cohesive culture following its transformation.

Can you share an overview of how PMI is disrupting its traditional business?

PMI is widely known as a cigarette company and was rarely seen as a transformational leader—until 2016, when the company committed to delivering a smoke-free future. "Since then, we have been working relentlessly to accelerate the end of smoking, and evolve into a broader lifestyle, consumer wellness, and healthcare company," explains Patitucci.

"It's important to understand the magnitude of PMI's transformation," he adds. "Our company has invested over $12.5 billion into the science and research behind smoke-free products, and we employ around 1,500 world-class scientists and engineers." However, this transformation also represents significant shifts from a single-category company into a more complex, consumer-centric business with a broader product portfolio, new channels, capabilities, and supply chains.

"We have an extraordinary vision for a smoke-free future—and doing the extraordinary is in our DNA," says Patitucci, adding that achieving this vision requires fostering a people-centric culture, brought to life by a common set of cultural values and behaviors. "While what we deliver has driven continued success, how we work together will advance us forward."

What does the PMI DNA stand for?

"The PMI DNA defines PMI at its best, highlighting our strengths and our aspirations as a company and as 80,000 individuals working across 92 markets," Patitucci begins. "It focuses on fostering an empowered and inclusive workplace, by promoting psychological safety and honest conversations, all with the intent of further unlocking our people and business success."

The PMI DNA make PMI's implicit identity explicit, and is defined by three simple, yet powerful statements:

1. We Care. We commit to be intentional, proactive, inclusive and to use our collective power to shape an environment where we all thrive.
2. We are Better Together. We unite through a sense of togetherness and belonging, having the discipline to set aside egos and break down silos; we learn, celebrate, and grow as one team.
3. We are Game Changers. We innovate and lead, taking thoughtful risks and always pushing ourselves to get and stay ahead. We do things no one has done before.

"Our ambition with the PMI DNA is simple and straightforward: to unleash our people and business potential by making who we are on our best days our everyday," Patitucci adds.

CODIFYING THE CULTURE: A CO-CREATION JOURNEY

1. *Mapping PMI's culture*
   Data was gathered through employee engagement surveys, employee life cycle surveys, and company narrative insights, complemented by an external cultural assessment. This provided the foundation for the first draft of PMI's cultural identity.

2. *Listening to its people*
   Next, PMI entered a co-creation phase, gathering input from a broad representation of employees, holding 32 focus groups with over 300 employees, resulting in a second draft that more closely reflected the voices of its people. This piece was also socialized with the P&C extended leadership team—a group of 180 individuals—and discussed with the Senior Management Team.

3. *Codifying the culture*
   The final step involved additional iterations with focus groups to ensure it reflected people's insights and beliefs. To finalize, the PMI Marketing team was brought on board to craft the language and create a message that connects and excites employees. The final mile was to discuss with the Board of Directors. This collaborative process culminated in the official codification of PMI's cultural identity, now known as the PMI DNA.

How are you embedding the PMI DNA throughout the organization?

"Earlier this year, our CEO and I united to ensure that our cultural journey is a shared responsibility across the company," Patitucci says. "It's been inspiring to see the PMI DNA take root as a company-wide movement, with senior leaders across all functions fully committed to bringing it to life—not as a P&C initiative, but as an integral part of how we work together."

The journey began with a Global SMT (Senior Management Team) Roundtable, attracting more than 10,000 online participants, with hundreds more watching live through in-person gatherings, marking the highest participation for a global virtual session to date. The rollout continued with a series of in-person leadership events in locations that connected PMI's regional hubs, like Hong Kong, Dubai, Miami, Barcelona, and Montreux, bringing together 1,500 senior leaders from all functions, markets, and regions. These sessions ensured that the company's leadership was fully equipped with a thorough change plan, and engaged to own and cascade the PMI DNA across every facet of their organizations.

"We have many channels to continue embedding the PMI DNA in all moments that matter, ensuring that employees live our values every day. For example, we have evolved our performance management program to reflect our behaviors and expectations, launched self-assessment tools with designated learning pathways to support employees' ongoing development, kicked off the 'Inclusion Starts with I' global campaign where we enhance our focus on feedback and psychological safety, and encourage all of our senior leaders to constantly share their experience and answer questions—ensuring that the PMI DNA connects with the hearts and minds of all employees across the world."

How are you measuring the adoption of the PMI DNA?

"We've embedded the PMI DNA into our Pulse Surveys to track early adoption and understanding, and the results so far have been overwhelmingly positive. Additionally, we've introduced People Manager Expectations, a key component of our DNA, to ensure leaders are effectively guiding their teams according to our culture aspirations. Inclusion, which lies at the heart of the PMI DNA, is continuously measured, and we're proud of the positive outcomes we've seen in fostering an inclusive culture."

What's ahead?

PMI's transformation isn't just about products—it's about people and purpose. "We've worked hard to define clear principles that represent our culture and translate them into behaviors employees can embrace and connect with," Patitucci emphasizes. "At PMI, culture isn't a byproduct of transformation—it's the driving force behind it. It defines who we are, what we stand for, and how we operate."

Looking ahead, PMI is focused on strengthening a culture of continuous feedback, where employees are encouraged to give and receive constructive input beyond formal touchpoints. At the heart of this is fostering a recognition culture that celebrates achievements rooted in how teams collaborate to drive concrete business outcomes. The company will also continue to embed the PMI DNA into its everyday operations, placing greater emphasis on integrating it into business processes and creating a culture of enterprise goals across the organization.

As the company continues to push boundaries, an inspiring and inclusive culture remains essential to fostering the innovation and consumer-centricity needed to realize its ambitious goals. "Living the PMI DNA is more than just a cultural commitment—it's critical to the success of our people and business," Patitucci adds.

5 THINGS TO CONSIDER WHEN LAUNCHING A CULTURAL REFRESH

1. *Co-create your culture:* Involve employees from all levels in shaping your cultural identity to ensure it resonates and reflects the entire organization.

2. *Leverage data to guide decisions:* Use insights from employee surveys, engagement data, and external assessments to provide a solid foundation for your cultural initiatives, one that reflects your strengths and aspirations.

3. *View culture as a business imperative:* Ensure that culture is owned by everyone, woven into the fabric of your organization, and directly connected to both people and business outcomes, reinforcing that culture is a key driver of overall success.

4. *Embed culture in everyday processes:* Integrate your cultural principles throughout the employee journey and other core processes to make it part of everyone's daily routine.

5. *Foster open dialogue:* Create channels for ongoing conversations, like listening sessions and leadership Q&As, to maintain momentum by gathering and encouraging continuous feedback.

6. *Celebrate progress:* Regularly recognize and reflect on cultural milestones, best practices, and success stories that showcase how your culture is evolving in real time.

05 | **Conclusion**
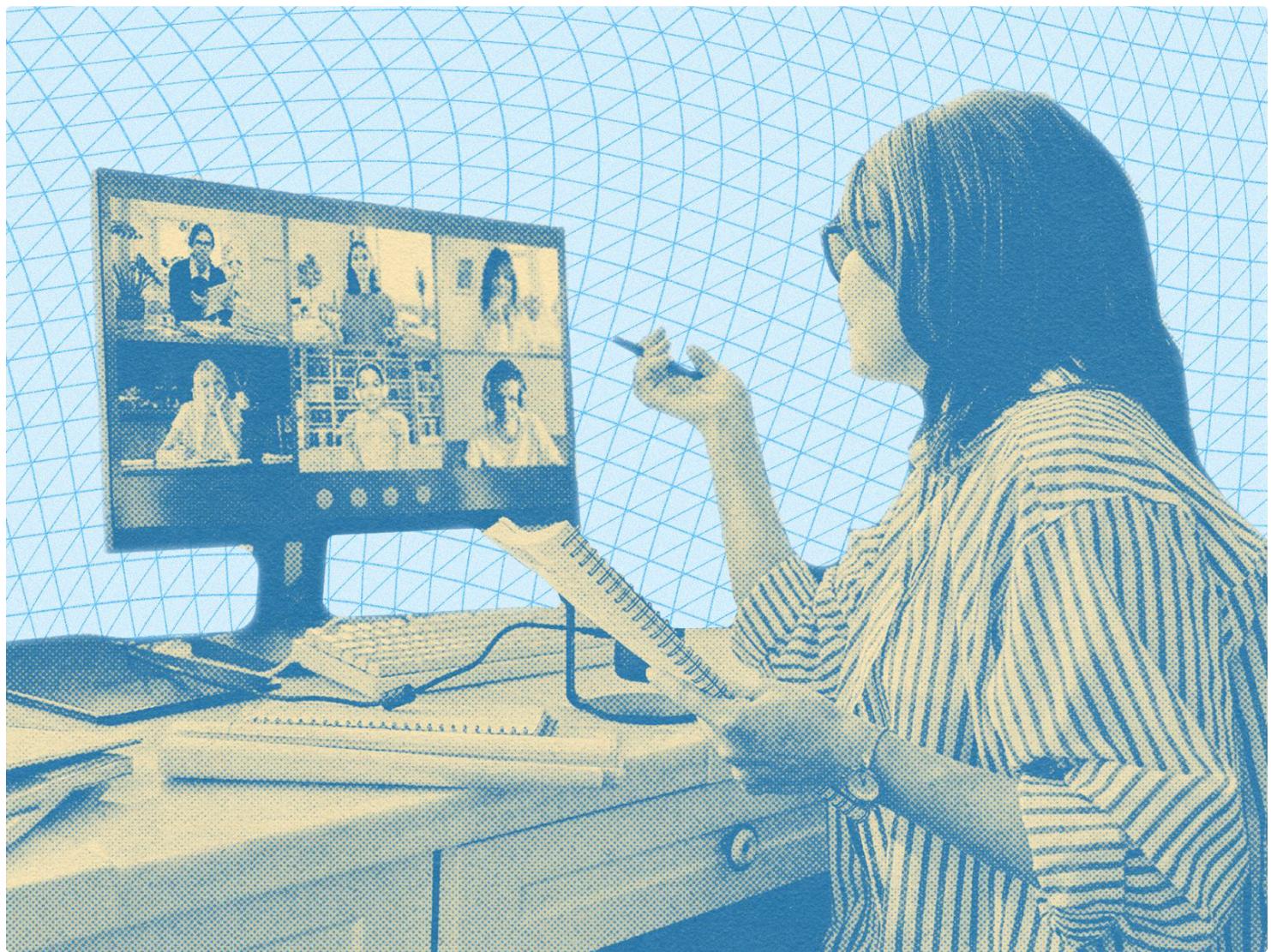
Across all the examples in this playbook, one commonality stands out: The process of change is smoother, more effective, and more galvanizing for employees when it takes place within the context of a strong culture—either one that's pre-existing or one that's being actively strengthened alongside the change in question.

Carroll explains that within management and social science research, "strong culture" has a specific meaning: "The way we define strong or weak culture is in terms of how powerful it is in guiding behavior," he says. "That has to do with the intensity with which people subscribe to the norms and believe in them, and whether or not they're willing to take action to see them happen," as well as the level of agreement around what those norms are.

With that in mind, here are key principles—shared across the case studies in the preceding pages—to ensure the culture you're building or tending is strong enough to not only support any changes ahead, but help workers feel unified, empowered, and motivated on the other side.

Reverse-engineer culture from strategy. When considering how best to shape a company culture in flux, Carroll recommends starting with key strategic questions and then considering the behaviors that move that strategy forward. "What's our approach to the market? How are we going to sell our products and services? You want a culture that's supportive of executing on that," he says. LHH, for example, prioritized the creation of a culture that fostered unity between disparate branches of the company, part of its strategy of creating a comprehensive experience for clients with multiple types of staffing needs.

Have a clear command of what your culture currently looks like (and where discrepancies exist). Mapping a way forward requires understanding where your organization is starting from. Deloitte's focus on challenging leaders' assumptions about return-to-office sentiment is one example; Microsoft's listening tour around the state of its culture is another. When designing surveys and other mechanisms for employee feedback, Watkins suggests focusing on identifying the gaps between stated and perceived values, as well as gaps between

different levels and different pockets of the organization. "The way people are perceiving the value system at the front line can be very different for middle management versus senior management," he says, "and those differences are often highly important."

Look for ways to have employees lead. Just as successful change-management efforts should involve all three layers of culture (values, behaviors, language), so too must they involve workers at all layers of the organization as active participants. Middle managers should feel some degree of ownership when implementing culture change within their team—consider Microsoft's manager toolkit for leading culture conversations, for example—while individual contributors should have their own opportunities to feel responsible for pieces of the culture, as with Atlassian's employee ambassador program. Across levels, people "need to be able to learn how to adapt things to their own situation, their own context, and then to be able to discuss it with their fellow employees," Carroll says. Those two conditions, he explains, create cultures that are more resilient and more nimble: "They're talking about what they're doing and why, and is it time to shift or adjust or do something differently?"

And finally: **Listen first, act second.** Each of the experts and practitioners we spoke with highlighted the value of amassing plenty of information—about what workers want and need, about what's previously worked and what's already failed, about what's known and what's not— before making decisions about where an organization's culture should go and how to best deploy it as a means to an end. Moments of large-scale change can be rife with uncertainty, or they can be clarifying. An organization that prioritizes listening is one that creates a clear path into its next phase.

06 | **About Charter**

charter

Our mission is to transform every workplace and catalyze a new era of dynamic organizations where all workers thrive. Charter does this by bridging research to practice—giving people the tactical playbook for what work can and should be.

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