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Founding Director and CEO-Talker: ON-Brand Partners



WHY CULTURE REALLY MATTERS

Ahead of a recent keynote to the leadership team of a global organisation, Paul was interviewed by their Communications department. They have kindly allowed us to publish the resulting article. With a background as a Bank Chief Economist, GM Strategy, co-author of Branded Customer Service, and more than a decade working internationally in the culture transformation area, Paul Stewart is uniquely placed to talk about the rationale for investing in management and culture.

The famous quote attributed to Peter Drucker “Culture eats strategy for breakfast” has been getting a lot of air time lately. Do you agree with it?

“Of course there’s some conjecture as to whether he actually said it, but it’s exactly the sort of thing I’m sure he would have said. And, absolutely it makes the point that culture is critical for a sustainable, value-creating, organisation. I wholeheartedly agree with that.

But I think some people misconstrue it’s meaning and infer that maybe strategy is not important. That is certainly not the case. I believe good strategy is absolutely necessary.

So, to take the metaphor further, think of the breakfast as ‘eggs and bacon’. Strategy is the chicken, culture is the pig. As the fable goes, the chicken (strategy) is involved, but the pig (culture) must be committed! That’s how I see it. Strategy sets up the opportunity for success, culture provides the momentum to get there.”

It seems that awareness of the importance of culture has grown, but still doesn’t get as much attention as it should?

“Absolutely, on both counts. Research suggests that the vast majority of executives and managers now see culture as critical to success. That’s a big shift

from 30 years ago. And yet too many organisations still underinvest in culture and capability, even though the value equation and ROI has been clearly established by a growing body of studies.

I think there are three key reasons for that. The first is that the cause and effect (investment in culture and the return to the business) is not immediate, nor direct. So, it’s regarded as more discretionary and less urgent, particularly in environments that are time poor and resource constrained. That is, of course, most organisations today.

The second is that measurement is much more difficult than the tangible measures of performance. Measuring production, inventory, waste, call volumes and head count are all easy. With intangibles it’s not as clear-cut. I remember one CFO saying they couldn’t quantify the benefits of soft stuff like employee engagement, or even resolving customer complaints, so they simply ignored them. But, as Robert McNamara, a US general in the Vietnam war said “*We must make the important measurable, not simply the measurable important*”.

Thirdly, culture change is complex and unpredictable. Many accepted management practices don’t work. In the culture arena, it’s about human systems and social change. It requires accepting less certainty at any point in time and applying emergent, or agile, practices.”



How is our understanding changing about what makes strong company cultures?

“My view is that it’s no longer about simply having a good culture. It’s about having the right culture that aligns with your strategic focus and point of difference.

Related to that, we are continuing to see a positive shift away from the industrial age Taylorism model where people were quite simply defined as ‘units of labour’. There’s greater understanding, that an organisation constitutes a powerful social system where connection, collaboration and innovation around a common purpose, are the things that actually drive value creation.

In fact, ‘purpose’ - that understanding of the ‘why’ we exist as an organisation, the value we create for others - is becoming central to strategy and performance. Furthermore people are increasingly drawn to workplaces that have a true sense of purpose - these are the ones who are now attracting the best talent. ON-Brand is very much about supporting these types of cultures. It’s about maximising the potential of a human system and creating shared value for all stakeholders.”

How does your background influence your perspective on culture?

“I certainly didn’t get into the field of company culture by design. I had a strong sciences background. I set out to be a doctor, then changed my mind and studied economics and psychology. In retrospect that proved to be an ideal combination for what we do now. Both are behavioural sciences but at the opposite ends of the logical-emotional spectrum.

The premise of economics is ‘rational man’ where emotions, or ‘animal spirits’ as economists historically called them, are removed from the equation. In contrast, psychology is founded on the understanding that emotions are essential to our wellbeing and success. Even to the point where they are critical in what we think is logical decision-making. For example, it turns out even the successful investors are driven heavily by emotion, despite all their data and models. And actually, the sweet-spot is the fusion of the two.

Bearing in mind that the logical and analytical mindset is what has traditionally driven executive management, being able to link that with the more intangible drivers of performance is a huge advantage. That’s undoubtedly a strength we have at ON-Brand.”

So, how has your professional career unfolded?

“My first career was in economics, for 10 years I worked in banking and financial markets and was the Chief Economist for NZ’s largest bank by age 29. But after a few years I decided I wanted to do something that I hoped would make more of a difference in the world. Then, literally because of an accident, I ended up as the GM Strategy for an emerging growth company during the time of its international expansion, a shift from selling pure services to technology and, a cross-border merger. It was a time of rapid growth and complex change. That’s where I cut my teeth, having to deal with, and manage, the dynamics of the social system that underpins organisations.

At that point, a critical insight for me emerged. ‘The problem for (most) organisations is not in the thinking but in the doing.’

And what I discovered is that most people are not connected to the organisation in either a manner that is meaningful or relevant to their roles. From there, what we call the Business Connection Model was formulated. It comes from the perspective that effective organisations connect people at both a logical and emotional level. And perhaps even more importantly, you need to integrate the two rather than see them as independent.”

Shortly afterwards you co-authored Branded Customer Service, an international bestseller?

“Yes, I was very fortunate to work with Janelle Barlow, who had already written a couple of very successful books. Our perspectives were highly complementary, she coming more from the customer service end and me coming from strategy. It was distributed in many countries, and has been published in 12 languages.

The success of the book opened the door for ON-Brand to work internationally. Initially, up until the global financial crisis, we worked a lot with banks in customer experience and culture transformation. We were also involved in launching an Islamic Finance bank in Asia. That experience - the focus on ‘creating’ an organisation rather than ‘changing’ one - proved to be incredibly insightful for how we approach culture development to support transformation and innovation today.

Obviously our perspective has evolved over time, but the core premise of Branded Customer Service has stood the test of time. In fact, many organisations are only just switching onto the idea that the experiences you deliver to your customers,



employees, and partners need to align to what you stand for and what you promise. That is, you need to work hard at being 'on-brand'. It's a matter of basic integrity and trust.

It's fine for an organisation to make inherent brand promises to their customers in their marketing and advertising programmes, but if the experience delivered by all employees doesn't match that, then all that marketing spend can go to waste. And the brand can actually be damaged, impacting on overall performance."

In a rapidly changing world, what's one key message you have for leaders?

"We can't think about change as a periodic event that we'll get past and go back to being 'stable'. Look at it through a different lens. We encourage a mindset of 'Keep getting better', and establish the practices and routines required to do that into the cadence of the organisation.

And focus on building a culture that supports 'innovation'. Innovation is not about having an R&D department. It is relevant to everyone, everywhere, at all levels, and encompasses very small incremental improvements, not just the big breakthroughs.

The big advantage I see is that the innovation mindset, rather than change or transformation, helps to overcome the psychological resistance to change. While most people 'don't like change', human beings are actually happiest when they are creating it. Yet, they are just two sides of the same coin.

And we are also now quite clear about the critical culture attributes needed to support effective innovation (and therefore change). For example, a 'deep focus on the customer experience', is key. Another is, and this is surprising to many, 'passion from purpose'."

Many executives say the ON-Brand approach is different. Why is that?

"We set out to be different, to challenge the status quo. When we established the business more than a decade ago, it was founded on some key insights.

One is that if you want to make sustainable change, the process must be owned by the organisation, not outsourced to consultants. So right from the outset the ON-Brand approach is to provide and build the capability internally, particularly in the operational functions. Thankfully, in the last few years we've seen more and more leaders come around to that view.

A second is that you need to 'bake' culture and development into the rhythm and routine of the organisation. In most cases, organisations are more inclined to bolt it onto the side of 'business as usual' - a one-off workshop, an event, a focus group etc. For most people these simply become distractions. By baking it into routines you establish a genuine cadence that becomes part of 'how we do things around here'. That's how the really high performing organisations operate.

A third I've already touched upon. It's about having the right culture, not just a good culture. Obviously it's of value to have a 'great place to work' where people feel engaged. But engaged with what? Culture must link to your strategic proposition, the challenges you face, and your unique value proposition. That's why we use the language of on-brand versus off-brand, rather than good versus bad.

A fourth is that most of the answers that leaders and managers need to be more successful, already exist within the organisational system. That is, within the experience of the people around them. ON-Brand is all about establishing a much more collaborative system that enables that knowledge, ideas, and perspectives to be surfaced and used."

At the heart of ON-Brand is the concept of 'Shaping Conversations'. Why is that?

"That's absolutely right. As the CEO of one of our major clients said 'what I've learnt through all of this is that if you want to shift your company's culture, you need to change the conversation throughout the organisation'.

Logically, think about it like this. We know culture and climate impacts performance. We also know that the single biggest factor that influences employees' perception of culture, is their perception of leadership. Leaders can't espouse one culture, then behave differently to that. What we also know is that the 'quality of communication' within organisations, business units and teams, fundamentally impacts performance. It was this insight that led to the emergence of approaches like open book management and balanced scorecard thirty years ago. Furthermore we know from much more recent research around successful transformations, that engaging employees collaboratively, focusing on successes and positives, and getting mindsets right, are all key factors.

Add these together, and leader-led conversation emerges as a strategic foundation for shifting culture.



Many people are already familiar with this idea in certain contexts. For example, Appreciative Inquiry is a conversation technique. What's interesting about AI is that its origins are in the fields of psychology, therapy and counselling. To change the behaviour, you need to change the beliefs underpinning the behaviour. And an effective way to do that is to change the self-talk or internal dialogue. We are simply applying those principles at an organisational system level.

Add more recent insights from neuroscience around how we can rewire our brains, and you have the building blocks for something that is very compelling. But at the end of day, the true validation is that it works."

So why did you develop TakeON! and what is it?

"Historically we co-created very bespoke solutions for our clients, which were generally all large, well-funded organisations such as banks. In the aftermath of the GFC, we sat back and looked at our core IP. We recognised an opportunity to codify what we already had so that it was a lot more affordable and accessible to a much wider range of organisations. We set a baseline of a 200-employee company, although ultimately, it is now used within even smaller companies.

What emerged is a comprehensive conversation system of principles, tools, resources, digital platform, processes and service support. Organisations can easily configure solutions to shift culture and build capability in the context of the most relevant business challenges they face at that point in time. So it provides the means for CEOs and Executives in all parts of the organisation to engage with, and embed strategies in a way that is directly relevant to their area.

It has similarities with integrated lean process and cascading performance management systems, but is targeted at the intangibles – culture, leadership and team effectiveness."

Finally, what motivates you as a leader?

"As a group, almost every day we feel the impact of what we do. That's one of the most amazing things about how we are connected to leaders within our clients. We hear their stories and insights about what's changing in their workplaces, where they are innovating, and how their performance is improving. That's our brand promise in action – Exciting Companies!

Just last week a CEO of an organisation undergoing huge transformation, stood in front of his 80 most senior leaders, and said this is the most effective engagement initiative he's ever seen.

Ultimately, what motivates us at ON-Brand is the difference we, our Partners, and our clients are making. We're driven by purpose."

Key take-outs:

- **Both strategy and culture are important, and how they are integrated is crucial.**
- **Purpose is becoming a central tenant to strategy, leadership and performance.**
- **When it comes to culture change and development, bake it into business as usual, don't bolt it on.**
- **Systematically shaping conversations is key to shifting company culture.**
- **Development initiatives are most effective when they are focused on what matters most in an organisation at that time.**

