

CHRO Quarterly

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A Magazine for Chief Human Resources Officers
and Their Teams

Managing Your Culture

In This Issue

Relationship-Powered
Talent Analytics

Page 8

Creating a Culture
That Performs

Page 14

Undergoing Digital
Transformation: A Case
Study from DBS Bank

Page 22

Voice of the CHRO
Interview with
Leena Nair

Page 26

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CHRO Quarterly

Contents

Managing Your Culture



Managing Your Culture



In the News



Relationship-Powered Talent Analytics



Creating a Culture That Performs



Undergoing Digital Transformation:
A Case Study from DBS Bank

26 Voice of the CHRO Interview



Leena Nair
Unilever
CHRO



Opening Up Your Culture

CEB Corporate Leadership Council™

Editors

Matt Brooks
Matt Dudek
Jessie Knight
Brian Kropp

Authors

Matt Brooks
Matt Dudek
Scott Engler
Blakeley Hartfelder
Bethany Horstmann
Jessie Knight
Hannah Muldavin
Emilie Uhrhammer
Peter Vail

CEB Creative

Graphic Designer
Stacey Phipps

Editor

Nicole Paraboschi

How the Best Drive Talent Analytics Forward



7 in 10 organizations expect to **increase the resources** dedicated to talent analytics,

but only



of organizations currently **use talent data effectively** to inform business decisions.

After surveying and interviewing hundreds of talent analytics leaders, here's what we found:

The Best Approach Is to Invest in Building Relationships

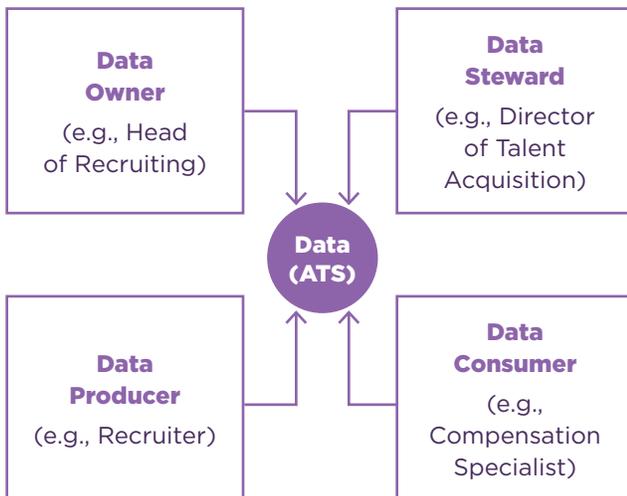
Impact of Strategies on Talent Analytics Effectiveness



Think About...

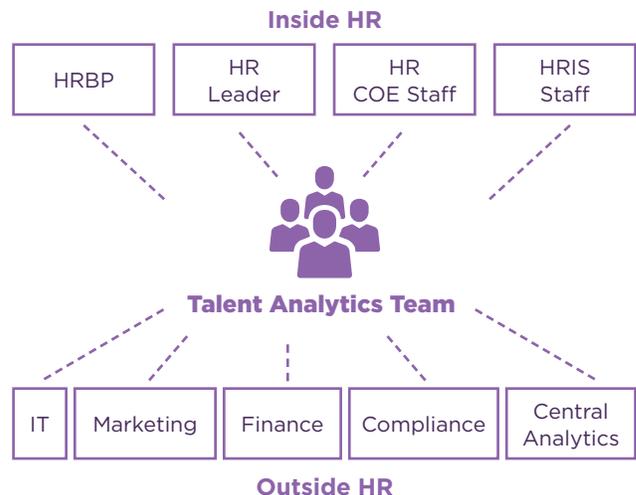
How can you use relationships to manage data quality?

Understand the multiple stakeholders involved in determining data quality.



How can you use skills in your network to build capability?

Understand the skills available outside of talent analytics that can help you with specific projects.



“

Culture isn't just one aspect of the game, it is the game. In the end, an organization is nothing more than the collective capacity of its people to create value.

Louis V. Gerstner, Jr.
Former CEO
IBM

”

Managing Your Culture

By **Matt Brooks and Brian Kropp**

Culture has always been a tricky topic. If you ask 100 HR leaders for a definition of organizational culture, you'll come back with 150 different answers. Given the uncertainty around it, it's no wonder many heads of HR are apprehensive about discussing the issue with their CEO or other senior leaders. Often seen as a soft topic, culture is easily swept aside in favor of "real" priorities. In fact, several CHROs told us they have to disguise culture management as other initiatives to get the resources they need.

But most HR leaders agree on the importance of culture. And, if anything, it's getting even more important. Organizational cultures are more transparent to prospective employees, more actively discussed in the press and among the general public, and based on data from earnings calls since 2010, a bigger focus for institutional investors. Furthermore, senior leaders increasingly view a strong culture as a key growth driver that can directly influence financial outcomes.

As organizations become more complex and dispersed, culture is the glue that can hold things together. Despite this pressure, we find less than one-third of CHROs feel confident they have the culture they need to support their future business strategy.

Outlets such as *Harvard Business Review* and *Forbes* often feature articles about managing organizational culture, but the discussion tends to focus on the "what":

Is there a particular type of culture we need? What makes a culture toxic? What kinds of values should we focus on? While the "what" is certainly an important part of the conversation, it shouldn't eclipse the importance of the "how" of culture: How can HR leaders—often seen as the stewards of their

"As organizations become more complex and dispersed, culture is the glue that can hold things together."

organization's culture—create and sustain a strong, influential culture? How should culture affect the way we think about things like recruiting, leadership, and compensation? The practical elements of culture management, although often receiving less focus, are crucial to getting the culture we need.

We're excited to share an executive summary of our recent research on how organizations can create a culture that performs (p. 14). To learn more about the topic (and benefit from discussing it with your peers), check out the calendar for our meeting series (p. 36) to find a session near you. We'll be releasing plenty of additional resources related to culture in the coming months as well.

Our interview with Leena Nair, CHRO at Unilever, provides some great insights on culture (p. 26). Leena and her team are taking a very progressive, technology-driven approach to managing culture that we also profile as part of our broader culture study. The interview is a great chance to get some on-the-ground perspective on this type of work.

Tackling organizational culture can be intimidating, but it doesn't have to be confusing. We believe treating it as a concrete business challenge can shift the view of culture from something soft and peripheral to something that is a foundation of the organization's strategy.

In the News

Our take on what others are writing about talent

How Should Employers Respond to Challenges Like Google's Diversity Memo?

By **Staff**

In July an [anti-diversity memo](#)¹ written by an employee at Google went viral. The memo's focus questioned gender and race equality initiatives in the tech company's hiring practices. It caused a firestorm among other Google employees, and the inflammatory piece quickly picked up momentum in the national media and public at large.

This event provides a valuable moment for CHROs and CEOs to reflect on how to facilitate discussions about diversity and inclusion (D&I) initiatives. As other recent issues of *CHRO Quarterly* have noted, companies are increasingly pursuing "HR as PR" strategies to differentiate themselves. CHROs therefore must be leaders together with their heads of D&I who are pushing to shape constructive discussions around why D&I strategies are crucial to their organizations.

Here are three things CHROs should know going into meetings on the topic with their heads of D&I:

- **Some individuals in your workforce may not be on board with your D&I approach**—While there's an incredible pull toward the next hot approach to D&I and a lot of attention on what's next, it's important to continue embedding already established D&I principles throughout the organization and down into the organization chart to ensure consistency.
- **Ensuring D&I isn't a zero-sum game is challenging and risky**—It's not about us versus them. One promising approach we've seen is leading with inclusion, particularly for organizations with a global presence. Focusing on inclusion first allows you to progress by getting everyone's attention and shaping behaviors as they relate to inclusivity while de-prioritizing the baggage that comes with diversity. To be clear, every organization must reach diversity to see gains from D&I—we need both—but in the meantime you can build a coalition.

- **Many organizations are broadening their definitions of diversity**—From socioeconomic to cognitive to neurological to political, D&I leaders are interested in as many employees as possible seeing themselves, their loved ones, and their team members as part of the mix. This approach doesn't mean leaving the more traditional focal points of D&I behind—far from it—but expanding the concept can help build a broader coalition to advance inclusion, overcome bias, and eventually champion the benefits of diversity.

Google ultimately fired the employee who penned the memo. As the organization determines its next steps, other CHROs should use this event as a launching point for tough conversations their own organizations require. CHROs can stay ahead of such issues by taking the initiative to explicitly define why and how D&I is a critical part of their human capital strategy.

As the organization determines its next steps, other CHROs should use this event as a launching point for tough conversations their own organizations require.

¹ Kate Conger, "Exclusive: Here's the Full 10-Page Anti-Diversity Screed Circulating Internally at Google [Updated]," *Gizmodo*, 5 August 2017, <https://gizmodo.com/exclusive-heres-the-full-10-page-anti-diversity-screed-1797564320>.



Integrity, Accountability, and Trust Are Key to Volkswagen's Culture Change Effort

By **Peter Vail**

Volkswagen (VW) has been undergoing a massive process of cultural change since the 2015 emissions cheating scandal that cost the German automaker billions of dollars and severely damaged its reputation. Changing the culture of a huge company is no small feat, of course, and CEO Matthias Müller has spoken candidly about the challenges the company has faced in that process. In a recent interview with the *Wall Street Journal's* William Boston,¹ Müller touches on how the change is going. The company now holds its board responsible for legal compliance and integrity, he says, and has changed many of its processes. New board members are subject to compliance checks to ensure they are above suspicion, and the leadership is to engage more people in dialogue to build trust throughout the organization.

A key challenge is repairing VW's reputation, Müller explains, as parts of the company did indeed engage in criminal behavior, which casts a pall over the entire organization. That kind of damage can't be repaired overnight. Large enterprises like his also have a tendency to move slowly, but he would like to accelerate the pace of change as much as possible.

VW's experience at carrying out a major culture overhaul in response to a crisis carries lessons for other organizations. These lessons overlap with some of the insights from our research into the multifaceted challenge of culture change.

For example, our compliance and ethics research shows to create a culture of integrity, companies should establish formal processes to assess integrity in terms of behaviors and perceptions at both the employee and leadership levels. Bear in mind, employees who perceive their organization as having a high-integrity culture are much more likely to report business misconduct when they witness it.

VW's culture change mainly focuses on mitigating the risk of misconduct and rebuilding the public's trust in the long term, and that transformation is bound to impact the business's performance. That impact will likely depend on how successfully VW leadership aligns employees with the desired change in terms of mind-sets and behaviors.

To manage culture, you need to have a sense for what is working and what isn't. It is vital to know the actual culture of the organization, not just the desired culture. To do this, organizations must move beyond using engagement surveys into measuring culture itself. Creating a culture-specific survey and using employee focus groups allow organizations to use both quantitative and anecdotal information to uncover potential gaps.

Once there is a process for understanding the strengths and weaknesses, HR needs to work with leaders to ensure their business processes are consistent with the culture. Although Müller notes VW has redesigned a significant number of organizational processes, there is always room for improvement in ensuring cultural conflicts are resolved. Often, leaders lack the insight on where these conflicts exist, so this process should be linked with how the organization gathers information about areas of focus with regard to the culture.

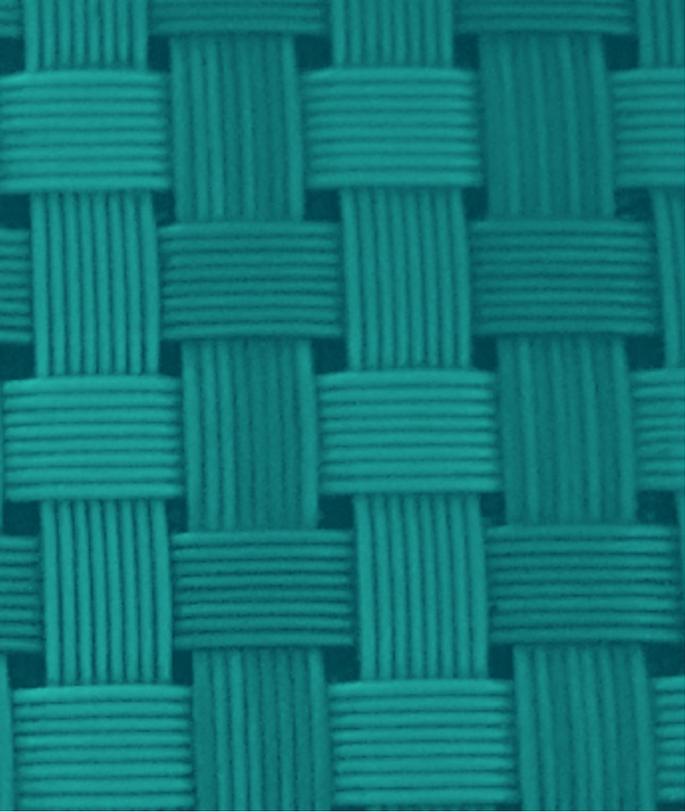
Furthermore, HR must guide employees' understanding of their role in engaging with the culture, instead of painting broad strokes of "don't do anything illegal." To create change, clarify how these changes manifest in employees' roles and what different decisions and trade-offs they will need to make to support these efforts.

¹ William Boston, "How Two Years of Crisis Has Tested Volkswagen's CEO," *Wall Street Journal*, 12 September 2017, <https://www.wsj.com/articles/how-two-years-of-crisis-has-tested-volkswagens-ceo-1505208601>.

By **Blakeley Hartfelder**

Relationship- Powered Talent Analytics

Decisions for Maximizing Talent
Analytics Effectiveness in 2018



“Big data,” “predictive analytics,” “data-based decision making”—these words are on the lips of executives in every function across organizations.

But many HR leaders and their teams are still chasing the analytics dream. For CHROs, despite more than 70% of organizations increasing investments in talent analytics, only 12% of organizations effectively use talent data to make decisions—meaning HR is missing out on significant ROI from talent analytics investments.

To improve the effectiveness of talent analytics—and take advantage of the increasing volume of data available and number of advanced technologies and methodologies to analyze it—CHROs and their talent analytics leaders have set aggressive priorities for the next several years: improve data quality, build talent analytics teams, prioritize the right work for talent analytics, and drive action through talent analytics.

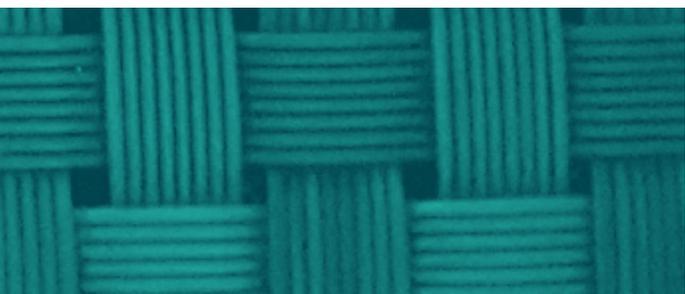
So you know what you need to achieve, but how to accomplish these priorities is a much more difficult question. How do you deliver?

Improve Talent Analytics Effectiveness Through Better Relationships

In a world full of data, the most important strategy HR leaders can deploy to improve talent analytics effectiveness is strengthening relationships between talent analytics staff and other critical stakeholders at the organization (see infographic on p. 3).

These may be relationships talent analytics teams have with data owners throughout the organization to gain access to datasets they need. Or they could be relationships among talent analytics staff—understanding who has which roles and responsibilities and how the team works together to meet shared objectives. Or they could be the relationships talent analytics professionals have with clients, whether those are colleagues in HR or executives elsewhere in the organization.

As a CHRO, you can and should play a significant role in helping your talent analytics team develop a relationship-focused approach to meeting their priorities and improving talent analytics effectiveness. To do so, there are four critical decisions you must help talent analytics leaders make.



Decision 1: How can we adjust existing HR processes to improve the quality of data they generate?

HR leaders rate poor data quality as the top barrier to talent analytics effectiveness—not surprising when you consider less than 20% of talent analytics leaders think their data is precise, accurate, or consistent.

As the CHRO, you probably aren't going to get into the nitty gritty of improving data quality, but you can play a pivotal role in setting up your talent analytics team for success with your view across the HR function and its processes.

Instead of asking talent analytics teams to build clean datasets for each project they embark on, encourage them to strengthen their relationships with other data stakeholders across HR to enable those stakeholders to continually input

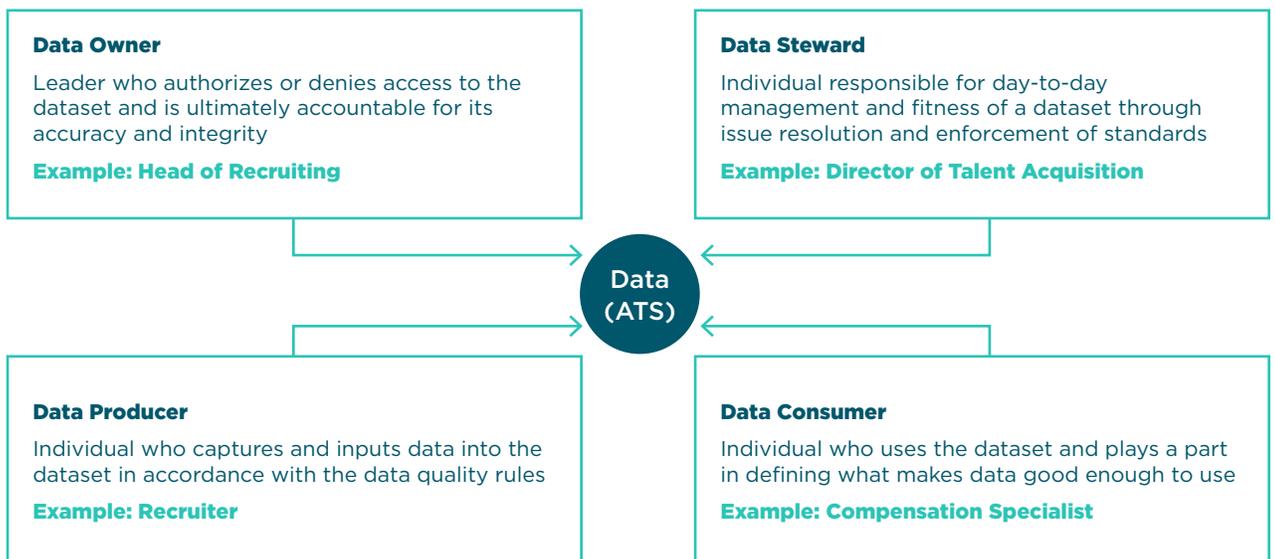
and maintain clean data in systems. In many cases, this step will require process change. HR processes, created long before talent analytics was a factor, just weren't built for proper data collection, standardization, and analysis, so they must be updated (and the stakeholders involved in completing them, retrained). Eventually, these improved relationships with data stakeholders will lead to better data in HR systems and more day-to-day maintenance, which means less data cleaning at a project's start.

As we head into 2018, help your HR leadership team understand:

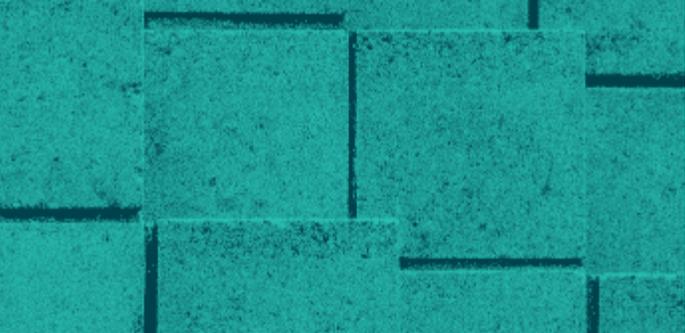
- Which processes might need to be adjusted to better produce critical talent data,
- Who across the function should be involved in HR process redesign, and
- How you expect collaboration on data quality to benefit the function as a whole.

Figure 1: Roles and Responsibilities of Data Stakeholders

Using the Example of the Applicant Tracking System (ATS)



Source: CEB analysis.



Decision 2: What resources are available to upskill the HR function so it is more data driven?

Most talent analytics budgets go to staff costs and training, but only 45% of talent analytics leaders agree their teams have the skills and experiences to effectively use talent data to influence important business decisions.

CHROs and their talent analytics leaders face two challenges to building talent analytics capabilities:

1. Increasing and constantly changing skill needs
2. Ineffective partners involved across talent analytics projects

To address both challenges, CHROs must help talent analytics teams maximize analytics skills throughout the organization.

Doing so means finding partners within and outside of HR who can support talent analytics projects (and complement the capabilities of your talent analytics team) as well as acknowledging that analytical competencies should be a requirement rather than an aspiration for all HR staff. For most organizations, ensuring HR staff can support talent analytics and use data in their own roles is no easy task; it requires updating mind-sets and skills.

Given your influence as the head of HR, you should start the conversation with your talent analytics leader and HR leadership team to determine:

- Expectations for HR staff regarding their use of talent analytics,
- Skill gaps across HR that are inhibiting data-driven decision making, and
- What kinds of changes in training and hiring are necessary to create a data-driven HR function.

Decision 3: To what extent should we democratize talent data to reduce low-impact talent analytics requests?

Defining the kind of work that talent analytics teams should be responsible for is no easy task; “talent analytics” can cover everything from a basic report to advanced predictive modeling depending on whom you ask.

Clients often have a poor sense for how talent analytics can help them achieve their goals. Empower your talent analytics team to strengthen relationships with clients so talent analytics can shape, not just align with, client demand. Doing so is the only effective way to ensure teams are doing work that will have a long-lasting business impact.

Figure 2: Ideal Approach—Shaping Client Demands

Shape your priorities based on what the talent analytics team needs to achieve long-lasting business impact using the following criteria:



Influence of the Requestor and His or Her Likelihood of Taking Action

Fit with the Specific Capabilities and Acumen of Your Team

Likely Impact on Organizational Talent Processes

You Should Ask:
Does our client have the ability to act on our recommendations or findings?

High Impact

You Should Ask:
What project can we do to showcase or build on my team's greatest area of expertise?

High Impact

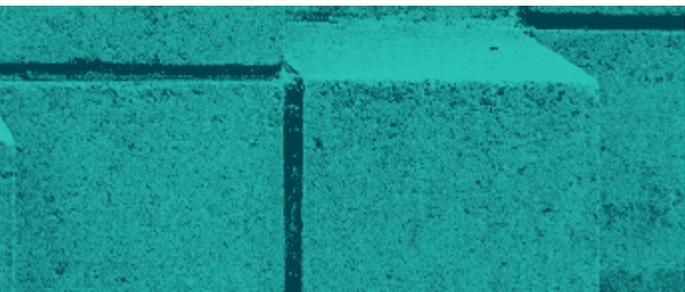
You Should Ask:
How can our work integrate into key HR and business processes?

High Impact

n = 132.

Source: CEB 2017 Talent Analytics Effectiveness Survey.

Note: Impact was measured as the difference in talent analytics effectiveness between top- and bottom-quartile organizations at performance on each criteria.





CHROs must help their talent analytics teams establish relationships throughout the organization as a foundational element of an effective talent analytics strategy.



An important part of empowering your talent analytics team to shape and prioritize their work is determining what happens to lower-impact requests or projects your talent analytics team shouldn't be spending their time on.

Many organizations have turned to data democratization as part of the solution—providing easy-to-understand data to HR Business Partners (HRBPs) or even line managers in a self-service platform. However, data is a powerful tool that, in the wrong hands, can cause more harm than good. HR leaders must carefully limit the data they make available and whom they allow to access it.

This strategic decision has implications for HR's philosophy and reputation. Therefore you, as CHRO, should lead a conversation with your talent analytics leader, focusing on:

- Current data privacy and security policies as well as procedures and systems limitations,
- Common HRBP and business leader questions about talent, and
- Risks and benefits of sharing HR data with different audiences.

Decision 4: Who should own talent analytics interaction with line clients (talent analytics or HRBPs)?

Only 19% of talent analytics leaders think their teams effectively drive action with talent analytics.

To solve this challenge, don't simply call on your talent analytics teams to generate more interesting insight. Instead, help them restructure how they complete work. The best organizations embed action planning throughout the talent analytics project life cycle, quickly building strong relationships with their clients that prepare them to act on and implement recommendations.

Since a strong relationship with clients is an essential part of being able to embed action planning throughout the project cycle, deciding who should have that relationship with the ultimate client of talent analytics (in many cases, a business leader) should be a top CHRO priority.



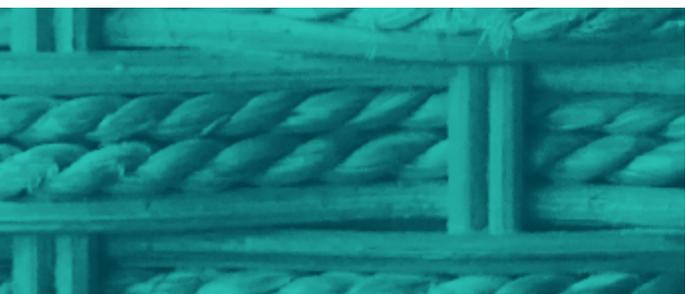
There isn't necessarily a right or wrong answer to the decision, but ultimately, the structure you use should ensure: 1) the team working on talent analytics has the context they need to make recommendations, and 2) the team communicating with the client is comfortable pushing him or her to take action.

As you plan your approach, consider the following with your talent analytics leader:

- Current skills and capacity of talent analytics professionals versus HRBPs
- Philosophy behind your HR functional structure and COE relationships with the line
- Type and volume of projects the talent analytics team conducts

Conclusion

It's no surprise that executives of all kinds see analytics as the path forward to better functional efficiency and business impact. To take advantage of increased data accessibility and analysis, CHROs must help their talent analytics teams establish relationships throughout the organization as a foundational element of an effective talent analytics strategy. As part of HR strategy planning for 2018, conduct decision-making conversations with your talent analytics leader and HR leadership to define the future of talent analytics. (Members of CEB Corporate Leadership Council™ can view [our full research](#) and accompanying case studies on our talent analytics portal).





Creating That Pe



a Culture performs

**Results from Our 2017 Study
on Organizational Culture**

By **Matt Brooks and Jessie Knight**



“

This is just our latest effort to strengthen our culture. We've invested in everything from external consultants to employee training. But when we look at where we were before these efforts and where our culture is now, it's as if nothing has happened, and we are back to square one.”

**VP of HR
Energy Organization**

Organizational culture is not a new issue, but lately it has drawn an unprecedented level of attention and scrutiny.

An analysis of earnings calls since 2010 shows culture is by far the most discussed talent issue and that mentions of culture have increased by 12% annually. Frequent appearances of organizational cultures in headlines are also spurring more public discussions of culture's criticality to a firm's reputation and, ultimately, its success.

Heads of HR have responded to this scrutiny by investing more time and resources in managing culture. These efforts tend to be people focused: generating buy-in among current employees and bringing in new employees who are good fits for the culture. Over 80% of organizations currently use these two approaches and, by our conservative estimates, are devoting an average of over \$2,200 per employee per year to support their culture-management strategy.

Identifying the Culture Challenge

Despite all this time and investment, only 31% of HR leaders agree their organizations have the necessary culture to drive future business performance. So what's holding us back? Our team spent the past 10 months investigating this question through a large study. The study comprised interviews with over 100 HR leaders, a benchmarking survey covering almost 200 organizations, and a workforce survey of over 7,500 employees around the world.

We found the key differentiator that underlies cultural performance is not choosing a particular culture but rather how to get employees to demonstrate the culture organizations need, whatever that might be. Our analysis revealed three key workforce gaps around culture:

- **Knowledge Gap**—Employees lack awareness of the culture the organization needs (69% of organizations).
- **Mind-Set Gap**—Employees do not believe in the culture the organization needs (87% of organizations).

- **Behavior Gap**—Employees do not engage in behaviors related to the culture the organization needs (90% of organizations).

In studying these gaps, we discovered two important facts that are fundamental to how heads of HR should approach culture management:

1. We must improve knowledge, mind-set, and behavior simultaneously. Organizations that have low scores on these factors and increase just one of them will see no improvement in financial performance.
2. Organizations must improve knowledge, mind-set, and behavior for all employees rather than focusing on particular segments. Organizations with higher levels of dispersion—that is, widely varying levels of knowledge, mind-set, and behavior across employees—have lower employee performance compared with those with low dispersion.

Our Definition of Culture
Culture is the set of behavioral norms and unwritten rules that shape the organizational environment and how individuals interact and get work done.



Modeling a Culture That Performs

We have termed the combination of knowledge, mind-set, and behavior as Workforce–Culture Alignment (WCA). Organizations with high WCA achieve higher performance against revenue goals and hiring/retention targets, increased employee performance, and more positive public reputations.

To determine the best way for organizations to increase WCA, we conducted an extensive root-cause analysis. This revealed three common challenges, each of which affects knowledge, mind-set, and behavior:

1. **Few organizations** really understand their culture.
2. **Leaders** aren't driving the culture.
3. **Employees** can't operationalize the culture.

Addressing these three challenges for the entire workforce requires us to take a broader approach focused on changing enterprise-wide systems and processes that differ from the more people-focused approach we have traditionally used. We worked with best-in-class organizations to identify specific steps HR leaders can take to tackle each challenge.



Gain Actionable Culture Intelligence Through Employee-Led Diagnosis

To create a culture that performs, it's not enough for organizations to know what culture they need—they must also clearly understand the current culture and whether it needs to change to support future growth. However, only 10% of HR leaders are confident their organizations have this knowledge. Typical approaches to culture measurement—characterized by periodic gathering of data on culture satisfaction and HR or business leader interpretation—fail to provide organizations with the insight they need because of three limitations:

1. **Insufficient Data**—A narrow focus on satisfaction with the culture fails to capture important details of what the culture actually looks like.
2. **Outdated Data**—Eighty-five percent of organizations assess culture annually or less frequently, leaving many heads of HR with out-of-date information.
3. **Easy-to-Misinterpret Data**—Mechanisms like surveys leave little room for context, nuance, or clarification, so leaders who lack insight on lower levels or who feel pressured to craft particular culture narratives can easily misinterpret results.

To address these limitations, the best organizations are shifting to employee-led culture diagnosis by monitoring how employees experience the culture and involving employees directly in interpreting culture input. Unilever is a great example of an organization making this shift. Inspired by the Marketing team's consumer-listening success, Unilever's HR team is experimenting with ongoing "cultural listening"—tapping into publicly available data to get more rapid and ongoing feedback about the culture. The talent analytics team analyzes the data and projects it in real time to viewing screens in the office of the CHRO, Leena Nair. For more of Leena's perspective on HR in a digital world, see our interview with her on page 27.



Expand Leader Role Modeling to Include Remodeling of Business Processes

Despite 78% of organizations relying on leader role modeling as a key component of their culture strategies, few are confident it is having the desired impact. Our research has identified three key elements of effective leader role modeling:

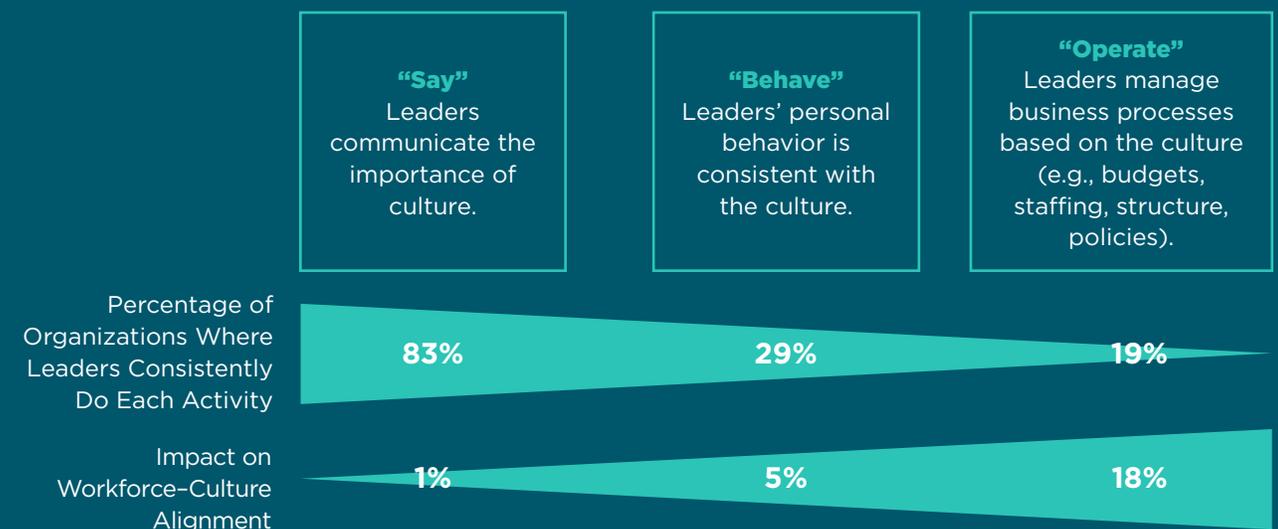
1. **Say**—What leaders communicate about culture
2. **Behave**—How leaders personally demonstrate the culture
3. **Operate**—How leaders manage business operations (e.g., budgets, processes, policies) in line with the culture

The addition of the “operate” element, which goes beyond simply focusing on what leaders say and do, reveals why so few organizations see desired results from their investments in leader role modeling. As shown in figure 1, organizations are most focused on the lowest-impact element.

It’s not enough for leaders to espouse the culture; they must also create an environment that enables everyone to live the culture. But more often than not, out-of-date processes create barriers that hinder the organization’s culture.

Beyond providing tools and creating accountability, organizations must provide leaders sufficient resources to address systemic barriers to desired cultural norms. RTI, for example, tackles the challenge through its “maximize impact” culture team. Tasked with removing process- and budget-related barriers to the culture, this team is equipped with dedicated time and money, including its own budget code. In addition, the team has the authority and expertise to make those changes happen: the VP of FP&A and SVP of HR chair the team, bringing their influence, credibility, and decision-making authority to the pursuit of necessary budgeting and policy changes.

Figure 1: Leaders Aren’t Driving the Culture
What Does Good Role Modeling Look Like?



n = 7,502 employees; 190 HR leaders.
Source: CEB 2017 Culture Workforce Survey; CEB 2017 Culture Benchmarking Survey.

Equip Employees to Apply Culture in Their Day-to-Day Work

Finally, organizations must help employees operationalize the culture day to day. We know organizations invest in a high volume and variety of culture communication, but that investment has failed to remove two employee-cited barriers to living the culture day to day:

1. **Translation Barrier**—Employees struggle to translate the culture into the specific context of their day-to-day role.
2. **Tensions Barrier**—Employees frequently encounter cultural tensions they don't know how to address.

Unsurprisingly, the number of employees who struggle with each of these barriers increases significantly as you move deeper into lower levels of organizations. If communication efforts haven't addressed these challenges, what will?

The best organizations remove the translation barrier by moving ownership of context-specific translation to employees themselves. The Gates Foundation, for example, provides a framework individual teams use to customize dos and don'ts for each of its four firm-wide values. This process allows teams to create their own vision of how those values should manifest in their day to day while staying aligned to the organization's overarching cultural priorities. The framework also serves as a decision tool to guide behavior in high-stakes moments that are most likely to test employees' cultural alignment.

Removing the tensions barrier does not necessarily mean removing tensions but rather ensuring employees are equipped to manage tensions they encounter in their work. Organizations can ensure employees are equipped to do so by:

1. Gathering information on tensions as part of culture diagnosis,
2. Validating which tensions are intentional—that is, necessary to support the organization's strategy and not a result of misinterpretation or miscommunication, and
3. Providing training and project planning resources to help individuals and teams live both sides of cultural tensions in their work.

Conclusion

Organizations can create a culture that performs by maximizing WCA. To reinforce knowledge, mind-set, and behavior together for all employees, leading heads of HR are moving from a people-focused culture playbook to a process-focused playbook. The process-focused playbook emphasizes pursuing entirely new ways of understanding the culture, maximizing leaders' impact on the culture, and helping employees operationalize the culture.



The best organizations remove the translation barrier by moving ownership of context-specific translation to employees themselves.

Undergoing Digital Transformation

A Case Study from DBS Bank

By **Bethany Horstmann and Emilie Uhrhammer**



Yan Hong Lee, DBS Bank

At DBS Bank, digital transformation meant changing the experience of both customers and employees.

HR played an important role in shepherding the organization through this transition and emphasizing a people focus, addressing aspects like culture and sustainability that so often get left behind. With an A-to-E framework, Yan Hong's team has proven the value of going digital and ensured HR led by example along the way.

How did your journey to embrace digital transformation begin?

LEE: The banking world was hit by a wave of technological disruption several years ago, driving increased competition and fast growth. We felt this pressure internally in 2013 when we were unable to take advantage of a growth opportunity in Indonesia. This made us think, given our aspirations, how could we try this from the digital perspective?

A: Audacious Goal—It starts with great leadership, and the credit goes to Piyush Gupta, the CEO of DBS Bank, for his foresight and vision. As this trend was emerging maybe four or five years back, even then, he told us we had to completely reimagine banking or we would die. Those were harsh words. But it also became our mandate to completely change and reimagine the way we do banking. The CEO's audacious goal to become the best digital bank in the world ultimately galvanized everybody in our digital journey.

By the second year of our experiment, we created a framework to help move the digital transformation faster. So we came out with the framework "ATE": acquire, transact, and engage our customers digitally. In HR, for example, this means:

- **Acquire**—We receive a few thousand résumés, so the old way of screening is ineffective. Instead, we ask, how do we use things like gamification, AI, and data analytics to screen better and faster? We also explore other channels, including social media, to open doors to newer and nontraditional talent pools.
- **Transact**—We reduce the cost of transaction through digitalization. In the past 5 years, many transactional activities were automated, whether a contract extension, resignation, performance appraisal, or compensation recommendation. Specifically in HR, the digitization efforts helped save 500,000 hours of labor.
- **Engage**—On the HR side, we've created a mobile app called DBS Power Up, a multipurpose app that allowed employees to get all the information on the go, work on the go, and connect on the go. Whether it's performance appraisals, applying for a job or transfer, filing expense claims, or forming a community, all can be done on the HR app.

When leaders sit down with HR executives and say, "We're going digital," what is HR's role in driving change and helping business leaders think through their digital strategy?

LEE: The A-to-E digital transformation is a good guide for HR to work closely with the line manager.

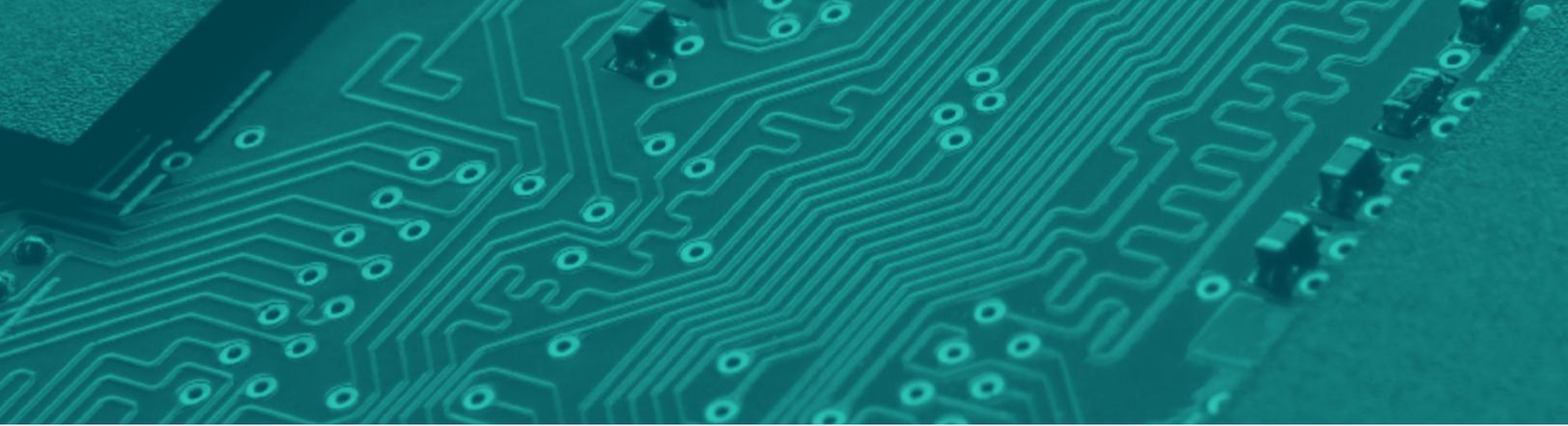
B: Buy and Build Talent—When we started this journey, we realized we didn't have some of the skills, experiences, and talents we needed. We needed to hire people who were different from us, such as those with a startup mentality who were comfortable experimenting and adept at HCD and journey thinking. We hired a small innovation team that does exactly that. The team initiates new concepts and teaches us the new methodology, and its larger team is responsible for executing those ideas.

The second important thing is building the capabilities of our existing people. How do we encourage staff to challenge the status quo, think and behave like a startup? A good example is the hackathon. The L&D team was charged with developing a program that is experiential, solves real problems (not just work in the realm of academic things), adopts an outside-in approach, and learns from the startups.

Our employees were given 72 hours to create an app. By starting with less-senior employees and providing support through startup partners, we demystified digital, made it fun, and most importantly, built confidence in team members that they can do it too.

The early success bolstered employees' confidence and made them realize it's not so difficult to do things digitally. Since rolling out the hackathons, we've built on the program to use it in recruiting, engage customers, etc. We also have our Digital Academy, where we introduce employees to programs like DigiFY. These programs are designed to help our employees appreciate what digital is and how it can impact the job.

C: Customer Journey—We apply HCD methodology and customer-centered designs by changing the way we serve our customers. As you can see in our mobile-only bank application, Digibank, which was recently launched in India, we completely reimaged banking and put the customer at the



center of everything we do. It's the first branchless, paperless, and signatureless bank. You open an account in 90 seconds.

In HR, I've also leveraged HCD and journey thinking and transformed our recruitment, onboarding, training, and recognition programs.

C: Communications—We create extensive communications, blogs, websites, and townhalls for people to share their innovations and journeys across the company. We also create friendly competitions and share best practice widely.

“We’ve been working to enable empowerment down throughout the organization, and we’ve seen that little things go a long way to change the culture.”

C: Culture—This is always the tough one. It required us to challenge and change some past practices. The old DBS was a little hierarchical. But we changed the organization little by little to make it more casual, encouraging employees to call people by their first names, removing the need to write long memos, and loosening the DOAs.

We can't hope to be a big startup with a digital culture while keeping everything centrally controlled. We've been working to enable empowerment down throughout the organization, and we've seen that little things go a long way to change the culture. An

example is the idea vault where employees share ideas and voice their opinion.

C: Consistency and Continuity—Our vision and strategy is endorsed by the board and delivered through a strong, consistent, diverse yet intact management team. This consistency and continuity is critical to ensuring we execute in a way that makes us the best digital bank in the world.

D: Data Driven—We've gone beyond reporting to using data to gather insights, make predictions, and prescribe meaningful change.

For example, our Human Capital Analytics team has developed models to predict early attrition and identify top traits of high performers to understand what drives productivity. We've turned insights into action and are working with managers to introduce appropriate interventions and reduce attrition. Our recruiters also use insights on traits of high performers to redesign the hiring process, including the way we interview candidates.

E: Focus on Employees—Often when organizations undertake digital transformations, they focus on winning the “head” through vision and data-driven processes. Equally, if not more important, is winning the “heart.”

In the past couple of years, we have implemented many initiatives to win the hearts of employees. We want employees to feel valued, experience growth, progress, and have fun through this journey. An example is our signature DBS Cares initiative. Every month we offer small treats to employees—eat with family, take your birthday off, bring your kids to work, etc.

Another program is “2+2,” which gives people the license to change jobs in the organization when they've completed two years in the role. And “5@5” is a lights-off policy at 5:00 p.m. on Fridays to encourage employees to leave the office and spend more time with their family. iTQ is our peer-to-peer recognition program where recognizing everyday contributions from coworkers is just as important as celebrating stellar achievements.

We redesigned our workplaces (JoySpace) to foster collaboration and spark ideas, allowing individuals and teams to do their best work.

How have you made the business case for investing in employees as part of this digital transformation?

LEE: Actually, we can do this without spending a lot of money. For example, one of the campaigns that was very successful was the iHealth program. Every company has the traditional

medical plan, but that plan focuses on insuring for sickness, not for health. We changed it to focus on health, so we created a flexible iHealth program and held simple competitions—iSteps, Lose to Win challenge, health talks, etc. It's fun and nudges staff to the right behavior, enhancing their health in the process.

Another example is our Xplore program. This allows our employees to participate as team members in projects across the bank, bringing diverse skills, knowledge, and experiences. In addition to giving employees greater opportunities, we are also able to better optimize our workforce and increase cross-functional learning. It's really the Uber of talents.

DBS Bank has adopted a unique goal for its digital transformation: for the entire bank to disappear from view. Can you explain this vision and HR's role in supporting it?

LEE: Time is precious, so we want to give it back to the customer. When we make the bank invisible and customers' journeys joyful by putting all their banking needs on their phones, they have a bank 24/7 in their palms. The whole intent is to remove the tedious customer tasks around banking.

This is also our goal in one of our digital HR initiatives, "HR on the Go"—Power Up achieves that. It provides all the information you need, allows you to do all the tasks, and connects you with all the people on the go.

What are the top three pieces of advice you would offer other CHROs when supporting their business through a digital transformation?

LEE: To start, vision alignment is extremely important. Alignment around an audacious goal is such a galvanizing force right from the top of the leadership. This is critical because you cannot have just one part of the bank that's digitalizing. Often, people don't succeed because they think only the front line or the innovation team is responsible. You really have to make this transformation pervasive.

Second, be humble on your journey. We admit we didn't know a lot of things. For me in my role, that meant being open to hiring top talent from nontraditional sources and learning from them.

And finally, win heads and hearts. We must ensure employees are aligned on this journey by recognizing and appreciating their work and giving them opportunities to be the change and make the difference. In short, we must deliver on our EVP to live fulfilled. Be the best, be the change, and be the difference.

“And finally, win heads and hearts. We must ensure employees are aligned on this journey by recognizing and appreciating their work and giving them opportunities to be the change and make the difference.”

Voice of the CHRO

Every quarter, we interview chief HR executives to gain their perspectives on issues facing their HR function. This quarter, we spoke with Unilever's CHRO, Leena Nair, about the new truths of today's working world.



About Unilever and Leena Nair

Unilever is a Dutch-British transnational consumer goods company co-headquartered in Rotterdam, Netherlands and London. With more than 400 brands around the world, Unilever products are used by more than 2.5 billion people on any given day.

Leena Nair is the CHRO and a member of the Unilever Leadership Executive, supporting Unilever's 169,000 employees in over 100 countries.

Thank you for speaking with us. In an upcoming paper, you've written about several new truths of today's working world. What are they, and how will they alter how organizations create competitive advantage?

LEENA: We all know the trends: economic inequality, slower growth, automation, more generations in the workplace, and work becoming less permanent and more flexible. All of these mean we have to change the way we look at the relationship between organizations and individuals beyond the employment contract. The focus needs to be on purpose, sense of meaning, self-expression, and shared values. At Unilever we speak a lot about values and value: that we are fundamentally committed to a different way of doing business where all stakeholders count, with commitment to long- and short-term performance and delivery.

One of the things organizations must prioritize today in a more volatile and complex world is dialing up the focus on people. They're transforming all the time, and before you finish one big wave of change there's another one beginning—and people are getting overwhelmed and exhausted. Organizations can put people first by focusing on three things:

- 1. Provide people opportunities to find their purpose.** Understand what gives employees meaning, what gets them out of bed, and why they find coming to work worthwhile.
- 2. Focus on employee well-being and mental health issues.** One-quarter of the global workforce has some issue with mental health today, and the statistics for Europe are even starker. So the mental, physical, and emotional health of our people is important. Otherwise you have people coming to work unable to deliver productively.
- 3. Learn how to unlearn.** Because skills and the nature of jobs are changing, what's expected is changing all the time. People have to unlearn and relearn continually.

How do you recommend heads of HR begin that conversation and encourage their CEO to think differently about putting people first?

LEENA: I talk often in HR about three concepts: more simple, more impact, and more human. The trick is to really show the impact in business. I don't just stand up and say we should look out for our people; I'm able to bring real data. For example, by focusing on peoples' well-being through a variety of initiatives, I have numbers to prove how our health care costs and absenteeism in the workplace have decreased. Investing in wellness isn't just good for our people, it also makes sense for business. If I can show an annual €10 million savings in wellness costs, any CEO will listen. It's really important that we continually think about how it leads to greater business performance.

We have to push ourselves because we've been in a world where we always look at internal HR measures. For example, we say, "Look at the talent bench strength: it's moved from 5 to 10 people." But how does it contribute to performance through higher-quality talent? That's the question to answer.

Another example is in learning. If I can prove that providing access to technology and driving peer-to-peer learning enables employees to become competent in zero time, that's huge. That is, if I put someone in a job, they will be ready the same day because the company's explicit and implicit knowledge is accessible to them and they can learn in real time. I can show you that you have more competent people than you had yesterday and that competence is leading to better business performance. So it has to be a balance of showing why a more human organization makes better business sense. And if we can show that, every CEO will listen.

"For example, by focusing on peoples' wellbeing through a variety of initiatives, I have numbers to prove how our health care costs and absenteeism in the workplace have decreased. Investing in wellness isn't just good for our people, it also makes sense for business."

Your answer speaks to a broader trend we've observed. As firms' talent analytics capabilities keep growing, leaders increasingly demand internal people data, not just external data, to bolster HR's credibility and drive business decisions. Is this trend affecting you as well?

LEENA: Yes, absolutely! Generic principles such as “employee engagement is good for business performance” can only go so far. Yes, it's a general claim, and there's good data from outside parties to prove it, but unless I'm able to show that at Unilever the better-engaged teams are delivering better business results, leaders will not take action.

Given this, one of the nonnegotiable skills for HR leaders is data and analytics. Unless we find measures for HR that relate to the top and bottom lines of the business and to other performance measures, we will not have complete credibility. We want to say, “These are the three things you did that led to better top-line growth for the company, and it's linked to the key things we did in HR.” So we in HR have to push our function to find how our decisions impact business performance.

All of the business cases built for Unilever are based entirely on Unilever data. Why should we believe anything else? The context of my organization, the challenge, the sector, and the kind of talent I attract is different. I need to be able to show in my context what leads to the talent trends. For example, we do some great work around attrition. We're able to predict with 70%–80% forecasting accuracy who's going to leave Unilever. But it is so rooted in our reality: if employees stay beyond a particular time, receive a certain promotion, or see a particular decline in their ratings, we know the impact here at Unilever. But the variables we track might not make sense if you're working somewhere else.

You've mentioned elsewhere that we're in an “age of abundance” intersecting with an “age of automation.” Can you describe what this means in terms of the obligations organizations and CHROs have to their workforce and broader community?

LEENA: There's no shortage of talent and people in the world. Over 7 billion people are on this planet; surely we have more than enough people to do all the work we can possibly imagine. But we have to think differently. We have to think about flexibility, agility, reskilling, working across silos, and breaking down barriers. Unilever has 170,000 people today. But Unilever could create 10 million jobs globally, done by people who work 2 days a week, 30 minutes a day—who knows what! If you could imagine an Uber for skills, where you could map talent supply to demand, you could run talent, people, and strategic workforce planning in a very different way. That's why I believe this is the age of abundance.

The conversation around automation is always so negative: automation and robotics come, and millions of jobs go. We have to change that narrative. Automation actually allows you

to amplify human potential because the routine, boring tasks are removed and are done reliably, predictively, and correctly. This frees up time to bring your creativity, intelligence, innovation, and inclusion to bear. Automation has to enable an abundance of talent and of the innate gifts you have. It's not about taking away jobs; it's going to create new jobs also. It's more about changing the narrative so people believe the age of automation is also the age of abundance because people can do jobs that give them greater meaning and can work more flexibly.

The number of HR executives we've spoken to this year who are looking for advice on leading a digital organization has jumped dramatically. What advice would you give them about their role?

LEENA: First, HR has to talk about the future of work and employment, and we need to make our voices heard. We need CHROs out there talking about how it's an opportunity for us and how we can explore new ways of working to increase human productivity, creativity, and wellness. We need to have a point of view, express it, and shape the way CEOs and business leaders think about it.

Second, we must challenge everything about ways of working: We can automate jobs that don't make sense to us, and make work more fulfilling. We can stop working on a schedule that has existed for hundreds of years, based mostly on factory work. We can rethink hierarchies because the world of the future's not about political progression; it's going to be about creative skills and development opportunities that are horizontal in a company. There are opportunities to give employees flexibility and freedom—because in this complex world, you have to enable collaboration in a big way. We can democratize the workforce: No matter your age, you will get the empowerment and freedom to lead and be at the heart of decision making. You don't have to wait 20 years until you get promoted and become a senior leader.

By revisiting so many of the things we've been married to for the last 100 years, we can challenge mind-sets, do things differently, and invest in developing our uniquely human characteristics. But this won't happen if we just let the changes overwhelm us rather than spending enough time to think collaboratively and selectively, to make sure the technology is supporting and developing human potential, not smothering it and killing jobs.

Given the role you see HR playing in the digital enterprise transformation, how do you gain leader buy-in and create credibility for HR?

LEENA: If HR leaders want to be seen as the authority on digitalization, automation, and impact on the enterprise, we've got to disrupt everything about HR. We've got to disrupt the way we've traditionally done things, from training to recruitment and more. When the business sees you have an appetite for change, that brings some respect. It sees we're not just talking about how culture's transforming the company;

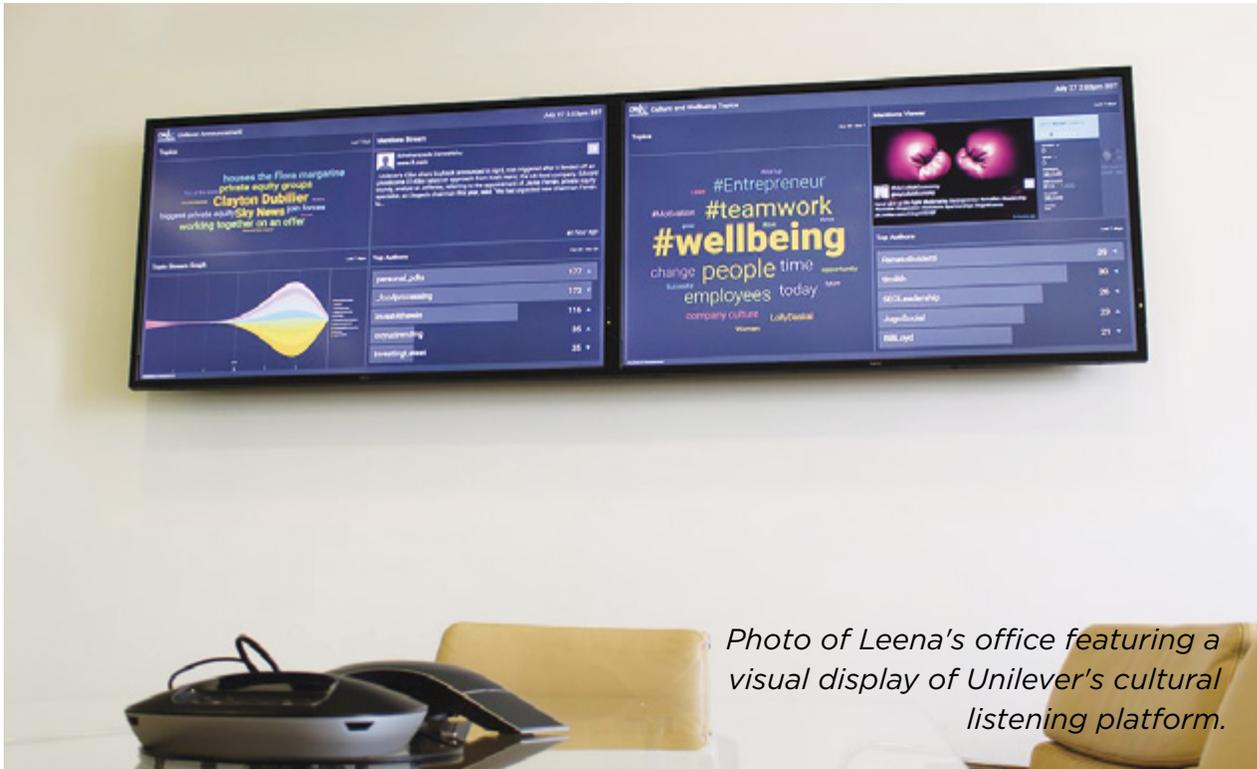


Photo of Leena's office featuring a visual display of Unilever's cultural listening platform.

we're at the front end of grabbing these trends and making a difference. That's important because credibility comes not just through the work you lead but the actions you personally take. So I've been relentless in pushing the HR function to be ahead of the curve. You won't have the credibility to talk digital transformation if you haven't digitalized your own function.

For example, we have 185 people in HR call centers answering 250,000 calls. We're automating the whole system because, when you do the call analysis, half the calls are waste. We also digitalized the entire recruitment process. 1.8 million people apply to us, and there's no way we can keep pace with replies to all of them. In the digitalized process, a young graduate plays games, gets feedback on whether he or she fits into Unilever, then does a Skype interview with a standard set of questions, and that's analyzed through algorithms and neuroscience to understand who fits best. Out of the millions who apply, we only meet 3,000 people. It's simpler, it saves thousands of days of interviewing for managers, and it is a more human process because every one of the 1.8 million people gets a response and a three-page analysis on why they fit or don't fit into Unilever.

I also now have two big screens in my room, and in real time I know what employees are talking about, with ongoing sentiment analysis. The Chatter feeds and social media conversations within the company are analyzed in real time to tell me the sentiment and the most-discussed topics.

This is how we in HR show we're grabbing change and why we're prepared to disrupt. That's what gives you the credibility to then say, "I can help you guys figure this out for the rest of the company."

How are you filtering and using this sentiment analysis to actually change your decision making and help you prioritize interventions?

LEENA: We certainly aren't intervening minute by minute, but you see pockets of bright spots and significant disappointment. Then you can intervene selectively. I must confess I don't know all the answers,

but I'm absolutely going to experiment with all this technology. In the old world, we would've said, "Let me think about it and run some surveys first." But today is about speed. So take it on, try it. The first month, I couldn't get one insight out of this sentiment analysis, but this is month five or six, and now I can begin to understand the patterns and where to selectively intervene.

It is so useful when a disruptive event happens and in real time you're listening to what employees are saying worldwide, enabling you to know how and where to intervene. Annual 120-question surveys? That's gone! Capturing sentiment once a year is nonsense and doesn't tell you anything. This is how digitalization or automation has to make lives easier and better for people. It has to allow you to do something to get the business in a better place by doing the right things by your people and your business.

"I also now have two big screens in my room, and in real time I know what employees are talking about, with ongoing sentiment analysis."

Busting Three Culture Myths with Leena Nair



Myth 1: It takes forever to change: “Bollocks! Nobody has the time.”



Myth 2: The only way to drive it is by leadership role modeling: “It’s true, you need leaders to model it, but today you have to drive culture through movement. There’s a whole generation of the workforce that’s ready for collaboration, empowerment, and speed. It’s about getting out of the way and giving them the space. Culture is driven bottom up as much as top down in today’s world.”



Myth 3: Don’t tinker with a culture that works: “People say, ‘That’s just the heart of what we do.’ But to me, it’s a choice: you can’t see the world as moving fast but think, ‘we’ll do things in our old way, and somehow—miraculously—we will get ahead of the curve.’ How’s that going to happen? You can’t do the same things and expect a different result.”

When it comes to coaching the executive team around digitalization and automation, how do you create credibility and steer the conversation around the impact on talent?

LEENA: It’s my job to convince the CEO why something is important. We must use our persuasion to influence the right combination of head and heart with the right combination of data analytics and persuasive conviction. This all has to be brought to bear to help the CEO understand why culture needs to change, why we need to get more inclusive, or why we need more women in the workplace. We need to continuously challenge ourselves to lay the road and be ahead of the curve, not just passively wait until leaders see the light.

When it comes to any transformation, digital included, culture, capability, and capacity are three aspects that HR has the credibility to stand up and talk about. Most leaders have realized that digital transformation is underpinned by cultural transformation. Just because you say, “We have nice new shiny tools,” doesn’t mean people jump to use them. A culture transformation is needed for any kind of new work, whether that’s challenging the old ways of marketing or learning what it takes to succeed in a digital and social world. It’s a lot of unlearning and relearning, and therefore I think HR is perfectly positioned to talk about the culture transformation that underpins digitalization. But it also means HR leaders must spend time immersed in what’s happening in technology. Go to Silicon Valley, or wherever it takes, and spend time understanding the changes: what is coming down the pipeline, and what difference does it make to our business and our model? With this understanding, HR can lead the transformation to the digital enterprise, not just from the narrow lens of how work gets impacted but from a broader lens of how business models are getting disrupted everywhere. We’re perfectly positioned to do it by listening to our people and seeking the early signs of change.

Different organizations envision different roles for the head of HR when it comes to managing culture. Some CHROs believe they should be the steward of culture, while others say it’s more of a referee or enforcer role. What’s your take?

LEENA: First, I’m not the steward of anything. I’m either the catalyst or leading the change, or I’m not interested in the game. There’s no other function that says, “I’m a steward of processes in this company”; a steward is such a passive role! There are many myths about culture, but my view is culture needs stronger intervention and leadership, and HR leaders are both catalysts and leaders of culture change. The world is moving fast as we realize we need to keep enhancing our capability, unlearning the skills from yesterday and learning something new. We have to be quicker. We can’t say, “We’ll take 10 years to change the culture because the culture is inherent.” If I want to drive one or two dimensions called speed or empowerment or experimentation, I should be able to do that fast.

For example, we are driving empowerment, collaboration, and experimentation in a big way because in all our markets, we’re losing share to local players who have better local insights. We need people to experiment with those local insights faster, so we are creating what we call C4G: the Connected for Growth movement. It’s the new people in the organization, those who are not high up in the hierarchy, who are driving the behavior change. They are saying, “Here’s how I experiment and how I’m going to do it.” And you can enable and facilitate it many ways—through reward recognition, visibility, highlighting the bright spots, and removing the blockers. It’s getting out of the way of people lower down in the organization who were already experimenting and wanting to do things differently.

To your point about actively managing culture, how will you look to reinforce Unilever’s culture moving forward?

LEENA: We have to ask how to create the right nudges in employees’ work. For example, we’ve always thought of feedback as line leaders telling direct reports how they’re doing. But today’s world is peers giving one another feedback. No one is waiting for their leaders to give them feedback. They reach out to one another, people they trust and care about, to ask, “What did I do okay? What’s your feedback for me?” So we’ve got to turn this on its head. We must move away from the idea that I need to look up to see the right behaviors, then I should change myself. The world has moved on: people see why some behaviors need to be faster and better, and they’ll do it if you enable them. So we’ve got to push ourselves harder to not be passive about culture change but to say, “We know elements of the culture need to change, and we know how to do it in a fast way without damaging the core fabric of our organization.”

Is Your CEO Looking at Talent?

Take the CEO 20 Pulse Survey

The CEO 20 pulse survey is the only survey that helps heads of HR stay ahead of the trends their CEOs care about.

CEOs are asking CHROs to do more to lead their organizations through constant change.

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By
**Hannah Muldavin and
Scott Engler**

Opening Up Your Culture

Lessons from DeLisa Alexander and Red Hat

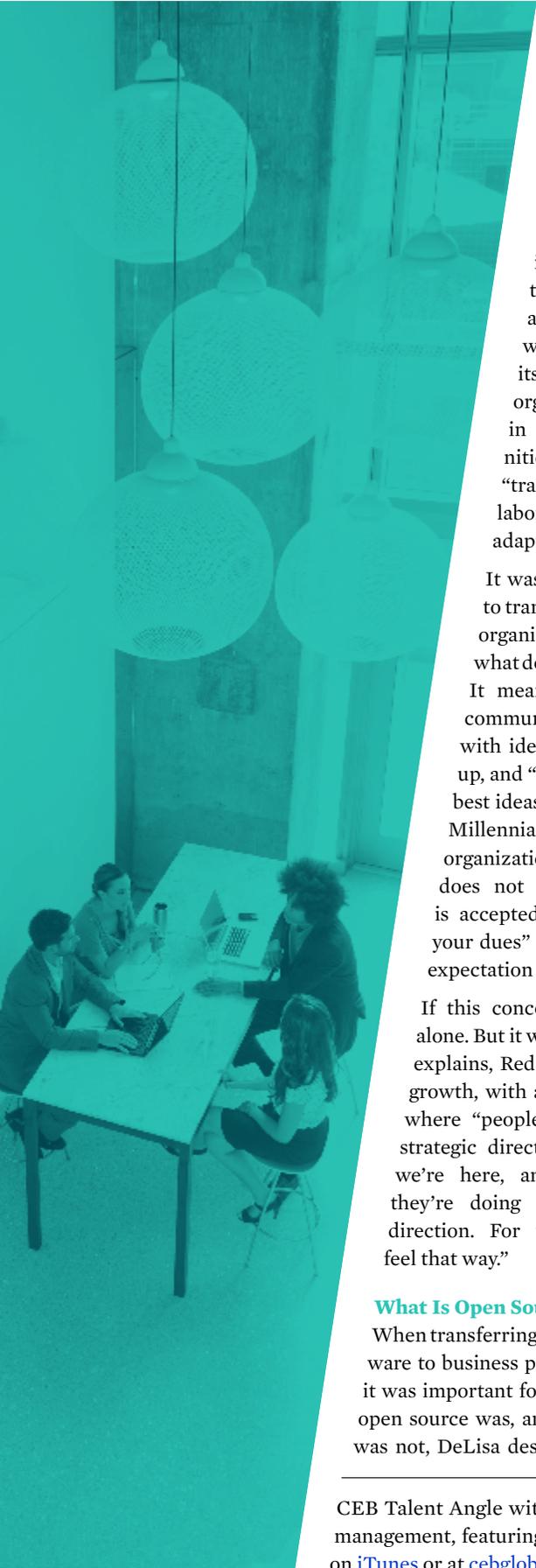
Organizations increasingly use culture as a strategic advantage, and all eyes are turning to the CHRO to execute on these culture initiatives.

Despite significant investment, only 31% of HR leaders agree they have the culture they need to drive business performance, and only 10% are confident their organizations even understand what their current culture is.

This is not the case at Red Hat, an open-source computer software development company. Here, “open source” doesn’t end with the product produced. It is a tenant that drives the organization—both in how processes are set up and in how leaders and employees behave. At Red Hat, you don’t just understand the culture, you live it.

To gather how this works in practice, we spoke with DeLisa Alexander, Executive Vice President and Chief People Officer for Red Hat, on the [Talent Angle podcast](#). DeLisa discussed Red Hat’s open-source approach to culture and how Red Hat uses its culture to drive behaviors and business results.





Living in an “Open” Organization

During our conversation, DeLisa described Red Hat as an open organization. Its product, which centers on open-sourcing software, means anyone can contribute ideas to the code to make it better. This differs from the traditional proprietary approaches to software, where copyright law prohibits this. Instead, Red Hat finds organizations that participate in their respective communities share characteristics of “transparency, inclusivity, collaboration, community focus, adaptability, and agility.”

It was a natural step for Red Hat to transfer these values to how the organization worked internally. So what does this mean for employees? It means contributions from the community are welcome. Those with ideas are encouraged to speak up, and “the company recognizes the best ideas can come from anywhere.” Millennials are attracted to the organization because having a title does not necessarily mean an idea is accepted as the best idea. “Paying your dues” does not fly at Red Hat; the expectation is everyone contributes.

If this concept scares you, you’re not alone. But it works for Red Hat. As DeLisa explains, Red Hat has had 61 quarters of growth, with a highly engaged workforce where “people say they understand our strategic direction, they understand why we’re here, and they understand what they’re doing to support that strategic direction. For us, that’s huge if people feel that way.”

What Is Open Source?

When transferring aspects of open-source software to business processes of an organization, it was important for Red Hat to establish what open source was, and what it was not. What it was not, DeLisa describes, was a democracy. It

also was not based on consensus. “In fact, in most cases we’re not looking for consensus—what we’re looking for is participation.”

While it might take more time to hear from more people, when the company does get that participation, “[the solution is] going to be so much more robust. And it’s going to be so much more easily adopted than the change management that you usually have to do on the back end of change.” For Red Hat, taking a bit more time to make a decision and gather the appropriate input meant execution was faster and employees were on board.

Open Source in Practice

This was not an overnight initiative for Red Hat. Many fears—that employees would assume decisions were made by consensus or that too many contributors would botch a great idea—were not taken lightly. That is why Red Hat created an “open decision framework.”

As DeLisa describes it, this framework is not a rule or policy but rather a guide to help leaders make open decisions. It is centered around the questions, “What is your decision criteria going to be? What are the ways that you can accept feedback and recommendations? What is the timeline for receiving that?” Like with software, you are looking for bugs—what could potentially go wrong in a situation.

DeLisa describes a few examples of how Red Hat used this framework in practice. From an HR perspective, DeLisa used an open-source approach for determining employee benefits. Though initially hesitant, thinking the topic was better suited for experts, Red Hat changed its approach and asked employees what they wanted. The result was a dialogue. “It’s a collective dialogue, and we’re all on the same team.” The company ended up with a policy that satisfied employees.

CEB Talent Angle with Scott Engler is a podcast that explores the bleeding edge of talent management, featuring thought leaders from inside and outside the corporate world. Listen on [iTunes](#) or at [cebglobal.com](#).

It also used open decision making in an initiative it called “Scaling Our Open Organization.” This initiative was considered one of the most strategic for the company, seeking to “rediscover how to articulate Red Hat’s purpose.” As the company continued to grow, it found many employees did not understand the mission of the organization, so it embarked on an initiative to listen to what the employees were experiencing in the current culture. As DeLisa describes:

For us, our culture is part of our strategic advantage. So, we are pausing and we are taking the time to rediscover, in a very open process, how each individual articulates the reason they’re here. We’re going to roll that up into functional statements, a purpose or “why,” and then ultimately into an articulation of how we say what Red Hat’s purpose is in an aligned way.

In addition to surveys, the company collected 2,300 stories from its associates about why they work at Red Hat. With this data, it is creating an open dialogue about Red Hat’s purpose—one that is true to the employee experience and shaped by everyone in the organization.

Getting Leaders Comfortable

To make leaders comfortable with relinquishing power, Red Hat had to work on shifting the natural leader mind-set. Instead of acting as a “commander”—someone who punishes people for doing something wrong—Red Hat wants managers and leaders to think of themselves as catalysts. As an example of how the company wants to shift leaders’ mind-set, DeLisa describes her interaction with an individual contributor who was hesitant to move into the manager role. “What if you think about your role as helping people to be their best, to be their most effective, to have the most energy in their role?”

The ability to catalyze communities and people is what Red Hat looks for in its leaders. To ensure its leaders are capable of this, Red Hat is selective about the type of people it brings into the organization, recognizing that it will not be a good fit for everybody. Hiring managers help the potential candidate and the organization as they assess if an individual will thrive in this open culture. They also create behavior multipliers, which are based off open-source leadership competencies. These are actions Red Hat has identified as multiplying the impact of the designated competencies. Providing examples of what it looks like to either overuse or underuse a trait, CHROs give managers and leaders direction on what open-source leadership looks like in action at Red Hat.

Culture Is Strategy

Red Hat’s initiatives derive from the belief that open organizational culture drives its strategy and business results. This culture aligns to the “why” people in the organization act a certain way. By focusing on the “why,” Red Hat is able to genuinely understand employee motivation and help people and processes become more efficient. The biggest threat to this culture is growth. As a company gets

larger and farther away from its founders, “the ‘what’ people are doing takes over, and people forget ‘why’ they’re doing it. When you start to forget about the context behind the ‘what,’” DeLisa explains, you see a split where “performance begins faltering up and down, and then people bring in even bigger people to try to drive more scale and efficiency and consistency, and those people are not people who are thinking about the purpose of the company, they’re thinking about really driving efficiencies.”

Conclusion

Red Hat provides a unique insight on how an organization was able to align its product with its culture and business processes to produce results. And while DeLisa acknowledged that an open-source culture wouldn’t work for every organization, other CHROs can use the approach HR took to define and guide the culture. By gathering data and understanding the “why” behind employee actions, creating frameworks and projects to align business strategy with culture, and working with leaders to change their mind-set about management style, HR functions can create a culture that performs.

Where will you join your peers in 2017?

2017 CEB Corporate Leadership Council™ Meeting Dates

The CHRO Agenda

Annual Executive Retreats

7 November, New York
14 November, Chicago

The Cultural Evolution

Executive Briefings

2 November, Melbourne
9 November, Paris
30 November, Dallas

Annual Executive Retreats

9 November, Sydney
21 November, London

Staff Briefings

2 November, New York
9 November, Atlanta
14 November, London
16 November, Chicago

2017 CEB Corporate Leadership Council™ Meeting Descriptions

The CHRO Agenda: Insights and Solutions for the Top Challenges That CHROs Are Facing Today

November

In these sessions we will be providing insights, strategies, and solutions—in a fast-paced, dynamic format—for the top three challenges facing CHROs. We will discuss Creating a Culture That Performs, Building the Analytics Capabilities of the HR Function, and The Impact of Digitalization.

Join us to learn how CHROs are tackling the biggest challenges they face today, including culture, analytics, and digitalization.

The Cultural Evolution: Creating a Culture That Performs

November

Despite all the attention and resources devoted to managing organizational culture, less than one-third of HR leaders believe their organization has the culture it needs to drive future business performance. The best organizations are addressing these knowledge, mind-set, and behavior gaps holistically by moving from people-to process-focused strategies in order to get a higher level of alignment between the workforce and the desired culture.

Please join us to hear and discuss with your peers our latest research on creating a culture that performs and how achieving higher alignment between the workforce and your desired culture drives improvements in key business outcomes.

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+1-571-303-3000 (North America)
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