

The Perception of Organizational Culture in Latin America

120 executives share their perspectives on culture

Culture is top of mind for many leaders today, whether they are managing a major transition, such as a merger or digital transformation, or just trying to hire someone who will succeed at their company. Nevertheless, culture can be hard to understand and talk about, much less manage, because it feels elusive — so much of culture is anchored in unspoken behaviors, mindsets and social patterns.

With this in mind, Spencer Stuart participated in a study of the impact of culture on business outcomes, the results of which are explained in an article called “The Leader’s Guide to Corporate Culture,” published in the January/February issue of *Harvard Business Review* (HBR). The article provides a framework for assessing and managing culture.

To learn more about how organizational culture is perceived by Latin American business leaders, we conducted an online survey during the last quarter of 2017, inviting CEOs and heads of HR in Latin America to share their views about organizational culture and its impact on business performance. We received responses from 120 executives from six countries — Argentina, Brazil, Chile, Colombia, Mexico and Peru.



A SOURCE OF COMPETITIVE ADVANTAGE

Nearly all (93 percent) of the executives responding to our survey believe there is a clear link between culture and strategy, and most regard their own organization's culture as an asset. Even more (95 percent) view their organization's culture as a source of competitive advantage, although fewer — 82 percent — characterize their company's culture as a high-performing culture. A majority (79 percent) believe they effectively manage and develop their organizational culture, and 88 percent say there is a clear link between the culture and strategy of their organization.

Yet Latin American executives also see room for improvement in how their organization communicates about culture. While 86 percent say their organization has a clear culture aspiration, only 72 percent believe culture aspirations are widely understood throughout the organization. More than a quarter (28 percent) of respondents say there is no dialogue about culture in their organization, and the same percentage say their organization does not have a tool for measuring culture. And 28 percent do not think that culture and values are communicated effectively in their organization.

THE POWER OF INTENTION

Cultural norms define what is encouraged, discouraged, accepted or rejected within a group. Culture and values are closely related concepts. When properly aligned, organizational and personal values drive culture and can unleash tremendous energy toward a shared purpose within a group.

For many organizations, culture is just something that “happens.” For example, it's not uncommon to hear Latin American leaders attribute certain behaviors to our being “Latinos,” believing that these behaviors cannot be changed. We strongly disagree. Leaders can *intentionally* shape culture to align it to business strategy and gain a competitive advantage.

The research and practical experience show that when evaluating how culture affects outcomes, the context in which the organization operates — geographic region, industry, strategy, leadership and company structure — matters, as does the strength of the culture. However, a powerful intention to shape the culture plus the discipline and the right system of consequences from management will change the game regardless of other factors. While the word “consequences” has a negative connotation for some, we believe leaders should think about consequences more broadly as the result or effect of an action or condition. So, getting a promotion is a consequence of job performance in the same way as getting fired is. These decisions signal who in the organization are the culture “heroes” — those who embody the desired values and behaviors — and who are the culture “villains,” who are resisting change. When it is not clear who's the hero and who is the villain, wrong messages are being sent to the organization.

After many years of leadership consulting in Latin America, we are convinced that corporate culture can overcome strong regional and national culture preferences. Let us use a very simple example from Mexico. One multinational company wanted to change the work shifts at its plant in Mexico to align schedules with a “sister plant” in the United States. Like

most global manufacturers, the company was trying to “standardize” operating procedures across its global sites network. This involved increasing productivity by leveling KPIs across sites and creating a high-performance team culture. For the workers, the change in the shifts meant that they no longer could follow their traditional practice of having lunch at about 2 p.m., frequently for an hour. The company changed the cafeteria hours so that it would be open from 11 a.m. to 12:15 p.m., and gave employees approximately 30 minutes to eat. Despite a lot of criticism initially about the new schedule, employees adjusted and the new shifts were implemented and operated in a very efficient way for many years.

That 3,500 Mexicans could change a “cultural habit” demonstrates that the corporate culture can be stronger than a national one. Changing the lunch schedule was just one part of the culture change effort; the company also changed its feedback approach, encouraged more assertiveness in managing poor performers, increased the sense of ownership for results, and established conflict management and celebration rituals to reinforce the desired culture of the organization.

DEFINING AN ASPIRATIONAL CULTURE

Based on the vast literature on culture, the authors of “The Leader’s Guide to Corporate Culture” identified four generally accepted attributes of culture:

- » **Shared:** Culture is a group phenomenon. It cannot exist solely within a single person, nor is it simply the average of individual characteristics.
- » **Pervasive:** Culture permeates multiple levels and applies very broadly in an organization.
- » **Enduring:** Culture can direct the thoughts and actions of group members over the long term.
- » **Implicit:** An important and often overlooked aspect of culture is that, despite its subliminal nature, people are effectively hardwired to recognize and respond to it instinctively.

With these four elements in mind, defining an aspirational culture that effectively harnesses this power is a must for organizations. If we believe that culture is something that leaders can shape through both conscious and unconscious actions (sometimes with unintended consequences), leaving the culture to evolve without any direction from management represents tremendous risk.

Culture cannot be changed without top management deeply involved in the process. The leaders responding to our survey recognize who “owns” culture in their organization. Ninety-five percent (95 percent) say it is clear who leads culture globally in their organization, and 97 percent say it is clear who leads culture in their country operation. Executives also play an important role in modeling desired behaviors. There may be room for improvement in this area; 18 percent of survey respondents say the top management team does not consistently serve as culture role models.

A DEEPER LOOK AT THE DATA

For the most part, we saw few differences in the responses from CEOs and HR leaders we surveyed. Here is a sampling of the survey results.

DIFFERENCES BY ROLE (% AGREEING)

	CEOs	HR leaders	Overall average
Our culture is a source of competitive advantage	94%	96%	95%
We have a high-performing culture at our company	90%	76%	82%
In my organization there is a clear, explicit link between culture and strategy	86%	90%	88%
We have a clear culture aspiration	84%	88%	86%
Our culture aspirations are widely understood in the organization	67%	75%	72%
We have a model for culture that helps us to better understand and communicate it	71%	72%	72%
We effectively manage and develop our culture	71%	85%	79%
It is clear who leads culture globally	94%	96%	95%
The top management team consistently serves as culture role models	86%	79%	82%
There is a clear link between our HR practices and the target culture in the organization	80%	85%	83%
There is a clear link between our target culture and the talent we promote or fire	86%	87%	86%
There is a clear link between our target culture and the talent we hire	94%	96%	95%

Forty-three percent of respondents are CEOs and 57 percent are senior HR leaders

Aligning what we call the “system of consequences” with the desired culture requires tough decisions from leaders to reward the appropriate behaviors and correct the ones that don’t support the aspirational culture. One way organizations do this is by ensuring that the people in key roles serve as strong role models for the culture and that there are consequences for those who don’t.

In our survey, 95 percent of the executives surveyed see a clear link between their organization’s target culture and who is hired. However, only 83 percent see a clear link between HR practices and the organization’s target culture and 86 percent believe there is a clear link between the target culture and who is promoted or fired.

HOW TO CHANGE ORGANIZATIONAL CULTURE

“The Leader’s Guide to Corporate Culture” identifies four practices for changing corporate culture. We list these practices here, along with some additional insight from our work.

Articulate the aspiration. Be careful about defining a “sexy” culture for your organization with the primary goal of attracting outside talent. An aspirational culture should align with the strategy and other business requirements. It is not meant to describe an idyllic work environment. So, creating expectations that your culture is agile and learning-oriented will undoubtedly backfire if you are in a highly regulated industry and people are expected to follow a lot of rules.

Select and develop leaders who align with the target culture. Like the concept of “leadership brand” that emerged some years ago, leaders will be responsible for modeling the desired behaviors, serving as culture ambassadors to speed up the cultural transformation process. Make sure executives have the characteristics and style of the aspirational culture.

Use organizational conversations about culture to underscore the importance of change. Conversations about culture should disclose why the culture needs to change and how decisions reflect the aspirational culture. For example, when announcing promotions, reinforce culture ideals by talking about how individuals have modeled the aspirational culture.

Reinforce the desired change through organizational design. The company’s structures, systems and processes are the visible representation of the system of consequences discussed above. Rewards systems and performance and talent management processes, for example, should reinforce desired behaviors and discourage others.

For HR practitioners and CEOs, the message is clear that culture can be a key differentiator for business performance. When aligned with strategy and leadership, a strong culture drives positive organizational outcomes. A strong, healthy culture also serves as a big draw for talent, helping organizations attract and retain high-performers. As Jack Welch wrote in his book *Straight from the Gut*, “I did know what I wanted the company to ‘feel’ like. I wasn’t calling it ‘culture’ in those days, but that’s what it was.”

ABOUT THIS ARTICLE

This article was developed by the Latin America LAS team. **Carolina Bernardi** coordinated Chile, **Laura Menezes** Brazil, **Juan Ignacio Alvarez** Argentina and **Sergio Delgadillo** Colombia, Mexico and Peru.

ABOUT SPENCER STUART

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 56 offices, 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness.

For more information on Spencer Stuart, please visit www.spencerstuart.com.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.

