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consultancy group

THE 5 STEPS OF CULTURAL CHANGE
WITHIN YOUR ORGANISATION

THE 5 STEPS OF CULTURAL CHANGE

This e-book is about cultural change and the challenges it brings.

I like to make organisational culture as simple as possible. In this book you will find a simple definition of culture as well as a five-step approach to culture change.

requires the necessary insights, a thoughtful approach and a lot of dedication to get it done well. The approach described in this e-book is based on thirty years' experience and it is used in our projects every day.

Culture is not an easy thing to change. It

CULTURE CHANGE – 5 STEPS



STEP 1: ANALYSIS

Before you start changing culture, it is essential to understand your current culture and the reasons behind wanting to change it. And before that, a more fundamental question must be answered: what is culture?

What is organisational culture?

There is extensive literature on what defines culture, but much of it is unnecessarily complex. Culture can include many elements, but ultimately only one aspect truly matters: the behaviour of people within (a part of) the organisation.

To put it very simply: **culture = behaviour**. How do people communicate with one another and with external stakeholders? What choices do they make or avoid? And how do they act day to day? All these aspects are visible behaviours, and they directly influence key organisational outcomes such as performance, employee satisfaction, customer satisfaction, costs, turnover, and profit. Culture therefore plays a decisive role in the success of any organisation and should be a priority for every leader.

Is it really that simple? Yes and no. Culture becomes visible through behaviour, but the factors that shape behaviour are more complex and require deeper understanding.

What determines organisational culture?

Since we described culture as the behaviour of people, we can now ask what influences this behaviour in an organisation. Organisational culture, or the way people act, is shaped by three factors that we refer to as perspectives:

1. The human perspective focuses on who you have in your organisation. What is their identity and personality, and what knowledge, attitude and skills do they bring with them?

2. The context perspective covers the factors that influence behaviour that do not come from the people themselves. In an organisation, many elements affect how people act. Think of the behaviour of managers, the content of training and courses, the systems and tools people use, reward structures, internal communication and other comparable influences. These conditions are usually the same for larger groups or departments.

3. The patterns perspective looks at the interactions between individuals and groups and the views they develop about one another. Examples include self fulfilling prophecies, hidden or unresolved conflicts and competition for resources or influence. These dynamics and patterns are often visible but still hard to interpret for people in the organisation and even harder to see for outsiders.



They are, however, strong influencers of behaviour. This perspective is often overlooked in culture change efforts. When ignored, it can limit the successful implementation of a new culture.

Analysing your organisational culture means describing the relevant behaviours of employees in the part of the organisation you want to change. Define the scope of your analysis carefully. Once the analysis is complete, consider the three perspectives and how each shapes the behaviour you observed.

People who have been with the organisation for a long time become culture blind. They no longer see their own culture clearly because it has become the norm. For an unbiased analysis, involve outsiders or employees who joined more recently and are still surprised by the way things are done.

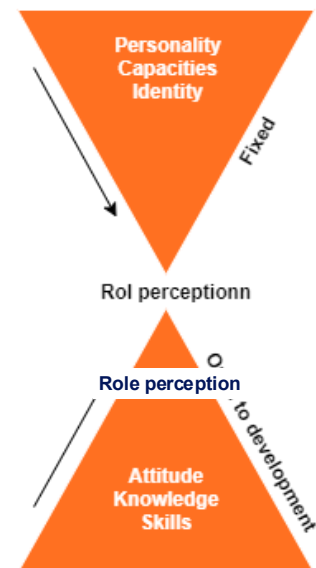
1. The human perspective

The first perspective focuses on the people in your organisation. Who are they in terms of identity, personality, knowledge, attitude, and skills? People's background, personality, and abilities are largely fixed. Identity and personality rarely change significantly over a lifetime. If these factors prevent the development of the desired behaviour, there may not be a good fit between the people and the culture you aim to create. In that case, either your ambitions need to be adjusted, or you may have the wrong people in your organisation. It is better to recognise this early in the process.

McHale, who has extensive experience with large cultural changes, notes that one aspect of identity, called role perception, can be influenced during cultural change. Role perception is how a person sees their own role within the organisation. Adjusting roles

can help individuals break free from old patterns and explore new ways of working.

THE HUMAN PERSPECTIVE



Attitudes, knowledge, and skills are easier to develop within an organisational framework. These factors can be improved through learning programmes, workshops, and other interventions. Many change initiatives, however, focus only on developing these individual elements. This has often led to significant investment in trainings for individuals or groups without achieving real cultural change.

It is not wrong to include learning and development initiatives in culture change programmes. In fact, they are an important part of the process.

Problems usually arise when these development pathways are used in isolation, when expectations are too high, or when the context in which people work does not change enough. In such cases, an extinction effect often occurs: behaviour quickly returns to its previous patterns. As a result, not only is the investment lost, but people may also lose confidence in the possibility of change, making future interventions require much more effort and resources.

2. The context perspective

The context in which people work, alongside individual factors, is a powerful driver of behaviour. This perspective examines how the environment in the organisation affects individuals and groups. Every organisation has factors that signal what behaviour is acceptable or not. A factor has more influence when it is clear, when it can be observed in people's actual behaviour, and when it carries consequences. The most common contextual factors are:

- > Managers;
- > Structure and processes;
- > Systems and tools people use;
- > Performance management;
- > Reward systems;
- > Colleagues;
- > Internal communication;
- > Learning development;
- > External parties.

Different factors can place similar demands on people while at the same time creating different or even conflicting expectations and messages. The clearer and more consistent the context, the greater its influence on behaviour.

People's behaviour, or culture, and contextual factors exist in a balance. To change culture, you also need to adjust the context factors. Without this, behaviour will

gradually return to its previous patterns. Any intervention aimed at changing long-term behaviour is likely to fail if context factors are ignored. Context is more powerful than any external intervention because it remains after the intervention ends.

The role of leaders in a culture change

Managers' behaviour is one of the most important contextual factors and strongly influences other context factors. How leaders act has a major effect on cultural change. The way managers collaborate, are rewarded, do their own work, make decisions, and implement them shapes the rest of the organisation. Managers' behaviour is closely observed, especially when changes are about to happen. Leaders often underestimate this in their daily work.

Leaders should not take culture change lightly. Much is already expected of them, and a culture change adds extra responsibility. Leaders need to carefully consider the right approach and make conscious choices about their role in the process. They must give it proper attention, guide and support employees, facilitate the change, and take staff seriously. Leaders must take a clear stance, set the tone, show vulnerability when appropriate, encourage desired behaviour, and live it themselves, leading by example.

For culture change to succeed, a leader must act more consciously than before. This requires reflection: "How do I need to change within this organisational change process?" What has worked in the past and contributed to previous success may no longer be effective. Everyone must change, starting with the leader.

Everyone naturally experiences some resistance to culture change, including leaders. As a leader, you may have doubts or uncertainties, even if you cannot always express them openly. Sharing this process can set a good example while also supporting the change. Show vulnerability and openness about your own journey. The skill of effective leadership is finding the right balance: provide direction, make deliberate choices and communicate them, while also showing your personal side.

Leadership in culture change is not easy. Being a good leader requires ongoing self

reflection, awareness of your limitations, and understanding your own perceptions and resistance. Culture change offers an opportunity for a meaningful and instructive journey, but it is certainly not the easiest path.



The why question

Dedication and persistence are essential for a culture change to succeed. A leader must help people understand why the change is necessary. It is important to answer the why question clearly and simply, and to repeat and explain it often, even to the point of seeming repetitive.

Walk the talk

Leaders who align their actions, choices, and communication with the desired culture are more effective in culture change. Consistency is key. If leaders fail to walk the talk, it becomes harder for the rest of the organisation to believe in the change and fully commit to it.

Keep the conversations going

A good leader acts as a catalyst and encourages open and safe conversations. By talking regularly about the change, its impact, and addressing any resistance, leaders help ensure the change process runs smoothly.

Persevere

Once the decision to change has been made, it must be carried through. Talk with those who resist the change and consciously recognise and reward those who embrace it. It is especially important to highlight and give attention to changes that are already underway. Leaving a change unfinished is never an option, as it creates mistrust and fear.



3. The patterns perspective

The patterns perspective looks at the hidden currents in organisations. These are the habits and the underlying ideas that shape them, along with the chain of causes and effects that strongly influence how people behave. They are hard to notice but at the same time the most powerful and hardest part of a culture to change. These patterns are always active and get stronger over time.

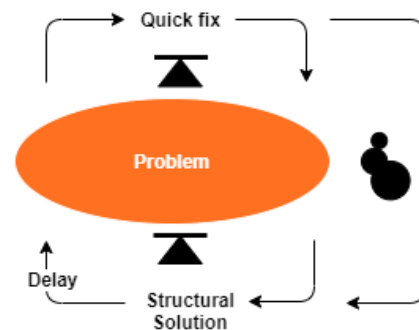
Mental models

An organisation is a very complex system. People working in it need to simplify this complexity to make their daily work manageable. This is done by focusing on parts instead of the whole, looking at groups instead of individuals, and using other ways to simplify reality. We all create mental models of the organisation and our colleagues. These include ideas, impressions, and assumptions that do not automatically change when reality changes.

We tend to look for evidence that supports our existing mental models rather than question them. Over time, these models can become outdated and rigid. People no longer see their surroundings clearly. Peter Senge calls this a learning disability, meaning we misinterpret information and reinforce existing patterns. For example, people may not see their own role in creating problems and often treat events as isolated instead of part of a larger pattern. Some patterns are unique to organisations, but many standard patterns can also be recognised.

Shifting the burden

organisations can have unique patterns, but many common patterns also appear. Senge calls these patterns system archetypes. One example is shifting the burden, where a problem can be solved in two ways. There is the short-term solution, or quick fix, which can be applied almost immediately, and the structural, longer-term solution, which takes more time and effort. When people are under pressure to solve problems quickly, they often choose the short-term solution. In the short-term, this works because the problem is solved for now. What is less obvious is that repeatedly choosing the short-term solution weakens the system over time. Each time it is used, it becomes harder to implement the long-term solution.



This pattern can be seen in many parts of organisations. It is like repairing a complex machine with quick fixes. Each quick fix solves the problem for a while, but over time no one knows exactly what parts are in the machine or what may be missing. Continuous quick fixes make it almost impossible to solve the problem properly in the long-term.

Another example of a system archetype is the circle of mistrust, described by Ryan and Östreich in their book *Driving Fear Out of the Organisation*. In this pattern, two groups, such as managers and employees, gradually become distant from each other. Both groups start with a slightly negative view of the other.

These cannot be changed without looking beyond one's own way of thinking. Guided dialogue, organisational system work, or simulations can help make these patterns clear and address them. People need to see the whole picture and aim for openness and understanding, so that blaming others disappears. Mapping your own patterns together with others can be a big step forward. Change is only possible if everyone involved takes full responsibility for their part in a pattern or system, and this is very difficult without guidance from someone outside the organisation.

This is the deepest part of culture. Starting a change requires courage, openness, and the ability to reflect on patterns and systems that people themselves create and maintain.



STEP 2: AMBITION

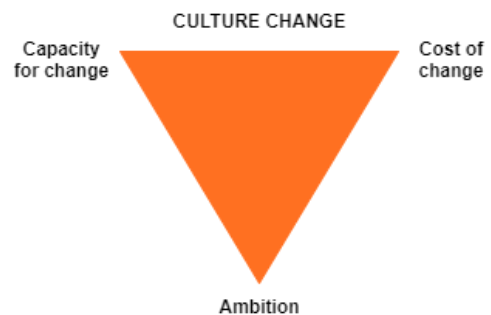
After completing your analysis, the next important step is to define the ambition for the culture change. What should the new situation look like?

This conversation should include a large group. Top executives play an essential role, but so do cultural leaders, informal leaders, and representatives from different parts of the organisation. The wider the conversation, the stronger the support for the change. The group you bring together now will continue to play an important role in making the culture change happen.

Your ambition is simply the gap between the current situation and the desired situation, ideally described clearly and specifically in terms of behaviour. In other words, what do people in the organisation do, say, and decide? The larger the gap between the current culture and the desired culture, the more effort and capacity the organisation will need to make the change happen.

The second question at the start of a culture change is how well the organisation and employees can handle the proposed change. Factors that influence the ability to change include workload, mutual trust, flexibility, and existing knowledge and skills. The greater the ambition, the more capacity for change is required.

The third question is about the cost of change. Change always comes with a price. This is not only a financial cost, but also the possible unintended consequences, such as good employees leaving, a temporary drop in customer satisfaction, or lower productivity for a period. The ambition, the capacity to change, and the willingness to accept the costs are three factors that must be balanced. High ambitions require both a strong capacity for change and a willingness to pay a higher price to achieve the desired results.



Once all these aspects have been considered, the analysis of the current situation can be compared with a detailed plan for the desired situation. In both cases, behaviour is described in detail, including what people say and decide, along with the key factors from the three perspectives that shape current and desired behaviour. The next step is to plan and develop an approach to close the gap.

STEP 3: APPROACH

There are roughly two approaches to cultural change. One is a top down approach, where leaders define the desired culture and then introduce it step by step into the organisation, enforcing it if needed. The other approach encourages people to experiment with new behaviours within their own teams. If these experiments succeed, other teams may adopt the behaviour as well. This creates a viral change, guided by change managers, and over time the culture gradually transforms.

In my experience, a culture change without the commitment, support, and involvement of senior leadership is likely to fail. At the same time, a culture change can only truly take shape if teams are able to actively contribute, helping to shape the direction and interpretation of the change.

Ultimately, your approach must match your analysis, your ambition, and the nature of your organisation. Even so, there are several guidelines I would like to offer when you are planning your approach.

1. Leaders first. Have senior leaders take the lead and be the first to demonstrate the desired culture, showing it through their own behaviour before introducing it more widely in the organisation. Few things harm a culture change more than a leader who does not lead by example or shows little commitment to the change.

2. First break, then build. Building a new culture requires a safe environment. People need space to practice new behaviour. Trust in the organisation and its leaders is also essential.

At the same time, a change process sometimes means letting go of familiar habits, structures, processes, or even departments. If difficult measures are needed, handle them quickly. Once they are behind you, the organisation can fully focus on building the new culture.



3. Start with patterns, then focus on the context, and finally on the people.

Eventually, you will influence all the factors that shape behaviour in the three perspectives. It is best to start with patterns if they are present, because they often block trust. Next, take steps to adjust context factors. Only then work directly with people to influence their behaviour. This approach gives the highest chance that investments in culture will pay off. For any change, always consider its impact on your people.

Try to understand how the changes will affect different groups in the organisation. How are they impacted, and how can they be involved in the culture change or even in shaping it?

You need to lead the change. It is not possible or necessary for everyone to be part of every discussion. But you can include people in the story of the change and give them influence over the parts that affect them. Do this by explaining, talking with them, and letting them contribute when and where possible.

STEP 4: ACTION!

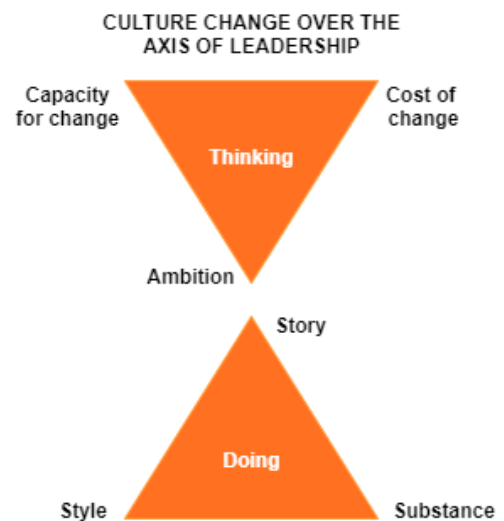
Now it comes down to putting the plans and ideas into practice. The first step lies with the leaders, starting at the top of the organisation.

Leaders lead the way

Every leader in a culture change must be able to express the ambition in their own words. They must tell it in a way that inspires people. Their behaviour must match this story. Only then will the story feel real and consistent. The decisions a leader makes must also fit the story and their behaviour. This way, the leader starts shaping the context in which the culture change must happen. If we combine the picture from step 2 with the points for leaders, we get the image on the right. It gives a clear summary of what leaders must do in a culture change, both when defining the ambition and when making it real.

Resistance to change

Approaching resistance in a constructive way is essential for a successful culture change. Resistance is a normal part of change, and it does not have to be a problem. What matters is how you respond to it and what you decide to do. The moment resistance is expressed openly is a key moment in any culture change. The level of resistance depends on the impact of the change, the chance people have to contribute, and the quality of communication.



Resistance can be seen as an invitation to involve people in the process. It has two parts. The first part is emotional resistance, which comes from feeling pressured. It is important to lower the tension and listen. The second part is rational resistance, which is based on clear arguments. This gives useful input for the next steps in the change. There is no reason not to include this input in the plan.

Irrational & emotional resistance

Denying or pushing away emotional resistance is not the solution. It only makes the resistance stronger and more difficult. It can even turn into open opposition or move underground. When that happens, you lose insight and influence.

A safe work environment is needed, where resistance has a place and can be discussed openly. People must feel free to speak up and share their views. Active listening, asking questions and having real conversations are very important. People want to be heard and taken seriously. Critical questions and honest talks can turn resistance into positive energy. This energy can help a culture change move forward. People who were first against the change but later become convinced supporters are often the strongest promoters and drivers of the change.

Rational resistance

The rational part of resistance consists of questions like “is this really the right way?” or “could we have done this better if we tried another approach?”. These arguments can be useful and help the change process move forward. This type of resistance can improve your change approach. A safe environment also helps here, because people can express doubts, fears and concerns more easily. Rational arguments show what needs better explanation or give new ideas on how something can be handled more effectively.

Listening to this input and turning it into a fitting approach is valuable for a successful culture change. In short, the more time and attention you give to resistance, the easier the change will become. Keep the following tips in mind:

- > Do not fight resistance but encourage and use it;
- > Provide a safe environment allowing resistance to be openly expressed;
- > Pay attention to emotional resistance and make people feel they are taken seriously;
- > Use rational resistance to improve your approach of the change process.

STEP 5: ATTENTION

New behaviour is fragile. Make sure you support the new culture together with others and stay alert for signs that old habits are coming back. It is important to keep highlighting the desired behaviour and to address old habits right away.

The environment also needs long-term adjustments. Think of systems, reward structures, hiring choices and learning paths that help encourage the desired behaviour. New patterns will keep appearing, and old patterns may return from time to time. That's why continuous dialogue in the organisation is essential. Good training and development of the needed skills is never a waste.

FIVE POINTS IN CONCLUSION

1. For a culture change to succeed, as many factors as possible must support the new behaviour. That is a big task. Carefully assess whether the desired change is realistic before you begin. A failed culture change drains energy, motivation and trust.
2. Involve as many people as possible in the culture change as early as you can. People prefer to take part in change rather than have change imposed on them. For this reason, never declare the culture change finished. Leave room for everyone in the organisation to keep influencing their own work.
3. Culture change is only possible if leaders step up and take on the role of change leader. They need to understand that their actions, both conscious and unconscious, can maintain or change the culture. Their behaviour is always being watched.
4. All three perspectives, people, context factors and patterns must be considered if you want sustainable culture change.
5. Resistance is closely linked to change. You cannot avoid it. If you handle it the right way, it can be very helpful.

Sources:

- *Story: Substance, Structure, Style, and the Principles of Screenwriting* - Robert McKee
- *The Insider's guide to culture change* - Sibbhan Mchale
- *The Fifth discipline, The Art & Practice of The Learning organisation* - Peter M. Senge
- *Driving fear out of the workplace* - Kathleen D. Ryan & Daniel K. Ostreich

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