



# Cultural transformation and the implementation of core values

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The importance of organizational culture has long been recognized, but changing a culture – what people think and how they behave – is not a straightforward task. One approach that can help organizations to improve their culture is a set of core values, supported by defined behavioral statements that clearly articulate the beliefs and principles that the organization wants its people to share and embrace.

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**A**n organization's culture is made up of the beliefs, values and norms of behavior that are shared by the organization's people. Culture influences how people behave and the way they work, and is a key component in how the organization achieves (or fails to achieve) its strategy. And while a strategy can be easily copied, culture is far more difficult to establish.

Culture determines what employees consider appropriate behavior and how they interact with each other. It influences how individuals, working groups and the organization plan, execute and manage their work. In this way, it helps determine the speed and efficiency with which work is completed. Culture also helps determine how receptive or resistant an organization will be to change. As we see it, the right culture can equip an organization for success in times of growing volatility and accelerating disruption.

**The difficulty of change**

Having an appropriate culture is vital, but changing the organizational culture is challenging for a number of reasons:

- ▶ **Culture includes both formal processes and informal, unwritten rules:** Cultural change requires more than reconsidering official processes and procedures.
- ▶ **Culture comprises both mindsets and behaviors:** Changing culture is as much about changing what people think, as it is about changing what they do.

- ▶ **Culture is shared:** Culture does not just belong to one group within the organization, such as leadership. Cultural change needs to involve everybody.
- ▶ **Culture is self-reinforcing:** Every time someone acts in a particular way, it sends out a visible and immediate signal to others in the organization.

EY has an approach for culture transformation and core values implementation that addresses the challenges and is centered around the alignment of the organization's purpose, vision, core values and behavioral statements.

**What is purpose?**

Purpose is an aspirational reason for being that is grounded in humanity and that inspires and calls to action. Purpose-led transformation is a journey from purpose definition to purpose activation across the organization. EY's purpose-led transformation approach is centered around aligning leadership and sharpening priorities, transforming at an agile business pace, mobilizing the full culture and unlocking strategic thinking and innovation. Defining the purpose is the first step in the culture transformation and needs to be translated into the organization's vision and core values in order to be carried out effectively.

**What is vision?**

The organization's vision is the underlying value of what an organisation brings to its customers that provides meaning

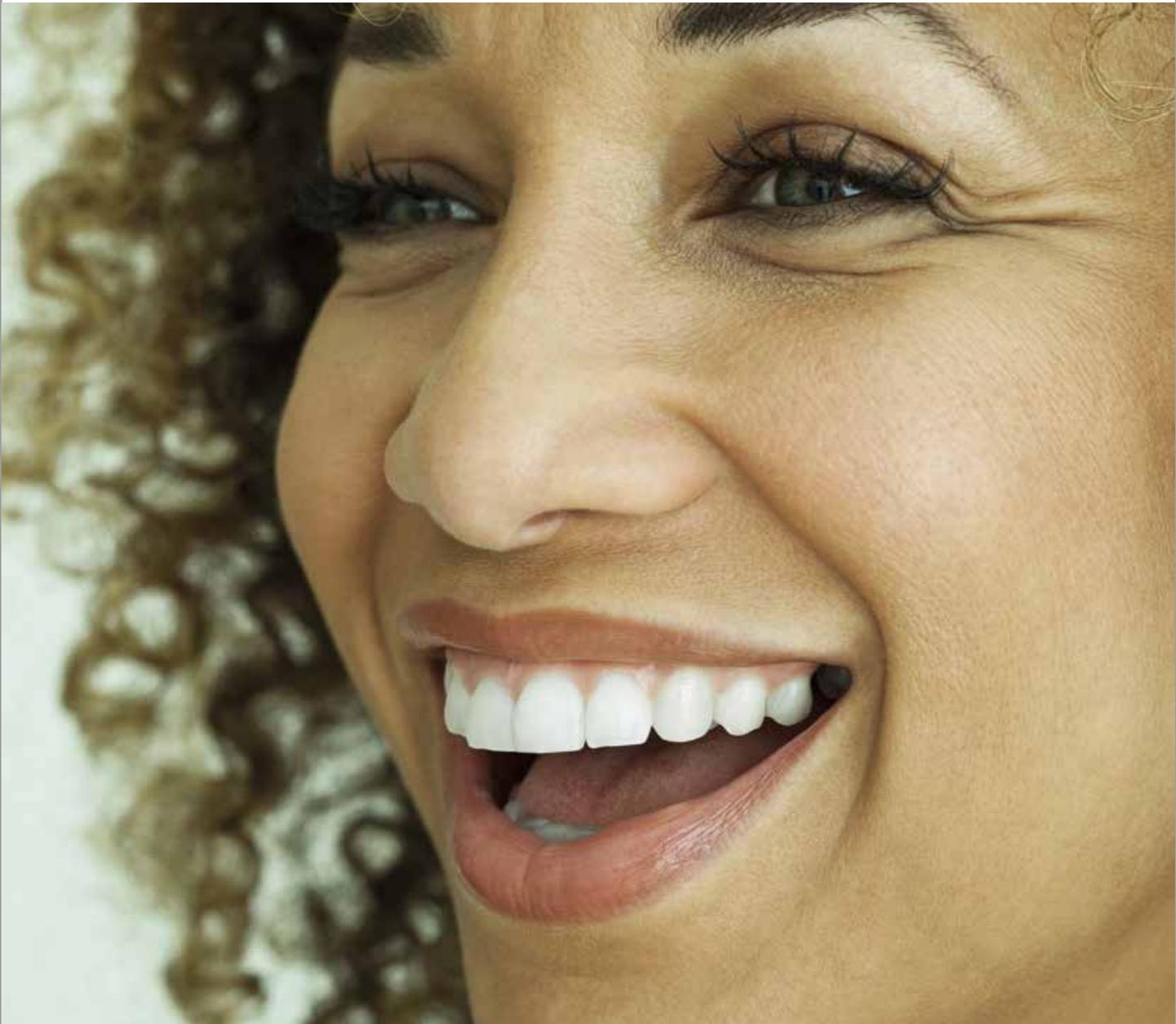


to its employees. It creates a sense of direction and guidance into the future and is designed to create enthusiasm, inspiration and commitment.

**What are core values?**

Core values are a set of statements that explain the organization's beliefs about people, work and non-negotiable behaviors.

Core values can be considered the "moral compass" that guide employees on how they should perform their day-to-day



activities thereby enabling the organization to move in the desired direction. Core values are important because they will fundamentally drive employees' decisions.

As organizations respond to the competitive pressures in a disruptive market, the culture of the organization will need to align to support the revised strategy and its purpose.

Organizational core values help employees understand how they should treat each other at work and how they should treat customers and clients. They

also help employees understand how the organization intends to achieve its vision and increase its effectiveness.

### Reasons why an organization might decide to define or refine its core values

An organization might consider a core values refresh and implementation if:

- ▶ It is undertaking an overarching cultural transformation, such as a purpose-led transformation. Defining and

### Example of EY's core values and supporting attributes

EY values:

- ▶ People who demonstrate integrity, respect and teaming
- ▶ People with energy, enthusiasm and the courage to lead
- ▶ People who build relationships based on doing the right thing

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Having an appropriate culture is vital, but changing organizational culture is very difficult.

implementing core values can help an organization make its purpose more influential on its day-to-day activities.

- ▶ It is considering M&A. Having an agreed set of values can reduce the risk divergent cultures pose to potential synergies.
- ▶ It has found damaging or disruptive differences in behavior between different divisions or geographies.
- ▶ A change of strategy is needed that requires a change to the prevailing culture and behaviors.

- ▶ It has a problem with low morale and performance issues. The organization may wish to implement core values as part of a general cultural change to address such problems.

**Analyzing the current state and defining or redefining the values**

Whether organizations already have defined core values or wish to build on the current values, what they first need to consider is a current-state analysis of the organization's culture (i.e., values, behaviors and symbols).



1. The first step is to harvest existing employee data for key cultural insights. For example, many organizations run regular employee engagement surveys, this data source can provide some key insights and trends on organizational behaviors.
2. The next step is to leverage the above data and run a number of interviews and focus groups, representing different stakeholder groups across the organization. The sessions are designed

to illicit how personal (i.e., trust and integrity) and organizational values (i.e., collaboration, team work and performance) are being lived in everyday work experiences.

3. The current culture is then analyzed to determine if there are differences between the values lived and practiced at different levels or in different functions of the organization. This is of prime importance in order to understand where the baseline is so that the focus, going forward, can be to drive greater alignment around a common set of values.
4. If the organization does not currently have core values or needs to add or remove them based on the organizational context, then the next step is to define them. Typically, this would be achieved through workshops involving the leadership, which are informed by the current state analysis. The aim is to build the narrative that supports each of the values that embody alignment to the organization's purpose and vision which needs to be easily understood by all employees.
5. Once the core values have been defined, each value needs to be underpinned by a number of crisp, specific behavioral statements that can be described in a set of observable actions.

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#### Four crucial components

To be effective, the core values should be one of four main components that support the culture:

- ▶ **Purpose**  
An organization's aspirational reason for being, which explains why it exists.
- ▶ **Vision**  
An articulation of the organization's aspirations, i.e., what it is working toward, not what it is doing now.
- ▶ **Core values**  
A representation of the core beliefs and principles that should be manifested in the behaviors of every employee.
- ▶ **Behavioral statement**  
A description of the required behaviors that support the core values.

Cultural transformation and the implementation of core values

The role of middle management is often overlooked in cultural transformations, but they play a critical role in making the decisions and statements of the leadership meaningful for employees at all levels.

**Implementing core values – making them "sticky"**

Once defined, the actual process of implementing the core values involves a project that comprises a number of stages: Lead, Align and Engage, together with sustainability.

**1. Lead**

The first stage in sustainably implementing core values is about getting the leadership to commit both to implementing and promoting the values and to modeling them through their own behavior.

This stage is often the most demanding as it involves working with organization's leadership during a number of exploratory sessions and having a courageous, bold dialogue about the values. The attitude and actions of the leadership – "the tone from the top" – is a vital factor in the establishment of any cultural change, because leaders provide an example that is followed throughout the organization. Not only must the leaders embrace the core values, they need to be daily advocates for them and to manifest them in their own behaviors. For leaders to not only buy-in to the core values but to also adopt and demonstrate them is one of the main challenges.

These conversations with leaders provide an opportunity to build leadership "value stories" to support the culture narrative – these are key to helping everyone in the organization to understand how the core values apply to them.

**2. Align**

The second stage is to understand how far current operations align with the core values, and to identify the steps required to bring them into alignment.

The Align stage involves carefully working through the organization's relevant policies, processes and procedures to see where these might not align or support the core values, and to identify what needs to change so that employees, in their day-to-day work, can fully express the values.

To facilitate a true cultural shift, it is important to identify high-impacted processes and align these to the organization's core values. The high-impacted processes are, typically, those that will have a direct effect on employees.

One important area requiring careful consideration is the organization's HR processes. For example, the recruitment and onboarding process may need to change so that, when new employees are being hired, candidates are chosen whose personal values align with the organization's own. At the most basic level, this could mean (re-) defining personality tests based on the core values and desired behaviors, establishing cultural fit interview questions and core value onboarding materials, etc.

It is also important, at this stage, to set disciplinary policies and procedures for challenging those behaviors that do not agree with the values. Consistency in rewarding the right behaviors and in challenging the wrong behaviors is crucial to any program of cultural change.

### 3. Engage

The third stage is to drive awareness of the core values throughout the organization, to explain the journey the organization is on, and to encourage the adoption of new behaviors and new mindsets.

Employees at all levels need to understand how the core values can meaningfully be lived in their day-to-day activities. The aim of the Engage stage is to get to the point where the employees' minds and hearts are engaged and employees are fully aware and equipped to exhibit the desired behaviors in their day-to-day work.

One important component of the Engage stage is the design and execution of the engagement strategy. The engagement strategy is built on the organization's culture journey and a narrative that is applied to the design of the interventions. The aim is make the core values "real" for everyone, by implementing interventions that are both focused on engaging the mind as well as engaging the heart.

Examples of interventions are culture lectures, animated core value infographics, town halls and roadshows, value stories and experiences from employees for employees, core value recognition programs and core value quizzes and games.

#### Engage: core values ambassadors

An important step in the Engage stage is the identification of core values ambassadors – employees, from all areas and functions, who are highly engaged with the organization and who are interested and receptive to change.

We bring these ambassadors together to form a network, which:

- ▶ Acts as the voice of the organization – telling us what works and what does not
- ▶ Helps design and implement the engagement strategy
- ▶ Provides role models and influences other employees to act as coaches on the ground

It is particularly important to include members of middle management as core values ambassadors. The role of middle management is often overlooked in cultural transformations, but middle managers play a critical role in making the decisions and statements of the leadership meaningful for employees at all levels.

#### Sustainability

The aim of the implementation process is to define and establish core values that will serve the organization for the rest of its existence. However, the completion of the initial implementation in no way marks the end of the work that needs to be done. Continual measurement of the culture and of how the core values are being translated into action is needed to ensure that the culture continues to improve and that the desired outcomes from the cultural transformation are delivered.

#### A challenging but rewarding process

Implementing core values is a complex and challenging process. It requires an effort from the whole organization,

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The reward will be that employees are more aware of the organization's purpose and how they can contribute to achieving it.

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which must continue long after the initial implementation is complete. This may seem like a great deal of work, but the reward will be a strong, purpose-led organizational culture that creates competitive advantage and value, by achieving its objectives and long-term vision in this volatile, uncertain, complex and ambiguous environment. ■