



## The CEO-culture connection

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It is not news that these are days of extraordinary disruption. But what may be surprising is the outsized impact a single person—the Chief Executive Officer (CEO)—can have on an organization's culture and its ability to survive or thrive in rapidly evolving times.

Deloitte has identified four CEO personas and their “culture connection”—their ability to effectively shape and direct culture to strengthen organizational performance. Which best describes you or your CEO?

- **Visionary Driver.** This CEO lives and breathes their desired culture and ties it to their business strategy.
- **Party Planner.** This CEO knows culture is important but lacks the tools to systematically shape it, instead relying on empty symbols (e.g., pizza parties or ping pong tables).
- **Doubtful De-prioritizer.** This CEO fails to recognize the importance of culture—and that every choice has culture implications.
- **Lip Service Leader.** This CEO pays lip service to culture but repeatedly makes undermining choices (e.g., they want innovation but punish failure).

This article examines the CEO-culture relationship, delves deeper into each CEO persona, and shows how the right support, actions, and organizational levers can activate a successful culture across the business.

# Why do CEOs as individuals matter so much?

Humans are social animals; we take cues from others about how to behave in order to be welcomed into or rewarded as part of a group, be it family, friends, business, social network, or community. We particularly look to leaders—those who have been granted power and authority—to indicate how to be successful within the group. Evolutionary leadership theory posits that the "primary function of leadership lies in facilitating group performance and effectiveness."<sup>1</sup> Applied to business, the primary function of a CEO lies in facilitating organizational performance and effectiveness.

## How can CEOs strengthen performance and effectiveness? Culture.

Culture can be the "north star" that guides c-suite efforts to strengthen organizational performance and effectiveness; however, the breadth and depth of its influence depend greatly on a CEO understanding (and acknowledging) its importance and putting it into practice. Which behaviors do they role model? Which do they recognize and reward? Which are called out as unacceptable? Are CEOs and their executive team "walking the walk" when it comes to the cultural values they espouse publicly? Are they effectively operationalizing those values across departments, functions, and levels?



### Memory jogger

**Organizational culture** is defined as a system of shared assumptions, values, and beliefs, which govern how people behave in organizations. It's "the way things work around here", not to be confused with "the way people feel about the way things work around here", which is engagement.

- **Values:** Stated philosophies, principles, standards, mindsets (often listed on an organization's website or displayed around the office)
- **Beliefs:** Subconscious, habitual assumptions about how things work within an organization (often intangible and developed over time based on what has been successful in the past)
- **Behaviors:** What people do, processes, actions, and ways of working (seen most clearly in how collaboration happens and decisions are made)

# Why does this matter now?

In these increasingly digitally connected times, it's not just employees who are watching their organization's leaders—how they behave, how they talk, and whether the two align with and support the organization's culture. An array of stakeholders, including customers, board members, shareholders are watching CEOs to determine whether they are living up to their brand and cultural values—and increasingly taking action when that's not the case. Brand and culture are two sides of the same coin: the promise a company makes externally and internally about what the organization stands for and how it delivers.

When brand and culture are not aligned or when a leader actively undermines the company's promise in words or actions, employees and other stakeholders notice—which can be especially risky in today's disruptive environment. The ongoing war for talent means employees can choose to work for an organization whose values align with their own, or whose leader inspires them. Companies and their leaders need to be agile and adept at making change, while staying true to their stated brand and culture promise.

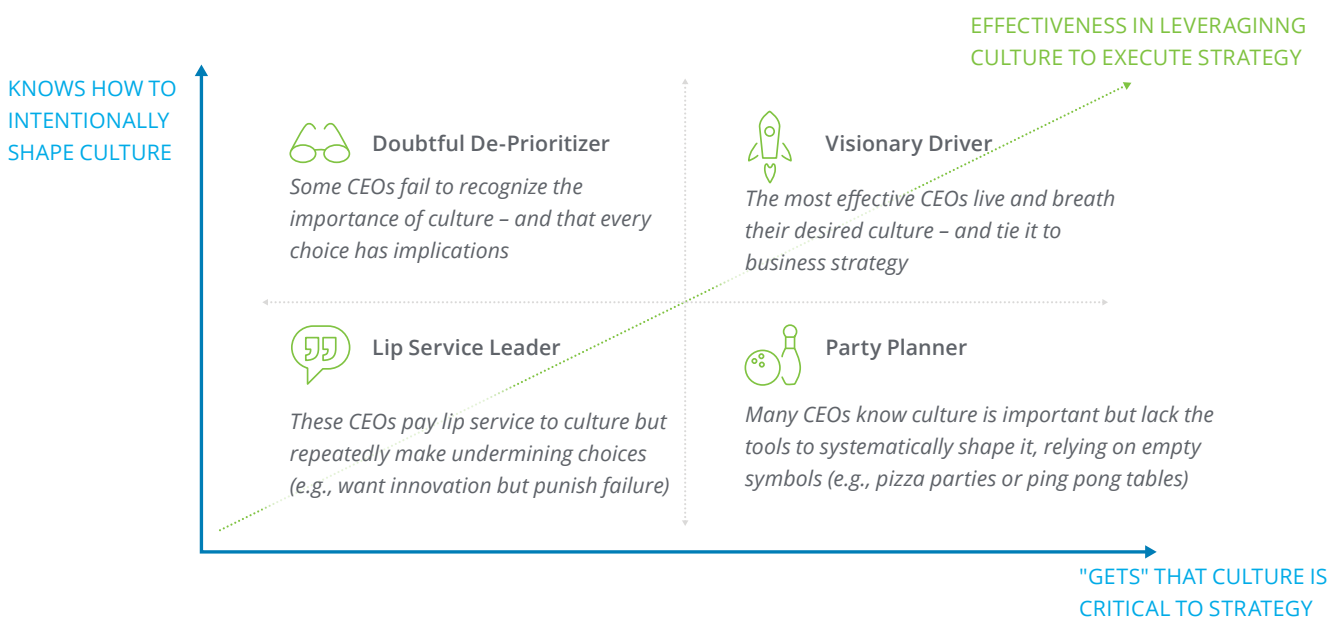


# How can you help your CEO activate culture?

Through our work with CEOs and other leaders, we have identified two axes on which to map the four CEO personas' ability to effectively understand, shape, and leverage culture to execute strategy (figure 1). These axes are:

- **"Gets" that culture is critical to strategy:** These leaders understand that culture is critical to enabling business strategy. They can see culture in interactions and infrastructure and build on shared learnings, past and present. These CEOs clearly articulate values, seek to identify underlying beliefs and challenge or validate them, and shape desired behaviors.
- **Knows how to intentionally shape culture:** Not only can these CEOs see culture, they understand that it is something that can be intentionally shaped across organizational levers.

**Figure 1. CEO personas' ability to leverage culture to execute strategy**



Source: Deloitte

Using Deloitte's cultural web model<sup>2</sup> as a guide, leaders and other employees who are supporting each of these CEO types can take a number of actions to help them activate culture in their organization.

## The Visionary Driver

### Who is this CEO?

This CEO gets it. They know that an effective culture is critical to delivering on their business strategy and they know how to intentionally shape that culture. They articulate organizational values and their day-to-day behaviors live up to those values.



### Supporting this type of CEO? What actions can you take to activate culture?

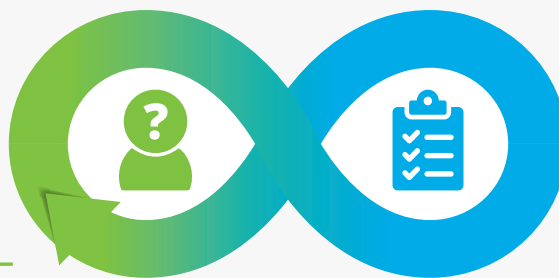
- Your organization is likely already taking action across a number of levers from the Culture Web. (see figure 3). Check that the choices are coherent and reinforcing one another and the desired culture.
- Check with leaders around the CEO. Are they also Visionary Drivers? Do they need support?
- Measure and iterate. Culture is always evolving (just like business strategy) and needs regular maintenance. Consider developing a culture dashboard to measure and monitor key indicators of culture.

## The Party Planner

### Who is this CEO?

This CEO has great intentions but lacks information about how to purposely shape culture. They may talk about employee engagement and connection and truly want to take care of their workforce but they don't know how to see beneath the surface or take meaningful action. This CEO throws pizza parties but doesn't reinforce values in performance management; they buy a ping pong table expecting it to create an innovative environment.

There's a disconnect between what this CEO says about the culture and what employees experience, which can lead talent to look elsewhere. However, with support from a knowledgeable team and a desire to learn more about how to shape culture, this leader can move toward becoming a Visionary Driver.



### Supporting this type of CEO? What actions can you take to activate culture?

- Conduct an assessment across the organizational levers of the Culture Web: how are you reinforcing your values today and where are the biggest opportunities? Are there ongoing initiatives where the desired culture could be folded in (e.g., already planning to redo performance management)?
- Engage employees: Ask the workforce for ideas on how to activate the desired culture; they often have excellent ideas, and the act of asking them may increase buy-in.
- Target managers for culture activation: Managers are often the keepers of legacy culture and may be reluctant to change what has made them successful to date, so they need targeted interventions.



## The Doubtful De-prioritizer

### Who is this CEO?

This CEO understands that culture can be shaped intentionally, but either does not see it as a priority or is not prepared to invest in it. They may have a number of other initiatives or transformations going on at the organizational level and perceives culture as less of a priority; just something "on top of everything else." They also may have concerns about changing things that have "always been that way" or taking the lead on something that can be perceived as "fluffy".

What this CEO fails to realize is that each choice has culture implications and risks, and failing to consider the ramifications of everything from day-to-day communications and behaviors to how major transformations are undertaken can undermine the very strategy they are trying to implement. Their path to being a Visionary Driver may be catalyzed by a failed strategy or transformation, but should come when they realize the power of culture.



### Supporting this type of CEO? What actions can you take to activate culture?

- Working with this kind of leader requires incremental shifts. Gather data from employees about culture's impact on your business and translate it to the "language" the CEO speaks (e.g., if the boss is a former Chief Financial Officer, it may be financial).
- Align leaders on a high-level desired culture: the values and behaviors needed to deliver on the business strategy.
- Provide business and/or transformation leaders with that envisioned culture and ask that they consider the implications of their choices—and whether those choices are enabling or undermining the culture vision. Consider initially focusing on specific use cases where culture is most salient; for example, where the brand faces customers or when recruiting top talent.

## The Lip Service Leader

### Who is this CEO?

This CEO often unintentionally undermines the strategy they are trying to achieve. This is the CEO who says they want to be customer-centered, but struggles to push decision-making down closer to the customer. They say they want to innovate, but they punish failures rather than celebrating failing fast. This CEO pays lip service to diversity, equity, and inclusion (DEI), but keeps selecting the "same old" candidates for their executive team.

This CEO doesn't recognize the power of culture and their own role to play in advancing it. They fail to notice that employees and other stakeholders are watching and are rankled when actions don't match words. They may get away with "command and control" leadership at first, but they can run into culture roadblocks and lose top talent if they don't begin to see things differently.



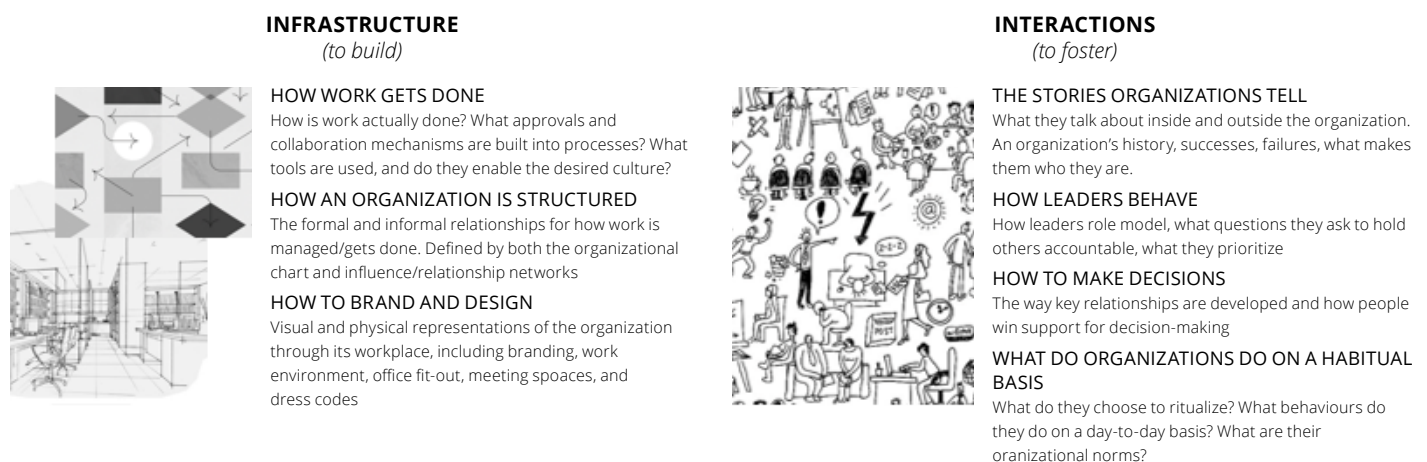
### Supporting this type of CEO? What actions can you take to activate culture?

- Engage the rest of the executive team: Are there other leaders who "get it" about culture and can help role model the desired values and influence the CEO?
- Partner with the support team around the CEO to incorporate the values and desired culture as much as possible (e.g., work with the executive communications team to embed key messages in talking points).
- Review the nodes of the Culture Web: Which levers do you have power to influence without needing to persuade the CEO about the importance of culture?

# How to shape culture and why it matters

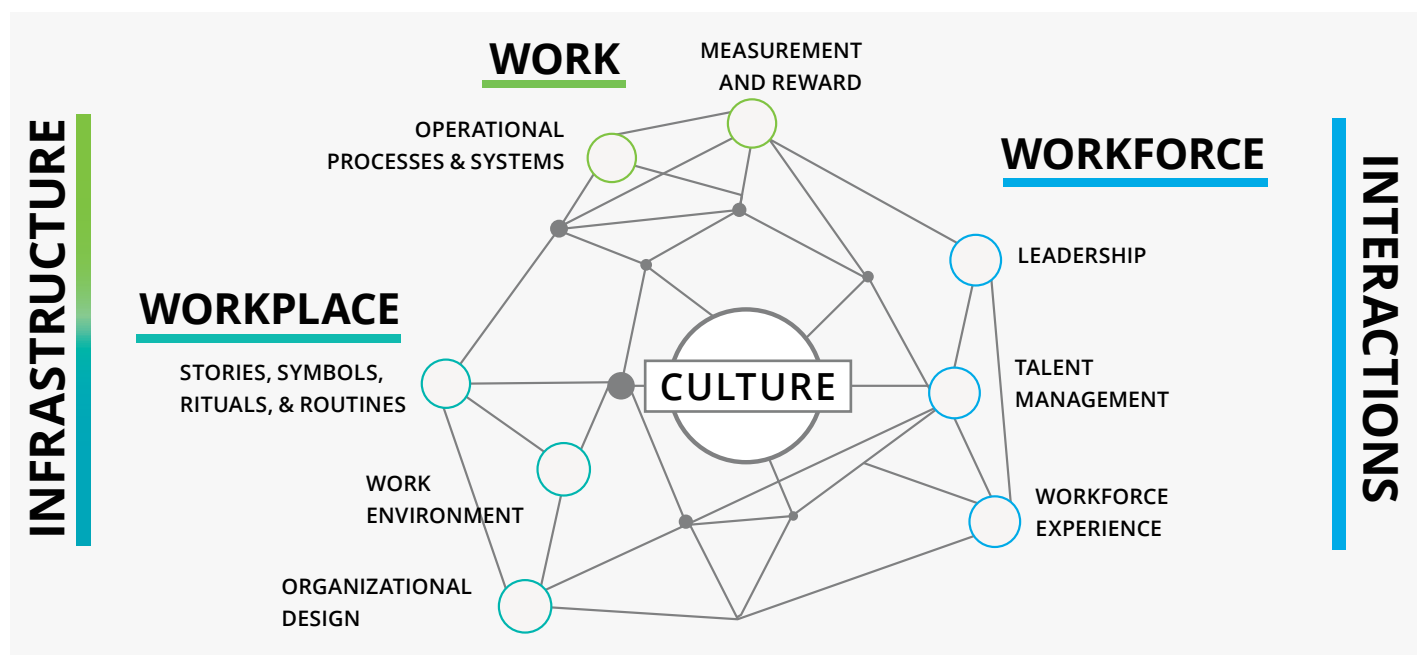
Organizational culture is created whenever two or more people work together; it is a group experience, shaped by human dynamics such as power, emotion, and rewards. Culture manifests in how individuals interact with one another and in the infrastructure they build to support those interactions (figure 2).

**Figure 2. Culture manifests in interactions and infrastructure**



Our perspective is that humans respond to the environments in which they are placed, and that leaders can shape culture by adjusting organizational levers, as reflected in Deloitte's Work-Workforce-Workplace Culture Web model (figure 3). The most impactful leaders look holistically at the organization and make coherent, complementary choices across the web's nodes so that the sum is greater than the individual practices.

**Figure 3. Deloitte Work-Workforce-Workplace Culture Web**





# If culture is shaped across organizational levers, what is the CEO's role?

The link between leadership and culture is often clearest when new CEOs take charge of an organization. A number of companies in recent times, ranging from technology giants to large food conglomerates, have seen an uptick in revenue or share price, or an implementation of a successful strategic vision by new leaders who create significant culture shifts. These changes often include moving toward a more innovative and sharing mindset and doing away with toxic company cultures of old.

Culture impacts organizations both internally and externally. In a positive culture, employees are more likely to exhibit higher levels of performance, engagement, and retention,<sup>3</sup> leading to increased organizational long-term profitability.<sup>4</sup> An aligned culture is integral to a leader's strategy and organizational success,<sup>5</sup> enabling the business strategy, allowing companies to outperform competitors<sup>6</sup> and increasing profitability.<sup>7</sup>

Table 1 outlines five priority actions leaders can take to activate culture effectively, mapped to the nodes of the Deloitte Work-Workforce-Workplace Culture Web.



**Table 1: Actions to activate culture**

	<b>“Leader as sponsor” role</b>	<b>Culture Web lever</b>	<b>What it means</b>	<b>Why it matters</b>	<b>What it looks like</b>
1.	“Getting it” about culture/ proactively shaping culture	Leadership	Understanding that culture is: 1) critical to enabling strategy; and 2) something that can be intentionally shaped  Inviting employees to co-create culture intentionally	If not addressed, culture can undermine leaders’ attempts at transformational change (e.g., with employees thinking, “that’s not the way things work around here” or “that will never work here...”)	Tie culture (values, beliefs, behaviors) to business strategy; provide examples that make it clear that “how we work together” is critical to successfully delivering on strategy
2.	Role modeling desired behaviors	Stories, symbols, rituals & routines	Intentionally acting in a way that demonstrates the guiding principles	Leaders’ behavior is a primary source of cues for how employees should act and whether the leadership team stands behind what has been articulated as the desired culture  When leaders act in a way that does not reflect desired principles, employees infer that the principles are “just words on the wall” and not expected to be lived	Conduct a self-assessment (or ask a trusted colleague) about how you are role modeling the organizational values today  Consider the organizational values before communicating or interacting with others
3.	Holding self and other leaders accountable to living desired behaviors	Operational processes & systems, organizational design	Regularly checking in with self and others on whether actions are lining up with intentions (can include creating mechanisms to support this)	Breaking old habits/ building new habits can be hard (think about New Year’s Resolutions!) Internal and external  Accountability mechanisms can remind us of our positive intentions	Formal: Embed values in organizational goals  Informal: Add topic to conversational check-ins; create a calendar reminder to do something related to a given organizational value
4.	Incentivizing & investing	Measurement & reward	Formally or informally rewarding team members when they are living the principles; also includes intentionally addressing when team members are not living the principles	It’s human nature to notice and adjust to what is rewarded and punished. Incentivizing can have a significant impact on the choices employees perceive as “the right way to do things” within the organization	Formal: Embed values in performance management. system or tie spot bonuses to values  Informal: Verbally recognize aligned behavior; call out misaligned behavior
5.	Embedding into processes/ways of working	Processes & systems, talent management, workforce experience, work environment	Developing ways of working, intentionally designing processes and policies, and investing in tools to support working according to guiding values	Embedding into process is how culture is sustained and reinforced once the initial excitement from a launch campaign has subsided	Embed values into how collaboration happens, decisions are made, and how the real work of the organization takes place (e.g., for a DEI principle, embed and highly value DEI-related criteria in the supplier selection processes)

# What's next?

## **If you're a CEO...**

Do you recognize yourself in these descriptions? Are you proactively shaping culture to your (and your organization's) advantage, or are you letting it form around you? By following the steps in Table 1 you can scale your vision, turn culture into a competitive advantage, and—if you are not already there—move toward being a Visionary Driver.

## **If you're on the Board...**

Searching for a new CEO? Add culture knowledge and activation to your selection criteria. Culture is how strategy gets executed, and you need a leader who can do both well. Coaching an existing CEO? Support them in learning more about how to proactively shape culture as outlined in Table 1 so they can move toward becoming a Visionary Driver and deliver more impactful business results.

## **If you're a leader supporting a CEO...**

Although the CEO has arguably the most important role to play in shaping and driving culture, other leaders have many tools at their disposal. The first is to focus on your CEO: identify where they currently fall on the 2x2 framework and support them to move toward becoming a Visionary Driver. The second is to partner with other leaders to proactively define and role model the desired culture. Third, consider the organizational levers of the Culture Web: There are many routes to an effective, aligned culture that you can act on today.





# Contacts

If you would like to learn more about how Deloitte can help deliver a comprehensive, data-driven approach to culture, please don't hesitate to get in touch.



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# End notes

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# Notes



# Notes



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