Keystone behaviours:
How communications operators can turn their culture into a driver of digital transformation

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Transforming into a digital business is the most pressing competitive and commercial imperative facing today's communications operators—yet their organisational cultures are often perceived as barriers to radical change. However, PwC's experience across industries including telecoms confirms that culture can be a powerful catalyst for transformational change, and may often be a prerequisite for making it happen. Changing a telco's culture remains a major challenge, since it is likely to be deeply embedded at several levels—local, national, organisational—and it is rarely 'changeable' in any reasonable time frame. Even reshaping it demands alignment of rational and emotional forces. In the authors' view, the way forward lies in a pragmatic approach, involving finding sources of emotional energy that already exist within the organisational culture; connecting these to a few 'keystone behaviours' that matter most; and then enlisting select groups of 'authentic informal leaders' to spread the emotional commitment virally across the business. Easier said than done.

Getting culture right is not easy.

Facing up to the cultural challenge

Today most large organisations in all industries—telecoms included—face significant cultural challenges that have been heightened by the seismic impact of digital technologies. The need for digital transformation has the effect of bringing cultural issues to the fore, since culture can play a pivotal role in making or breaking any transformation effort. So it's now more important than ever for operators to understand and manage the impacts of their cultural situations on their organisational strategy, performance and ability to change.

However, getting culture right is not easy. One of the biggest challenges is that the conventional wisdom on 'culture change' can be very misleading, for three main reasons. First, traditional approaches assume that top-down messaging and HR programmes lead to culture change—which is demonstrably not the case. Second, global cultural norms do not change very much or very fast. And third, most cultures are emotionally embedded and multi-dimensional, making them hard to pin down and even harder to change.

An object lesson in culture change: 'The HP Way'...

The good news is that, despite these challenges, it is possible to mobilise cultural forces to enable and accelerate positive operational and strategic change. But that is not the same thing as changing the culture. Fortunately, no corporate cultural situation is all good or all bad, and there are many examples of organisations that have succeeded in mobilising elements of their culture to harness the full emotional energy of their workforce—thus accelerating the transformation of their performance and brand. One company that achieved this feat across several different strategic eras is Hewlett Packard Company ("HP").[1] Its story underlines the enduring power of culture, and while HP is not a telecoms business, its experience offers many valuable lessons for communications operators.

The remarkable story of how HP's culture ('The HP Way') evolved is well-known. Throughout its early history, HP had a few critical behavioural imperatives—namely leadership teaming, cross-bench sharing, treating people with dignity, and a commitment to local community service. These have carried the company through five strategic transformations, and still remain critical in **what** its people do and **how** they do it today.

Where did these core behaviours come from? While first modelled by HP's founders after the company was formed in 1939, they were also instilled later in both formal and informal leaders down the line. HP's culture evolved slowly over time, but was never written down, in fact, the world-renowned 'HP Way' wasn't codified until 1957.[2]

...now renewed as 'The HP Way Now'

Fast-forward half a century. Companies change over time—and from the early 2000s, after multiple international acquisitions, HP started to lose its spirit and market position. The widely-held view was that The HP Way was dead. As so often occurs, popular sentiment was wrong—a fact that Meg Whitman understood when she became HP's CEO in 2011. She sensed The HP Way was still there, hiding in the corners and closets, so she set about reviving it as 'The HP Way Now'.

This renewal had a huge emotional impact on the company—and HP worked hard to reenergise its strategic performance with behaviours similar to those exhibited by the HP of old. Equally significant, HP tapped into this embedded set of cultural forces by harnessing both formal and informal motivational elements, again mirroring the approach taken by the founders. One of the key ways HP did this was by identifying and engaging some of its best 'authentic informal leaders'(AILs) across the business—around 2,000 'carriers' of The HP Way Now, skilled at building pride and commitment with their peers and teams.

Culture can be used to drive transformation and bottom-line performance by focusing on a few critical behaviours for success.

Two years after the formal introduction of The HP Way Now, HP's Chief Human Resources Officer Tracy Keogh published an article on the impact it has had on the company.[3] She wrote: "Since its launch, The HP Way Now has spread virally throughout the organisation. Employees have rallied behind it, finding fun and engaging ways to spread awareness and understanding. And it's making a huge impact on the turnaround—our workforce is more united, with employee engagement up 23 per cent since the beginning of the turn-around. Our customer satisfaction ratings have improved and the stock has more than doubled since we rolled out The HP Way Now." The cultural aspects of this effort are clearly compelling.

As communications operators face up to the realities of digital…

So, what does the HP experience tell us? One lesson is that it shows just how powerful and enduring a company's culture can be. Another is that culture can be used to drive transformation and bottom-line performance by focusing on a few critical behaviours for success. It also shows us that cultural resistance to change can be tenacious to say the least! Furthermore, it illustrates that significant culture change is gradual at best, and requires a company to align both rational and emotional forces. Most importantly, this kind of alignment requires identifying sources of emotional energy that already exist in the culture, linking these to a few 'keystone behaviours'[4] that matter most for strategic performance and business results. It also argues strongly for enlisting a few networks of AILs to spread the emotional commitment among their colleagues.

To investigate what these lessons mean for telcos, let's first look at the current dynamics within the communications industry. It's an environment where the opportunities to create value are undergoing rapid and fundamental change. There is an increased focus on driving efficiency through digitising the core business,

enabling engaging, tailored and secure customer experiences, and delivering innovative products that tap into the potential of constant customer connectivity. This is a major leadership challenge for many telcos that warrants significant cultural support.

As these priorities all underline, digitisation will impact almost every aspect of telcos' operations, approach to customers and creation of value. This means they must rethink how they market, sell and support services; reconsider how they engage with and serve customers; reshape the way they plan infrastructure and IT investments; and revisit their operating models, with potentially large impacts on processes, governance, data management and security.

As operators wrestle with these imperatives, digital challengers have moved in to capture a rising share of the industry's value. These new players—the likes of WhatsApp, Skype and Netflix—are 'digital natives' that have evolved fully immersed in the digital environment. And they're taking advantage of digital, piggybacking on telcos' infrastructure—or even sidestepping it altogether—to capture more of the available value while traditional telco margins shrink.

…it's time to zero in on what 'digital' culture means

As these newer players thrive, it's natural to ask what their 'secret sauce' is. Why is it they are able to take such full advantage of digital when it seems so much harder for operators? This line of questioning invariably indicates that the culture of these new players is a critical factor in their success. Having emerged in the digital age, they're unburdened by legacy infrastructure, systems, processes, histories and ways of thinking—and this freedom pervades everything about how they work and is a large part of their culture. And many have had the 'cultural advantage' of being relatively small and agile to begin with.

What qualities differentiate these new 'digital' cultures? We would point to five key traits:

Customer-centricity—This is not just about being user-friendly. The true value lies in creating a tailored and customised experience for the customer—a major differentiator for many companies.

Innovation and risk-taking—These organisations are able to accept a higher level of risk when launching new products and services. They're taking bigger gambles that—at the moment—seem to be paying off.

A results-orientated 'can-do' attitude—Some people call this the 'start-up mind set', a single-minded focus on delivery, execution and getting things done.

Collaboration and energy—Digital-native companies seem naturally collaborative, tapping into the energy and insight of a network of external partners so they don't have to build everything themselves.

Agility and diversity—They're willing and able to move quickly. An example is the classic Google 'A/B' approach: test something to see if it works—and then make decisions quickly based on the information available.

In combination, these cultural and behavioural aspects underpin the everyday operations of the new digital entrants, and enable their success.

Turning the spotlight on operators' culture…

By comparison, traditional telecoms companies are perceived to have very different cultures, reflecting their history and the way the industry has evolved over time from being largely state-owned. For example, the terms we often hear used to describe the prevailing cultures in the telecoms industry include:

- Technology-centric
- Planned and predictable—maybe even risk-averse
- Process-orientated
- Hierarchical in the way they're managed
- Resistant to change.

Rightly or wrongly, the perceived culture of telecoms operators is very different from that of the digital natives. Conventional wisdom might suggest that telcos should replicate what these new players are doing to emulate their success, by launching a culture change programme to become more like them. All too often, we hear communications industry clients saying things like, "We need to be more like Google" or "We want a culture like Apple's."

…shows the solution is not to replicate cultures at Google or Apple

However, our view is that trying to copy the digital natives' culture in this way would be a big mistake. One reason is that the digital entrants' strategic and operational challenges are totally different from those facing telcos. Another is that it is almost always more efficient to start with what you already have and use it to your advantage, rather than trying to create something completely new. And thirdly, telcos' existing and distinctive cultural situations can be a significant source of energy and momentum.

In particular, as with most organisational cultures, communications operators contain untapped sources of emotional energy. As we highlighted earlier, cultural situations are never entirely good or entirely bad. The most practical approach is to re-focus a few important elements rather than change a lot—a step that our experience has shown can accelerate business results while also evolving over time into stronger cultural alignment.

For operators undertaking such an approach, it's important to remember that cultural evolution in a disruptive and disrupted digital marketplace requires a holistic view. Strategy, operations and culture all need to be in sync—in turn meaning cultural forces must align multiple functions and lines of business. A further

Culture also has many moving parts—including how people think and feel about what they do, how they act, and how the company as a whole performs as a result of those actions.

implication is that leaders need to activate the positive emotional forces in what they already have culturally. This means working with and within the existing culture to accelerate the behaviours that have the most positive impact, particularly on strategic execution and operating results.

… Simply put, telco cultures are much more useable than changeable

So, what does all this mean for operators as they seek to transform? Essentially, that their corporate cultures are a mix of the desirable and undesirable—and deeply embedded in personal beliefs and behavioural habits. Experience also shows that cultures in global businesses are often uneven across the world, reflecting local conditions, and are strongly resistant to rapid, major change. So rather than tackling and changing the culture head-on, the optimal approach is to identify the most desirable elements, and expand and build on them to nurture and encourage the right behaviours.

Given the nature of telcos' business, these factors mean their current cultural situation is highly likely to have four characteristics. It probably:

- Incorporates the complexities of regional, national, industry and occupational conditions, and is very hard to encapsulate clearly in a few words;
- Reflects the multi-dimensional mindsets and values of thousands of people in dozens of diverse local situations;
- Involves more emotional than rational influences; and
- Contains hidden sources of energy and motivation that work faster and at a deeper level than formal processes, programmes and policies.

Three steps to strengthen cultural alignment…

It is against this background that operators' leaders need to strengthen cultural alignment and acceleration. They can best do so by catalysing existing emotions to mobilise latent cultural energy—an approach that is a powerful and practical way to trigger significant, sustainable and positive change, provided the energy is aligned with the

business's strategic and operating priorities. Achieving this represents a very different kind of leadership challenge from the type most telco executives encounter in managing everyday business-as-usual—and this also differs significantly from conventional approaches to change management.

Mobilising cultural energy this way requires leaders to do three things coherently. First, they must work with and within existing cultures to activate a few positive emotions. The second step is to focus those emotions on the 'keystone behaviours'—those that others in the business can 'envy and emulate', and which serve to align and evolve the cultural forces in the organisation while driving business results. The third is to embed these behaviours as habits by enlisting and activating a few 'special forces'—the type of authentic formal and informal leaders who have powered the success of The HP Way Now by driving the new behaviours virally and integrating rational and emotional responses.

…but these are easier said than done

These three steps may be relatively simple to describe, but they're far from easy to execute in practice—a consideration that underlines the value of partnering with an experienced third-party to help achieve the targeted outcomes. The difficulty springs from the inherent nature of culture. You can think of it as an invisible 'glue' that endures within an organisation as well as accelerating change, and which bonds human efforts together at both a rational and emotional level. Culture also has many moving parts—including how people think and feel about what they do, how they act, and how the company as a whole performs as a result of those actions.

Connecting cultural and digital transformation in a telco…

As communications operators continue their digital transformation, what does all this tell them about the cultural aspects of the journey? Clearly, unless they get the cultural component right, they'll find it much harder to engineer the transformation they need. The big challenge is simply understanding the organisation's cultural situation, and applying this understanding selectively to further its specific digital transformation agenda.

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This requirement raises a number of questions—firstly: What aspects of the existing cultural situation can the business tap into to drive digital transformation? There's no simple or one-size-fits-all answer to this question, since every large organisation's cultural situation is complex, multi-dimensional and unique. But from our experience of working with leading communications operators worldwide, there are some common cultural elements and strengths that companies can leverage, and which will usually have a natural alignment with their overall digital transformation strategy.

One example that we have seen consistently in our clients is an innovation capability that is driven by strong cultural forces. That capability springs from operators' experience in managing complex systems. Instead of doing everything on their own, telcos are accustomed to managing a web of suppliers around them. This has given them a differentiated ability to work within an innovation ecosystem, collaborating with partners who can help generate and implement new ideas and improve the overall experience for customers. An operator's leaders can tap into and leverage this cultural strength, thus supporting its strategic move towards an open ecosystem model, expanding this way of working to incorporate flexible partnering with market players such as over-the-top (OTT) entrants.

…by 'doubling down' on key strengths and critical behaviours

The key is to select a few cultural strengths that are widely recognised across and beyond the business, and then take steps to grow and take advantage of them. This approach means the business is building on something inherently good beginning from a place where it's already some way along the journey—a much easier and quicker proposition than starting from scratch.

However, the existing cultural situation may not—and probably will not—be enough to drive the full degree of transformation required. This leads to a second question: What are the specific *critical behaviours* that the business should focus on to drive digital

transformation? This is an important strategic decision that can only be decided by the leadership, taking into account the organisation's specific situation, strengths and weaknesses. However, there are a number of distinctive behaviours that we have seen prove beneficial in driving digital transformations forward:

- **Fail fast and scale fast**—Many digital projects require a higher degree of risk-taking than telcos have traditionally been used to. Allowing projects to fail fast and then rapidly scale enables operators to achieve outcomes that would not be feasible with traditional approaches.

- **Hear what the front line has to say**— Some of the most insightful and even transformational ideas and decisions come from people who are dealing with customers on a day-to-day basis. All too often these insights are overlooked and lost within the hierarchy.

- **Encourage cross-function teaming**— Some of the most difficult end-customer problems can only be solved by true cross-functional teams. The best performing teams also make disciplined decisions about where and how to team.

- **Cut project delivery times and challenge conventional wisdom**—One of our telecoms clients established a rule that each project needed to cut its original timeline by 50%. The intention was to encourage teams to challenge conventional wisdom and the ways things had always been done. This challenge triggered radically new ways of doing things.

In selecting the key behaviours to 'double-down' on, the secret is to pick a small handful—possibly two or three—that will make the biggest impact given the business's particular situation. Our experience shows that this focused approach is more effective and impactful than trying to change a wide array of things at the same time. And since behaviours that become habitual actually drive culture, choosing the right behaviours will ultimately help to shape the culture as well.

Conclusion: Culture is a critical enabler of digital transformation.

Overall, the message is clear: far from being a hindrance, a communications operator's current cultural situation is a potential source of strength in driving its digital transformation. And it's a source that it can begin drawing on today, by identifying and capitalising on the distinctive emotional energisers within its culture to motivate employees through the current period of change and beyond. The same approach can also help evolve and align cultures globally over time.

Given these opportunities, an operator whose digital strategy feels more like a distraction than a performance booster should prioritise two steps. First, start capitalising more on its current strengths and emotional positives to align the digital strategy with its cultural realities and performance imperatives. Second, seek out, embed and encourage a 'critical few' behaviours as the core catalysts for helping a digital culture to evolve over time.

The fundamental take-away here is also simple: every cultural situation has emotional elements that can energise people to help boost performance and accelerate transformation. It's the job of a telecoms company's leaders to seek out those elements and capitalise on them—like that unassuming project manager.

Endnote

1. Hewlett Packard Company is now broken into two companies: HP Inc. and HP Enterprise.
2. *The HP Phenomenon Innovation and Business Transformation* By Charles H. House and Raymond L. Price (Stanford University Press, November, 2009)
3. Keogh, Tracy, The HP Way Now, 29 August 2014. http://macro-trend.com/index.php?route=journal2/blog/post&journal_blog_post_id=5
4. Duhigg, Charles, *The Power of Habit: Why We Do What We Do in Life and Business*, Penguin-Random House, 2012.

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