

MODULE 2 · SESSION 1

Engineering Culture Into Daily Work

How cultural principles become hiring signals, meeting practices, rituals and consequences that shape behaviour repeatedly.

Theory session

Advanced

Running case: LumenLedger



Where this session sits

Module 1 built the leadership system; Module 2 shapes the behaviour inside it

MODULE 1

From Founder to
Leadership System

MODULE 2

**Culture as an
Operating System**

MODULE 3

Strategic Continuity
Under Pressure

SESSIONS IN THIS MODULE

2.1

Engineering Culture Into Daily Work

Hiring signals, meeting practices, rituals and consequences

YOU ARE HERE

2.2

Candor Through Difficult Conversations

Conditions for dissent, and confronting problems directly

2.3

Reading and Shaping Informal Power

Redirecting informal influence toward sound decisions

What this session explains

Treating culture as a set of mechanisms rather than a set of statements

01 **Culture operates at three levels**

What is visible, what is claimed, and what is actually assumed — and only the third governs behaviour.

02 **Mechanisms transmit culture; posters do not**

Selection, socialisation, rituals and consequences are where it is actually carried.

03 **Consequences are the strongest signal**

What gets tolerated defines the standard, regardless of what is stated.

04 **Culture can be measured**

Nubank moved from activity counts to validated metrics on 89% of its portfolio.

Three layers, only one of which governs behaviour

Schein's model, and the reason values statements underperform

ARTIFACTS

What a visitor sees — office, rituals, language, dress. Easy to observe, hard to interpret.

ESPOUSED VALUES

What the company says it believes. Often accurate, often aspirational, and not binding.

BASIC ASSUMPTIONS

What is taken for granted and never argued.
This is the layer that actually decides behaviour.

WHY STATEMENTS FAIL

They live at level two

An espoused value contradicted by an assumption loses every time, and its publication makes the gap visible.

HOW TO READ LEVEL THREE

Watch the exceptions

What happens when a value is expensive to honour reveals the real assumption in about ten minutes.

HOW IT CHANGES

Through repeated experience

Assumptions shift when people repeatedly see a different outcome — not when they are told to hold different views.

Schein, E. (2010). Organizational Culture and Leadership (4th ed.). San Francisco: Jossey-Bass.

DEFINITION

What a culture mechanism is

A recurring event that produces the behaviour, not a description of it

WORKING DEFINITION

A culture mechanism is a repeated organisational practice — in selection, socialisation, ritual, or consequence — that makes the desired behaviour the easiest and most rewarded option in a specific recurring situation.

1

It is situational

“We value candour” is a claim. “Every design review starts with the strongest objection” is a mechanism.

2

It repeats

One-off events do not change assumptions.
Mechanisms work through frequency.

3

It has a cost

A mechanism that costs nothing to operate is usually not changing anything.

O'Reilly, C. & Chatman, J. (1996). Culture as social control. Research in Organizational Behavior, 18, 157–200.

Five places culture is actually transmitted

Ranked roughly by strength of signal

WHO IS HIRED

Selection sets the distribution of behaviour you will have to manage.

WHO IS PROMOTED

The single clearest statement about what the company actually rewards.

WHO IS REMOVED

And on what grounds. Tolerating a high-performing rule-breaker overrides every stated value.

WHAT LEADERS ATTEND TO

What gets asked about in reviews is what people work on.

RECURRING RITUALS

How meetings open, how decisions are recorded, how failure is discussed.

THE DECISIVE ONE

Who is removed

Every organisation has a person whose behaviour contradicts the stated culture. What happens to them is the culture.

THE CHEAPEST ONE

What leaders ask about

Changing the standing questions in a review costs nothing and redirects attention immediately.

Schein, E. (2010), on primary embedding mechanisms.

From a principle to a mechanism

Each row converts a claim into something that recurs

Principle	The mechanism	What it costs
Evidence over opinion	Every proposal states the evidence and what would disprove it.	Longer proposals; some ideas do not survive drafting.
Candour	Reviews open with the strongest objection, voiced by the most junior person present.	Uncomfortable meetings; slower consensus.
Customer proximity	Every executive handles support cases one day a quarter.	Senior time, deliberately spent inefficiently.
Ownership	Every commitment carries one name and a consequence — Session 1.3.	Harder conversations when something is missed.
Learning from failure	Blameless post-incident review within five days, published internally.	Exposure; discipline to hold it when busy.

THE COLUMN THAT TESTS IT

If the cost column is empty, the mechanism is probably decorative. Culture change that is free is usually culture change that has not happened.

Measuring culture work rather than counting it

Nubank's shift from activity to validated outcomes

REPORTED MOVEMENT AT NUBANK

HR solutions with validated metrics — after (%)



89

HR solutions with validated metrics — before (%)



26

Sense of Belonging (pp increase)



13

P&C collaboration (pp increase)



10

The portfolio discipline came first; the experience measures followed.

THE MECHANISM

Portfolio controls

Stricter prioritisation, mapped ownership and target employees, and a central public dashboard.

WHY IT WORKED

Visibility plus ownership

The same combination as Session 1.3 — performance became traceable to someone who could change it.

THE CAUTION

Measure the behaviour

Engagement scores are outcomes. The leading indicator is whether the mechanisms are actually running.

Strong culture and adaptive culture

A strong culture is not automatically a good one

STRONG

Widely shared, intensely held

WHAT IT GIVES

Fast coordination with little supervision; behaviour is predictable without rules.

WHAT IT COSTS

Conformity pressure, and difficulty absorbing people who see things differently.

THE FAILURE MODE

Strong and wrong — highly aligned around assumptions the market has moved past.

ADAPTIVE

Shared norms about changing

WHAT IT GIVES

The ability to revise practice when evidence changes, without losing cohesion.

WHAT IT REQUIRES

That dissent is genuinely safe — the subject of Session 2.2.

THE DISTINGUISHING TEST

When was a core practice last changed because someone junior challenged it?

WHAT TO AIM FOR

The goal is strong agreement on a small number of things, including the norm that evidence can change practice. Strength without adaptability is the more dangerous combination.

Culture is not uniform, and should not be

At scale, functions develop their own norms — the question is which parts must be common

ENFORCED EVERYWHERE Safety, ethics, how people are treated, how decisions are recorded. Non-negotiable across the company.	LOCALLY ADAPTED Working rhythm, meeting style, tooling, pace. Engineering and sales should not be identical.	FRAGMENTED Functions with incompatible assumptions about quality or truth. Handoffs become negotiations.
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DECIDING WHAT MUST BE COMMON

Test	If yes, it is company-wide
Would variation harm someone?	Safety and conduct are never local choices.
Does it cross a handoff?	Shared definitions and decision records must be identical across the boundary.
Does it determine who gets promoted?	Advancement criteria must be consistent or the culture fragments along function lines.

Three culture programmes that change nothing

Each is visible, well-intentioned and behaviourally inert

Values without mechanisms

Looks like Five words on a wall and an all-hands.

Why it fails Nothing recurs, so no assumption is touched.

Fix Convert each value into one recurring practice with a real cost.

The tolerated exception

Looks like A high performer who breaks the stated norms.

Why it fails Everyone concludes the norms are conditional on results.

Fix Act on it; the decision is watched far more closely than any announcement.

Measuring sentiment only

Looks like Quarterly engagement surveys.

Why it fails It measures the outcome and gives no handle on the cause.

Fix Track whether the mechanisms are running, as Nubank tracked validated metrics.

CASE STUDY

Nubank

A People & Culture function rebuilt as a product organisation, with metrics to match.

Culture rebuilt as an operating discipline

Portfolio ownership, validated metrics and a public dashboard

THE MOVE

Employee experience as a product

THE INITIATIVE

P&C3D shifted People & Culture toward a product-centric operating model.

THE SUPPORTS

Knowledge centres, UX research repositories and mentoring with Product & Design experts.

THE MEASUREMENT TOOL

A P&C Readiness Assessment to gauge maturity and progress rather than count activity.

THE RESULTS

Portfolio discipline

EVIDENCE

Share of active HR solutions with key metrics defined and validated rose from 26% to 89%.

BEHAVIOUR

Collaboration within People & Culture improved by 10 percentage points.

EXPERIENCE

Sense of Belonging rose 13 percentage points, with ownership and target employees mapped on a public dashboard.

READING THE CASE

Culture becomes durable when its principles are built into decisions, measures and ownership. A mindset travels further when it is embedded in how work is organised than when it is taught.

Drawn from the session case pack.

Bringing the theory to LumenLedger

Converting three principles into mechanisms

Principle	Mechanism	How you will know it is working
Evidence over seniority	Proposals state evidence and disproof; the reviewer records which was decisive.	Share of decisions where the stated evidence changed the outcome.
Escalate early	Weekly slot reserved for raising problems with no solution attached.	Median days between a problem first being noticed and being raised.
Customer proximity	Each executive works support one day a quarter.	Attendance, and issues raised in review that originated there.
Consistent standards	Promotion criteria identical across functions, published.	Cross-function promotion rates; appeals on inconsistency.
Learning from failure	Blameless review within five days, published internally.	Proportion of incidents with a published review inside the window.

WHAT COMES NEXT

Session 2.2 addresses the condition all of these depend on: whether people will say the difficult thing at all.

What to carry out of this session

1

Only basic assumptions govern behaviour.

An espoused value that contradicts an assumption loses, and publishing it makes the gap visible.

2

Culture travels through mechanisms.

Selection, promotion, removal, attention and ritual — not statements.

3

What you tolerate is the standard.

The tolerated high-performing exception overrides every stated value.

4

A mechanism with no cost is probably decorative.

Culture change that is free is usually culture change that has not happened.

5

Measure whether the mechanisms run.

Sentiment is an outcome; mechanism adherence is the leading indicator.

Sources for this session

Primary references behind each concept

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ADAPTIVE CULTURE	Heifetz, R. & Linsky, M. (2002). <i>Leadership on the Line</i> . Boston: Harvard Business School Press.