

Another problem with this thing called culture was the confusion about where it comes from. Some argued that culture “happens” with no particular rhyme or reason; others contended that culture is an enduring manifestation of the founder’s leadership style. Just as unclear were the arguments about how to change a culture. Viewpoints ranged from “impossible to change a culture once it’s established” (the founding father paradigm) to “possible to change, but it requires years, even decades.” Indeed, in those years, there was chaos on the culture front, amounting to nothing short of “paradigm wars.”

Then there were the natural disagreements over how to measure a company’s culture. A powerful force in the academic community insisted that the only way to truly understand your business’ culture (which, by the way, was viewed as utterly unique and not comparable to any other’s), was to send in a team of researchers to spend months probing into your organization’s symbolic and mythological underground. It was almost heresy to imply that culture could be subject to any kind of quantitative assessment.

As long as culture stayed in the realm of qualitative understanding (after all, myths are hard to quantify), it was almost impossible to link it to quantitative business performance – things like profitability, market share, sales growth, etc. The “*what does it affect?*” question was long left unanswered in basic business terms.

So it is no mystery why discussions of culture have seemed irrelevant to the business community. Although the concept continued to appear in business literature (with some claims of a direct linkage with business performance), true understanding of culture remained beyond the reach of common sense -- let alone business know-how. (After all, if I can’t define it, can’t measure it, can’t change it, and am unclear how it links to results, why bother? May as well dish up another program of the week!)

CUTTING TO THE CHASE... Looking at Culture through a Business Lens

Once the view of organizational culture shifted from the academic perspective to the business perspective, a model emerged that could quantify it using business language and concepts. From there it was a short jump to understanding culture’s link with quantifiable business results such as profitability, market share and sales growth.

As the paradigm wars waged on, a small band of researchers set out to establish a way to quantify and measure business culture. One of these was Daniel Denison, now at the University of Michigan business school. He was driven by the conviction that, to make the concept of any use to business and to draw a compelling link with bottom-line business performance factors, there had to be a way to numerically measure “culture.”

For Denison, it was a matter of moving culture out of the academic realm and into the arena of everyday business realities. The traditional view said culture is embedded in a set of assumptions and beliefs held by the business regarding customers, competitors, employees, suppliers, shareholders and others. Denison’s view was that these assumptions and beliefs

don't remain hidden, but are manifested in a set of outward behaviors toward these groups – and that, since they are observable, these behaviors are quantifiable.

It may well take an army of researchers to get a handle on something like assumptions and beliefs, but behaviors are easy to measure! And, after all, isn't it people's behavior that creates the culture that everyone experiences, anyway? While it is true that belief drives behavior, it is equally true that behavior drives results. So when your interest is in the realm of results, Denison argued, it is both practical and appropriate to approach culture via its most obvious dimension ... how people act!

Shifting the focus away from the intangible and esoteric to the tangible and behavioral (and thus measurable) allowed breakthroughs in understanding business culture. 950 businesses of all sizes and sectors participated in the development of Denison's culture model, which is rooted in workplace behaviors and expressed in workplace language. It is a model designed in the business context, developed by business leaders, and understood from the business perspective – a far cry from traditional culture models developed in the academic context, described in academic language, and requiring a team of translators to make the perilous leap from the ivory tower to the corporate office. From Denison's model, it was a short jump to a quantitative culture assessment – which then opened the door for examining the link between culture and things like profit, market share, return on investment, sales growth, and more.

THE PUNCH LINE: There is a Link Between Culture and Bottom-Line Results

Regardless of size, sector, industry or age, a company's culture impacts the full range of its performance – from "hard" performance indicators such as profitability, market share and sales growth, to "softer" factors such as innovation and new product development, quality of products and services, and employee satisfaction. Business culture has finally been brought to the bottom line.

Over the next few years, Denison's model was applied to over 1,200 companies, ranging in size from 10 people to over 300,000, and representing all ages, industries, and sectors. The findings are compelling – and enable you to understand in an entirely new way why you are or are not achieving the results you want.

The model measures four basic business culture traits:

- *Mission* – the degree to which the company knows why it exists and what its direction is;
- *Involvement* – the degree to which individuals at all levels of the company are engaged in and hold that direction as their own;
- *Adaptability* – the ability of the company to know what customers want, and the degree to which it can respond to external forces and demands;
- *Consistency* – the company's systems and processes which support efficiency and effectiveness in reaching goals.

Denison's research shows that the highest performing companies are those which show strength in all four areas. In other words, they have developed cultures which fully address the paradoxical demands facing them. They are crystal clear why they exist and where they are going (*Mission*). Their people embrace this defined direction, have line of sight from job to company goals, and bring the full complement of their skills to their work (*Involvement*). They hear what their customers want, or understand customer needs enough to lead their customers to new products/services, and are able to learn what is needed to respond to changing marketplace demands (*Adaptability*). And they have systems, structures and processes in place to help align them as a company, while being both efficient and effective in their pursuit of results (*Consistency*).

**HighHU Performance
Companies**

Composite of companies having an
average ROI of 20% or more.

LowHU Performance Companies

Composite of companies having an
average ROI of 9% or less.

As a business leader, you might be saying, "Yeah right, if we were strong in all those areas, we'd be turning good results, too." But, wait – the findings tell us more. Sure, they show us that the highest performing companies are strong in all areas simultaneously (for example, showing 20% ROI or more). The findings also show us that there are relationships between individual culture traits and specific performance measures. Denison's findings show the following relationships between culture and performance:

Profitability/ ROA	Revenue Growth/ Sales Growth	Market Share	Innovation	Quality of Products & Services	Employee Satisfaction
<i>supported by</i>	<i>supported by</i>	<i>Supported by</i>	<i>supported by</i>	<i>supported by</i>	<i>Supported by</i>
Mission	Mission	Mission			(Mission*)
Involvement			Involvement	Involvement	Involvement
Adaptability	Adaptability	Adaptability	Adaptability		(Adaptability*)
Consistency				Consistency	Consistency

(Fisher, Caroline

* See Page 8

Revenue growth and market share (both externally-oriented performance measures) are supported by the externally-oriented cultural traits of *Mission* and *Adaptability*. Quality and employee satisfaction (internally-oriented performance measures) are supported by the internally-oriented culture traits of *Involvement* and *Consistency*.

Innovation (a performance measure related to flexibility) is supported by the flexibility-enhancing culture traits of *Involvement* and *Adaptability*. By now you are starting to get the picture. The performance measure of profitability, by far the most comprehensive and complex measure of business performance, is supported by strength in all four cultural areas.

A second phase of research was conducted by Caroline Fisher, PhD at the California School of Professional Psychology. These findings confirm Denison's and extend them down the path of understanding what creates success in today's businesses.

These research findings revealed that *Mission* alone, as a single cultural factor, impacts the greatest number of bottom-line performance measures in a company. (Of Denison's list, all except innovation were affected.) Thus, if a company is simply clear on why it exists, and has a vision, goals and strategies that are embraced throughout the company, five of the six performance factors can be impacted. The fact that innovation is not impacted by *Mission* alone is logical – a singular focus runs counter to the diverse thinking required for innovation and creativity.

Fisher's findings regarding the culture-business performance link...

- MISSION:** Impacts *five of six* performance factors
- INVOLVEMENT:** Impacts *four of six* performance factors
- ADAPTABILITY:** Impacts *three of six* performance factors
- CONSISTENCY:** Impacts *two of six* performance factors

... And you thought this stuff was "soft"?

Involvement is the second most important culture trait, impacting four of the six performance measures (all except market share and sales growth). *Adaptability* impacts three of the six (sales growth; market share; and innovation); *Consistency* impacts two of the six (quality and employee satisfaction).

There are two critical messages here. First, as a business leader, when you're facing a crisis or trying to produce a step change in results, do not focus on *Consistency* alone. Ironically, when leaders face such challenges, they usually impose a new system or process or structure – an attempt to gain control. Admit it. You've been there. But, when this is done without an accompanying emphasis on *Mission* and *Involvement*, you're bound to miss your mark. At best, you might incrementally improve product quality or employee attitudes. It's equally likely that you'll end up worse off than before, having increased the levels of cynicism and resistance to any future changes that really will become necessary.

The second message is perhaps more important. If you want to produce breakthrough results (not just incremental change, but a whole new level of performance), look to *Mission* and *Involvement*. Period. Between these two culture traits, all six performance measures can be impacted. The other two culture traits (*Adaptability* and *Consistency*) count, of course, for full and sustainable performance over the long run – but without *Mission* and *Involvement* they won't get very far.

If you want to produce breakthrough results (not just incremental change, but a whole new level of performance), look to *Mission* and *Involvement*. Period.

* Fisher's research shows that employee satisfaction, like profitability in Denison's research, is supported by strength in all four culture traits. It is becoming clear that employees are not only looking for things associated with *Involvement* (having a say) and *Consistency* (effective support systems), but they are also demanding *Mission* (being part of companies doing positive things and with a clear path) and *Adaptability* (providing customers with what they want, and having flexibility in learning and changing to meet new demands).

SO WHY IS ALL THIS SO IMPORTANT?

This link between culture and results allows you, as a business leader, to precisely target your organization's culture for specific results, and to consciously lead and monitor your culture for sustainable success. No more "spray and pray" approaches to organizational change and improvement initiatives.

The corporate world has spent trillions of dollars attempting to change over the last two decades. Training programs, consulting services, process improvements – the list goes on... By one estimate, customers as well as employees rate the effectiveness of these programs at 10 - 20% (Ashkenas). And that might be optimistic!

There are many reasons for such failure. Often, the desired outcome or result was not clearly defined up front, with an initiative applied to clearly match that result. Often a leader desires to see a broad range of performance improvement and applies the latest management fad, hoping somehow it's the answer. Alas; usually it's not.

Sometimes, such initiatives can create meaningful change over time. For example, even though an employee survey has never changed a company, we have slowly learned that employee input *is* important, and its value has, in many cases, elevated surveys to far more

than just another check-off item in a manager's list of "things I gotta do." The problem with such an evolutionary approach, however, is that companies don't have the time, energy, or resources for that anymore. They might go out of business by the time Darwin wins out.

Companies today can't mess around. They need results – and they need to precisely target their changes to hit those results on the nose! If a leader first defines a very specific result (i.e., increased sales growth or increased innovation) and then intervenes at a cultural level to achieve that result (*Adaptability* and *Mission* for sales growth; *Adaptability* and *Involvement* for innovation; etc.), they would be far more likely to get the result they want, not to mention getting it faster!

Another benefit of the cultural approach to getting results: A company can monitor and gauge how well it is developing its baseline sustainability – its ability to perform for the long haul. After all, companies with strength in all four culture categories win consistently over time.

Viewing an organization through this lens is useful for other reasons as well. If a company is weak in all areas of culture (i.e., low scores in all four culture categories), the best place to start is with *Mission* and *Involvement* (remember, you can ultimately impact all six performance measures through these two traits). This can be true of either start-up ventures (do you know why you're doing what you're doing and do your people see your vision?); merging companies (creating a common "third-point" of focus to help each group take their eyes off each other and put them onto the goal); or companies in decline (who once thrived even without a clear understanding of why they existed; competition no longer allows this luxury).

The links between individual culture traits and specific performance indicators let you precisely target your organization's culture to meet specific results and to consciously build and monitor the organization's culture to ensure sustainable success. Remember, hope is not a strategy. If you truly understand something, you can make the right choices to do something about it.

WHAT BUSINESS LEADERS OFTEN DON'T WANT TO ADMIT... or Four Ways to Avoid Dealing with Your Corporate Culture

- 1) *Argue that the research is flawed and you need more proof.*
- 2) *Contend that your company is different, and the usual rules don't apply to you.*
- 3) *Acknowledge that it's something the company should think about – then delegate the matter to HR.*
- 4) *Get screamin' mad about last quarter's results and hire another marketing guy.*

Hey, you know how it is... If you don't admit it's important, you don't have to deal with it. And you certainly don't have to make it a priority. After all, if you were serious about change, you'd have to make serious changes in yourself... Is it really all that important?

The catch in all this? It starts with **you** – the leader. When all is said and done, this may well be where the belief systems really need to change!

Do you believe this stuff matters? If not, you can forget about it and go implement another process you read about in some other magazine. It's just plain *easier* to tell yourself that culture doesn't matter or ... even if it *does*, it can't be managed ... or even if it *could* ... the people in HR are paid to deal with that stuff

But if you are convinced that culture is a strategic lever for success, you've cleared one of the biggest hurdles between you and getting the results you want. Be careful, here: there's a big difference between intellectual belief (a casual, "Yeah, that makes sense to me") and full-fledged conviction (an unshakable, "I know it in my *bones* that this is right"). When the rubber hits the road, and all the resistors and obstacles start popping up all around you, those beliefs are going to need real roots!

Remember, this is not something you can expect someone else to do first. *You* must walk this walk. *You* must be the first, most competent and consistent in displaying the desired behavior. *You* must model how it's done. All eyes are on you to see if it is real.

Again, if you need help testing, challenging, and deepening your personal convictions, get it. If you need help preparing yourself for real breakthrough and all its implications, get it. Time and tide wait on no man (or woman!).

So figure it out. What results do you want from your business? Improved profitability? Increased innovation? Then:

- **Take a long hard look:** Determine what your culture really looks like right now. Profile it; sharpen your understanding of its dynamics and implications. This is no time for "amateur night at the Lodge" – engage the experience and perspective of professionals.
- **Focus on what matters most:** Identify those factors that directly support the results you want. Consider their implications in the context of your industry and the marketplace. Again, this is where the right expertise can really pay for itself.
- **Prepare for the change:** Clarify your expectations, check your commitment, enroll key teammates, identify critical support resources for the long haul.
- **Make it happen!:** And hold on tight ...

As hard as it may be to deal with, especially for leaders who have succeeded for so long by avoiding this "people stuff," the fact is that this is not something that can be delegated to HR. Culture *is* the work of today's leader. And the behavior changes needed to shape a business culture must start at the top, weave through every level and every function, and be consistently led, strategically managed. You can't just talk about it – you have to *do* it.

IN A NUTSHELL ...

So, you ask, why aren't the "change programs" you've initiated having more impact? Why aren't the dollars you've invested in training your people paying off? What is it going to take to move this company to the next level of performance and beyond?

The answer to these questions can be found in what may be the last place you'd normally care to look: your business culture. Those "hard" results you've dreamed so much about have now been discovered smack-dab in the middle of "soft stuff." Yes, culture matters – and it matters in a big way. When all is said and done, it matters as much as profits and market share and sales growth.

With the right tools, information, and support, you can quickly understand the essence of your business culture – see exactly how it's supporting or hindering your company's performance. You can then zero-in on those aspects of your culture which lead to the specific results you long for. It's not rocket science. It's about understanding the true relationship between culture and bottom-line results – then using this understanding in a very deliberate and pragmatic way to get what you want.

Properly led, resourced, and managed, it doesn't even have to be a long, drawn-out process. If you take your stand, engage the very best of yourself and your people, and take advantage of the resources now available through the hard work, study, and experience of others, things can happen quicker than you might ever have imagined possible. It might even take your breath away.

So look in the mirror. Take a slow, deep breath. If you so choose, your next step can be to finally build the success you've long been looking for. In a place you never believed you'd find it.

Are you ready for some *culture*?

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BUSINESS CULTURE: MYTHS & TRUTHS

Myth: Culture is intangible, esoteric, and difficult to manage.

Truth: Culture is behavioral, measurable, and manageable. It takes awareness. It takes attention. It takes leadership.

Myth: We still don't understand how corporate culture works or how it is directly linked to bottom-line business results. It's too "squishy."

Truth: Eighteen years of research involving 1,200 companies show us clearly how culture works – and reveal a clear link between it and a company's profitability, sales/revenue growth, market share, quality, innovation, and employee satisfaction.

Myth: Culture is solely embedded in the founder of the company or, worse yet, "culture just happens."

Truth: Effective cultures are almost always the result of thoughtful leadership, involving the entire organization in a focused direction. As a leader, by taking the right steps, you can rapidly change your organization's culture at any point in its evolution.

Myth: Culture is a luxury to be thought about when there is extra time and resources.

Truth: Cultural issues have strategic impact that must be managed to preserve business value and ensure success. There is probably nothing you can do with your time and money that will have more long-term leverage for your business success than focus on your culture.

Myth: Changing corporate culture is a cumbersome, difficult, and painstakingly slow process.

Truth: By precisely targeting and developing behaviors that support known results, and applying lessons learned through others' experience, both culture change and its desired performance improvements can be quickly achieved.