



UNLEASH CULTURE TO FUEL GROWTH

How to align the nine facets of corporate culture to drive performance.

BY SHIDEH SEDGH BINA AND NATHAN O. ROSENBERG

Societies, like computers, have operating systems.

These systems consist of a set of rules for human behavior and how people act. “The laws, social customs, and economic arrangements that we encounter each day sit atop a layer of instructions, protocols, and suppositions about how the world works,” says business guru Daniel H. Pink in *Drive: The Surprising Truth About What Motivates Us*.

Organizations have operating systems, too. Beneath the surface of the hardware (tools and structures) and software (employees and processes) is a complex set of values, arrangements, rules, and suppositions governing how the

organization works. We generally refer to this as corporate culture.

Organizational operating systems or cultures are the invisible forces driving performance. They can either propel or inhibit growth. If the culture aligns and reinforces vision and strategy, you get booming growth like at Apple or Netflix. If it’s myopic and sclerotic, you get an enterprise like RadioShack with a decline that can be traced through a long thread of self-defeating tactics born from a cultural background that didn’t create the evolution needed to survive.

These cultural systems can be broken down into nine distinct elements:

- Language and the network of conversations
- Customer orientation
- What is actually valued
- Accountability and responsibility
- Traditions, rituals, heroes, legends, and artifacts
- Leadership dynamics
- Unwritten rules for success

- Decision rights and processes
- Legacy

Together these elements form the set of instructions, protocols, and suppositions — the DNA — of the corporate organism. This DNA either primes the organization for growth, or sets it on a course of stagnation, dysfunction, and decline.

LANGUAGE AND THE NETWORK OF CONVERSATIONS

What people say aligns with how they perceive what they're experiencing. For human beings, perception is not only physical, it's linguistic — shaped by language. What you listen for when assessing the network of organizational conversations are the elements shaping these interactions.

Listening to what's being said is often not enough to generate a sense of corporate cultures. You also have to be aware of what's not being said.

For example, we once interviewed employees at all levels of a high-flying U.S. supercomputer maker in the Midwest. Throughout these interviews, we never once heard an admission that someone made a mistake or wasted the company's money.

This told us that what was lacking in the corporate culture was a sense of personal responsibility and individual accountability.

When we relayed this to the CEO, he said, "Wow. I never would have gotten that. But the second you say it, you're absolutely right. This is Midwest nice, and we don't hold people to account."

To drive growth, the patterns of conversation must shift from passive expressions such as: "It would be good if...", "Somebody should...", and "We need to...", to active declarations such as "I will...", "I promise...", and "Would you...?"

CUSTOMER ORIENTATION

How important is the customer? Years ago we had the opportunity to participate in one of the first known corporate-culture transformations at the Ford Motor Company. We found that some assembly line workers would often strike back at management by sabotaging cars. For example, they'd put a tin can inside a fender so it rattled when the car was driven. They were using customers to animate their hostility toward management. This episode illustrates the consequences of a culture so dysfunctional that both employees and customers became completely alienated from the company and its success.

When you put employees first, it translates to the customer. After all, in the end, the customer determines your success. Ultimately, only satisfied customers can fuel enterprise growth. And customers are not abstractions.

That's why some companies actually give the customer a name. For example, during high-level meetings at Amazon.com, CEO Jeff Bezos has an empty chair representing the customer placed at the table. And those at the table had better include the customer in the conversation when decisions are made.

WHAT IS ACTUALLY VALUED

Corporate values are not plaques on walls. They are not posters. They're not handbooks passed out to employees. Corporate values are what leadership consistently displays and reinforces through action. What behavior can get you fired? What actions are people rewarded for?

Rewards don't necessarily mean bonus money. One of the misconceptions we often find among executives is the belief that without bonuses, people won't pursue high performance. This is incorrect. In *Drive*, Pink relates what a team of researchers reported to the Bank of Boston in 2005 after completing a study gauging the effects of incentives on performance: "In eight of the nine tasks we examined across the three experiments, higher incentives led to *worse* performance."

Clearly, something other than money drives people to achieve. Oftentimes performance of the task — the sense of striving and accomplishment — is its own reward. But this drive is fragile. It needs a hospitable environment to thrive.

A CEO we once worked with regularly composed handwritten notes to employees on his personal stationary to recognize a job well done. People framed these notes and put them up on their walls like they were plaques, because they were so proud to receive a simple handwritten note from their CEO.

But remember: Stated values and beliefs are counterproductive if leadership doesn't walk the walk. In one organization we worked with, several of the most senior executives regularly violated values and rules explicitly outlined in the employee handbook. That destroys corporate culture. It creates cynicism. It kills growth. You'd be better off having no beliefs than stating a set of beliefs and values that executives habitually violate.

ACCOUNTABILITY AND RESPONSIBILITY

To successfully establish a growth trajectory, enterprise leaders must strive to create a culture where people aren't afraid

to bring bad news to leadership. If an employee has a problem delivering something that was promised, that employee should feel comfortable picking up the phone or walking down the hall to alert their superiors in a timely manner.

Agile leaders often respond by offering assistance: "Okay, how can I help you?" or "What resources do you need?" or "Let's think about how we can solve this problem." If an employee believes leaders are prepared to support them in a pinch, they're much more likely to bring up problems before they escalate into crises. Such an environment fosters collaborative problem solving and allows leaders to effectively tap the human resources at their disposal.

TRADITIONS, RITUALS, HEROES, LEGENDS, AND ARTIFACTS

Traditions, rituals, and heroes animate corporate culture. These powerful elements are instilled intentionally. Who do we want to make a hero? What are the stories we want to tell? By introducing potent narratives, we reinforce and give life to corporate values.

At Home Depot, there's a common-told story involving a customer who needed help installing an attic fan in his home. The associate provided him with the parts, instructions, and tools to do the job. But at the end of the day, the associate realized he forgot to give the customer a critical part for the installation. So he pursued the cashier who transacted the purchase, obtained the customer's record, and contacted the customer. He then made arrangements to deliver the part to the customer's house on his way home from work.

What does this story tell new employees? It tells them three things:

- We're in the do-it-yourself business. Our job is to make do-it-yourselfers successful.
- Customer service is really important.
- You take care of the customer.

That's all encapsulated in one story. And you make a hero of that employee. Skip all of the buzzwords. Stories are more important. At AutoZone, the DIY vehicle-parts retailer renowned for its customer service, meetings start with reading a customer letter about an employee that went the extra mile for the customer. If you're an organization with a high-performance culture, you instill and sustain these stories.

LEADERSHIP DYNAMICS

Successful cultures — those primed for growth — make clear that anyone in the organization can lead. If only senior executives can lead, you're in big trouble. If the only person who can lead is the CEO, you're in really big trouble. Highly

effective organizations have leaders at each and every level. When people step forward to lead, executives from the CEO on down must encourage and incentivize that behavior.

Great leaders encourage other people to lead, even if those people are not effective the first time out. They reinforce and support that behavior. True leaders are not threatened when others take the lead. Organizations saturated with leadership culture propel growth. The high-performing cultures we've seen have well-defined leadership governance structures with different leadership bodies across management levels, each with its own charter, accountability, and meeting cadence to instill leadership throughout the enterprise.

UNWRITTEN RULES FOR SUCCESS

This element is a tough one. The only way to tease out unwritten rules for success is by violating them. Therefore, you're going to get a bruised forehead and a bloody nose walking into walls you simply can't see. If you examine outcomes, these shadowy rules begin to take shape. What kinds of people succeed in the organization? How do they behave? What are they rewarded for?

But keep in mind: Unwritten rules are rules for succeeding in the company, not for succeeding in the marketplace. And these rules are oftentimes at odds. We witnessed this at a manufacturing company that was fighting market-share erosion due to new, innovative activity from one of their key competitors. They needed to come up with potent, creative marketplace moves quickly. Yet when they called meetings with their top leaders, the unwritten rules said that only those executives that ranked senior vice president and above could sit at the conference table and participate in the conversation. VPs were expected to sit in the chairs around the wall and not participate unless called upon. So much for creativity and agility in the marketplace — the thinking is constrained by one's title or the location of one's chair in the meeting room.

DECISION RIGHTS AND PROCESS

Who gets to make decisions? Who has the authority to make changes in a process or shift direction? In many large organizations, nobody knows the answer to these questions. And to the degree that nobody can intelligently answer these questions, you've got a problem. If employees want to change something in the company to make a process better, how do they know if they have the right to do so? And if not, who does? Too frequently the answer is, "I don't know."

Sometimes leaders refuse to grant people on different levels of the organization with decision-making rights, because they

are afraid people are going to screw up. Sometimes the drive for immediate results leads to decision rights rising to the top—thus reducing risk for the senior levels while shrinking the range of motion of those closest to the market. In an extreme case, we witnessed a \$14 billion global company where every contract over \$25,000 had to be personally signed by the CEO and any travel expense over \$500 had to be approved by an executive committee member. This culture of thrift drove attention and action toward chasing literally every dollar and away from serving customers and executing on critical tactics. Too much management and control indicates bad management. Without the ability to execute on new ideas and innovative changes, employees will give themselves over to a culture of complacency, rather than working hard to continuously improve the way they do business.

LEGACY

Having a mission statement or credo is important. So is the informal and formal storytelling that populate an enterprise. This means more than a poster on the wall; it helps everyone throughout the organization align and make decisions. Johnson & Johnson maintains an impressive decades-long commitment to its credo. This four-paragraph statement written in 1943 by then-Chairman Robert Wood Johnson clearly states what is important and the responsibilities of the enterprise, and it outlines the focus of this \$65 billion mega-corporation. "We believe our first responsibility is to the doctors, nurses, and patients, to mothers and fathers and all others who use our products and services" and then moving on to employees and communities, and ending with stockholders. By stating and codifying a clear ethos, J&J provides all of its employees with a consistent set of criteria to use as a benchmark for decision-making — the same criteria executives use to guide their decisions — which only serves to empower employees to deliver on stated objectives. The company invests significant money and time into monitoring its adherence to its credo and boasts premier performance among its competitors.

THE CULTURAL MOLECULE

We call each of these facets "elements" because they come together to create a molecule—the DNA that drives corporate culture. When combined, these elements contain the instructions and protocols that can drive dramatic growth. When these elements lose their power, the organization begins to wither and degenerate. The culture becomes counter to what you want to accomplish and organic growth become harder and harder to achieve.