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# VANTAGE

## HIGH PERFORMANCE CULTURES GET THE BIG PICTURE RIGHT

The strongest organizations in the world achieve sustainable success largely because they understand the value of culture as a competitive advantage.



Let's face it. Culture can be hard to define and difficult to measure. Senior executives tend to shy away from investing in initiatives with fuzzy ROI.

Yet, whether you measure it or not, you have a culture. It may be empowering or toxic. Either way, the results are showing up on your bottom line.

Skilfully managed cultures can be a performance multiplier. Recent research by the Great Place to Work<sup>®</sup> Institute<sup>1</sup> found that companies that actively invest in workplace culture yield nearly 2x the return over their competitors. They also typically report 65% less voluntary turnover, saving an average of \$3,500 per employee in recruiting and training costs.<sup>2</sup>

## CULTURE DEFINED

Though many have tried, no one has ever landed upon a fixed, universal definition for organizational culture. The subject has been vigorously debated from the pages of the *Harvard Business Review* to the halls of MIT Sloan.

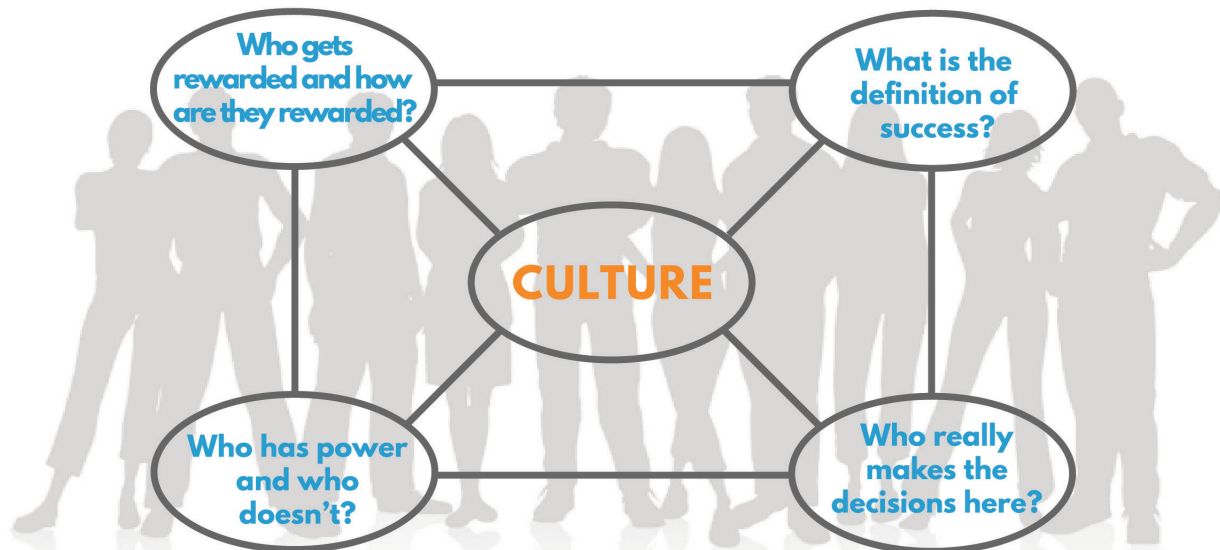
What is not debated is that culture is part of the DNA of every organization. Its impact is both tangible and intangible.

Many companies attempt to dictate culture through mission statements, values, and carefully-written policies and procedures. These attempts fall painfully short when what is written is not modeled. Culture is not the written, but the unwritten rules of survival cultivated over time through shared experiences, values, and behaviors.<sup>3</sup> It shows up in what we measure, what we reward, and what we ignore.

**“CULTURE IS NOT THE WRITTEN, BUT THE UNWRITTEN RULES OF SURVIVAL CULTIVATED OVER TIME THROUGH SHARED EXPERIENCES, VALUES AND BEHAVIORS.”**

**-DR. TONY BARON**

As complex as culture is, however, it is more within an organization’s power to shape than many of the external forces that bear on performance. By taking a few key actions, organizations can measure and manage culture as rigorously as other key performance metrics.



# CULTURE BY THE NUMBERS

It is commonly said that the language of business is accounting.<sup>4</sup> The story of any company, regardless of size, industry, or country of origin, is told through its financial records. The business of pinning numbers on things, of measuring, has become a pandemic activity in business. Since culture is difficult to define, many leaders assume that it is also difficult to measure.

The fact is, however, that organizational culture has been linked to every dimension of business performance. In their 2011 book, *Corporate Culture and Performance*, Harvard professors John P. Kotter and James L. Heskett established a direct link between culture and key financial metrics. Following cultural enhancements, companies performed significantly better over a 10-year period than companies without performance enhancing cultures.

## How Southwest Airlines Turned its Intangible Culture into Tangible Profits

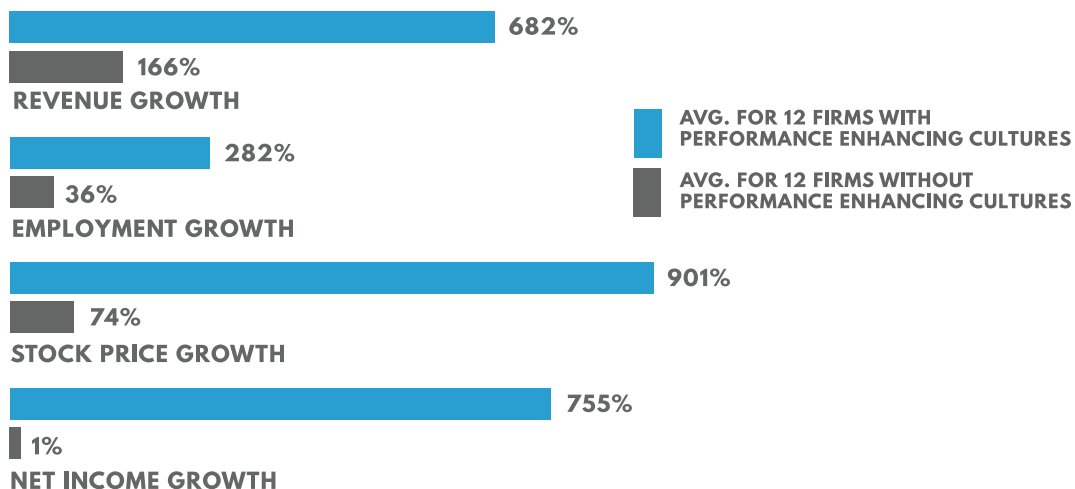
Southwest Airlines is one of the greatest success stories in America for turning intangibles into monetary value. Southwest's four decade-long history of achieving annual profits is unmatched in the airline industry.

Business school case studies often focus on the secret of Southwest's success – its commitment to relentlessly investing in its culture. While competitors cut corners to save costs in economic downturns, Southwest invested more in its culture when the airlines industry was struggling.

Southwest's leaders knew that customers could choose among many carriers for a safe flight. Only on Southwest, would customers experience employees who could actively project the corporate values of a warrior spirit, a servant's heart, and a fun-loving attitude.

When employees work for an organization that is willing to go the extra mile to keep them engaged, the employees, in turn, will go the extra mile to give customers the best possible flight experience – one that keeps them coming back year after year.

### CULTURE AND THE BOTTOM LINE



As performance cultures mature, financial, employee and customer satisfaction metrics improve. These improvements build momentum, complement each other and are part of a self-reinforcing system. The same can be said for low performance cultures moving in the opposite direction.

## GETTING THE BIG PICTURE RIGHT

Within every employee is a person who wants to be part of something bigger. Yet, the big picture is often blocked by barricades of policies, procedures, and bureaucracy.

High performing companies get the big picture right. They systematically ensure that intangible qualities of their culture like stories of their history, their greater purpose, and shared values roll below the top of the org chart.

### 1. A SHARED HISTORY

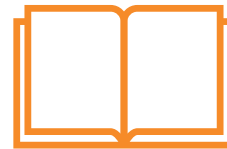
General Mills offers an example of a company that taps into its history to shape culture. Ask an employee about the company's values, and you

will likely hear the story of the 1878 explosion that killed 18 workers and destroyed its largest flour mill. After the disaster, the company's founder developed a far safer technique for milling flour. Rather than patent it, he gave it away to all of his competitors.<sup>5</sup>

“WITHIN EVERY EMPLOYEE IS A PERSON WHO WANTS TO BE PART OF SOMETHING BIGGER.”

-SHERI NASIM

The story gets repeated because employees take pride in preserving the values modelled by the founder. The use of organizational history helps employees see themselves as part of a still unfolding story and of something bigger than themselves.



High performing companies help their employees feel like they are a part of the organization's unfolding story.



## 2. A COMMON PURPOSE

Another big picture component that impacts performance is purpose. Business experts, academics and psychologists alike make the case that purpose is key to exceptional performance. Increasingly, purpose is considered a vital ingredient for navigating the complex, chaotic 21st century business world.

What is purpose, how does it differ from the traditional organizational building blocks, and why is it necessary? A vision statement describes the desired future state. It is an effort to think beyond an organization's day-to-day activities in clear, inspirational language. The mission states what business the organization is in and the boundaries it sets for itself. Values serve as the behavioral compass.

For decades, organizations rested comfortably on these three pillars. Economists argued that the sole purpose of business was to make money – the more the better. In the 21st century, however, a fundamental shift has taken place with key stakeholders. Customers are no longer passive consumers. Employees are more than headcount. Shareholders take note of the social and environmental impact of the companies in which they invest.

These stakeholders want to be active members of a community that is part of something bigger. They want to belong, to influence, and to engage. They demand to know an organization's distinct

### The Friedman Effect

For decades, for-profit organizations thrived in an environment based on Economist Milton Friedman's assertion that the sole purpose of business was to make a profit.<sup>6</sup>

When Friedman published his declaration in the *New York Times* in 1970, private sector firms were starting to feel pressures of the global economy and executives were searching for ways to increase profits. The focus on profit absolved leaders of the impact of their decisions on employees, customers, society and the environment.

reason for being, and the impact it seeks to make in the world.

A 2015 study by The Marcus Buckingham Company found that purpose is the number one component to job satisfaction.<sup>7</sup> In today's competitive marketplace, employees want a sense of purpose that comes from knowing that what they do matters.

"Purpose – not widgets – are at the core of an organization's identity. It guides people in their effort to find new widgets that serve society," wrote Rosabeth Moss Kanter in the November 2011 issue of the *Harvard Business Review*.

Leaders of high performing organizations tap into purpose to supplement their financial decisions. Although difficult to capture with traditional cost-benefit equations, purpose is a powerful driver of financial performance in today's economy.

**“PURPOSE – NOT WIDGETS – ARE AT THE CORE OF AN ORGANIZATION'S IDENTITY.” -ROSABETH MOSS KANTER**

### 3. ESPOUSED VALUES

High performing organizations are built, driven and nurtured by their leaders. Leaders who clearly define and model good corporate citizenship are able to deliver and sustain performance.

An organization’s core values should explicitly define how employees will behave. When values succeed, the leaders model the core values of the organization through their daily behaviors – setting the example for their teams. When values fall flat, as Patrick Lencioni wrote in the *Harvard Business Review*, they “create cynical and dispirited employees, alienate customers, and undermine managerial credibility.”

Consider the example of ANZ Bank. In 2002, the bank’s leaders began an initiative to improve performance by recasting its culture through defining values in behavioral terms. Each of the organization’s values were clarified in two distinct ways: 1) each of the corporate values were defined in terms of demonstrated behavior; and 2) simple measures were created to gauge whether the leader exceeded, met, or needed improvement in modelling the organizational values.

After two years, the number of employees who reported feeling that ANZ Bank “lived its values” rose from 20% to 80%. Similar increases were seen in “openness and honesty” and a “can-do culture.” Revenue per employee increased 89%, and the bank outperformed its peers in total return to shareholders and customer satisfaction.<sup>8</sup>

Regardless of the values engraved in plaques on the wall or posted on the website, employees

### How to Measure Corporate Values

1. *Name the value:* Integrity First
2. *Describe the demonstrated behavior:*  
Our walk matches our talk. We make and keep good commitments.
3. *Measure demonstrated value:*  
Exceeds value standard:  
Rarely misses a commitment. Proactively informs others of progress.  
  
Meets value standard:  
Makes commitments and delivers with consistency.  
  
Needs improvement:  
Delivery of commitments are inconsistent.

constantly monitor whether leaders’ actions are consistent. Consistent behaviors lead to trust, and trust creates confidence, safety, and conviction. Leaders of high performance cultures both communicate and exemplify corporate values to reinforce their importance.



Increase in revenue per employee at ANZ Bank after implementing culture change.

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# CONCLUSION

High performance organizations do not take their culture for granted. They understand that employees want to be part of something bigger than themselves. By sharing compelling stories of origin, connecting people to purpose, and documenting how company values are modeled, culture can become a powerful performance multiplier.

## Resources

<sup>1</sup><http://www.greatplacetowork.com/our-approach/what-are-the-benefits-great-workplaces>

<sup>2</sup><http://www.investopedia.com/financial-edge/0711/the-cost-of-hiring-a-new-employee.aspx>

<sup>3</sup>Tony Baron, *The Art of Servant Leadership*, p. 67

<sup>4</sup><http://www.cnn.com/2014/07/31/warren-buffett-surprises-teen-cancer-patient-on-cnn.html>

<sup>5</sup><http://www.stthomas.edu/mc/cebc/201209/>

<sup>6</sup><http://www.forbes.com/sites/stevedenning/2013/06/26/the-origin-of-the-worlds-dumbest-idea-milton-friedman/>

<sup>7</sup>[https://www.tmbc.com/wp-content/uploads/2015/04/SL8\\_white\\_paper\\_r01v02.pdf](https://www.tmbc.com/wp-content/uploads/2015/04/SL8_white_paper_r01v02.pdf)

<sup>8</sup><https://hbr.org/2002/07/make-your-values-mean-something>

## **ABOUT CENTER FOR EXECUTIVE EXCELLENCE**

Center for Executive Excellence (CEE) is a leadership development organization that helps leaders build resilient cultures that thrive amid change and remain relevant in a dynamic marketplace.



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