COMPOSURE

Strategy. Culture. Leadership

The Elephant in the Room

'De-mystifying Culture in Organisations'

The Elephant in the Room

Culture is the elephant in the room. It's big, hard to overlook, yet people continue to ignore it. We know it's there and yet leaders are often not prepared to face it, deal with it or even consider its potential. Culture can be your biggest asset or greatest challenge depending on how you approach it.

So why is it some organisations are able to:

- Attract great people and clients with seemingly little effort?
- Create a sense of ownership and pride among their employees?
- Consistently come up with innovative ideas and make a commercial success out of them?
- Have highly accountable and disciplined people?
- Have great reputations in the community they serve?

The reality is you get a culture whether you like it or not. As a matter of fact you have one right now. Even as you read this article, your culture is being shaped and shifted by a range of factors.

Understanding what factors drive and influence your culture, and defining the culture you need to succeed, are the critical ingredients to creating a strong, robust and sustainable organisation.

The question for you is, does your current culture help or hinder your ability to achieve your vision and strategy?

Don't let culture be the Elephant in the Room in your organisation.

The true cost of culture

In 2004 Blockbuster was a household name. It employed over 60,000 people in 9,000 stores across the world. Its model was clear:

- Open retail stores in prime locations with impressively large rental collections
- Upsell as much junk-food and paraphernalia as possible
- Collect exorbitant late-fees from tardy customers.

As former Blockbuster executive Jonathan Baskin stated: "*The video rental business was hugely profitable from the get-go… once a tape had been rented a few dozen times, it yielded 100% profit thereafter. The business model was beautiful.*"

But then traffic started to slow. People were only renting the movies that were successful at the cinemas and ignoring the enormous collections of older movies. As cinema attendance dropped, so did video rentals. If customers were only going to Blockbuster to find movies they wished they had seen in the cinemas, no amount of overpriced candy and toys were going to keep Blockbuster's profits up.

By 2010 Blockbuster had declared bankruptcy and this year, it is closing the doors on its very last retail store in the US (the few remaining Australian stores are independently owned and predicted to survive just a little while longer).

The problem was Blockbuster's culture. According to Baskin, '*The solution would have been to focus on consultative or advisory selling, and turn its store associates into de facto recommenders. It could have implemented true social networks to rate and catalogue movies, and used its customer data to develop a predictive engine that members could use to locate new titles. Store associates could have been encouraged (and incentivised) to establish ongoing customer relationships, and found ways to promote all those library titles (that had already been paid off, so they were pure profit). It could have owned the position of movie experts and migrated that brand to any new distribution platform.*'

In 1997 a Blockbuster customer by the name of Reed Hastings was forced to pay $40 in overdue fines after returning a copy of Apollo 13 late to his local Blockbuster. A few months later he founded Netflix, a DVD-by-mail service where subscribers could choose their movies online and have them mailed directly to their door. In one bold move, Netflix abandoned the menacing late-fees that had long-plagued video-renters. By the year 2000 Netflix had solved the age-old problem of '*what movie do I watch tonight?*' by developing a personalised movie recommendation system that uses members' ratings to accurately predict what they will enjoy.

Fast-forward to 2014 and Netflix now has over 50 million subscribers globally and an annual revenue of $4.5 billion. What more, Netflix's creativity and innovation have seen it develop into a successful production house receiving 31 Emmy nominations for a number of original television series it has produced.

Now here's the kicker. In the year 2000, Blockbuster turned down a chance to purchase the still fledgling Netflix for $50 million.

Blockbuster's leaders refused to see the changes around them and adapt. They ignored what their customers wanted and refused to consider the vision identified by the young and upcoming Netflix. Instead, they relied on brand and physical prominence to run their business. Blockbuster's culture was broken and it cost them their existence.

The Blockbuster vs Netflix anecdote is not unique. There are countless examples of little upstarts usurping titans across a range of industries.

Two main studies that quantified Culture's impact on commercial performance found that "*Organization culture is not a soft concept… Its impact on profit can be measured and quantified.*" A study of 207 companies over an 11-year period, showed that companies who worked on changing their culture improved revenue by 516%, net income by 755% and stock prices by 827%.[1] This was backed by a 2011 Study by Harvard Business School Professor James L. Heskett which found that "*as much as half of the difference in operating profit between organizations can be attributed to effective cultures*".[2]

To personalise these figures and assess the cost of culture in your own organisation, consider what it would mean to your bottom-line if:

- Employees consistently took ownership of business performance and never covered-up problems?
- Your customers became your greatest advocates and became your major referral network?
- Employees regularly thought outside the box and found better ways to do things?

Evidently, culture is important. So what is culture, how can you assess it and how can you identify ways to improve it?

1   http://hbr.org/2003/07/what-really-works/ar/1
2   http://hbswk.hbs.edu/item/6818.html

What is Culture

We all know when we have a great culture. There is a sense of purpose, a rhythm to the way work gets done, energy to go the extra mile and positive conversations about how good the organisation is to work for. We also know when a culture is weak or toxic. There is constant blame, lack of accountability, disengagement and a distinct lack of trust.

So if we know a good or bad culture when we see it, why do people struggle to fully understand it?

Culture is about patterns of behaviour or the 'way things are done around here'. People soon work out from the various messages and signals they receive, what behaviours are accepted or not accepted in their work environment. Over time these behaviours become the norm and people make choices about how they behave and act to fit in with these norms. This ultimately creates your culture.

The best people to ask about your culture are new employees. When a new person joins your business, they will pick up on a range of signals, both subtle and explicit, that will give them an understanding of 'how things are done around here'. We are tribal by nature, and we work hard at understanding what it takes to be a part of the tribe. Certain behaviours are expected, some are celebrated and others are simply not tolerated. The new person is given a limited grace period during which they do one of four things:

1. Fit in
2. Ambitiously try and change things
3. Move on; or
4. Get moved on.

Culture8 Qualities

A bit like your physical state, your organisation's cultural state can be assessed, problems diagnosed and treatments put in place.

There are 8 culture qualities - we call these Culture8. Each has its own unique benefits and characteristics. Ideally, an organisation will perform strongly on all 8 qualities. In practice, it is important for organisations to structure their culture and focus their efforts on the qualities that will provide the greatest return on their time, effort and investment.

Culture8

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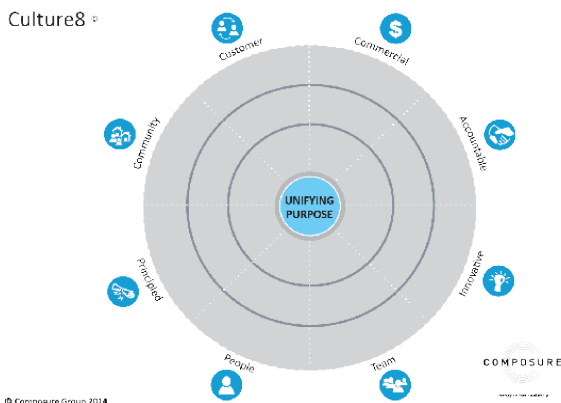
The 8 qualities and their headline characteristics are:

- **Commercial** – Results Focus. Profitability. Ownership.
- **Accountable** – Deliver promises. Disciplined. Personal Responsibility.
- **Innovative** - Adaptable. New Ideas. Agile.
- **Team** - Holistic. Collaborative. Networked.
- **People** - Diversity. Empowerment. Care.
- **Principled** - Ethical. Trustworthy. Integrity.
- **Community** - Inclusive. Contribution. Serve.
- **Customer** – Exceed Expectations. Responsive. Loyalty.

So what do these Culture qualities look like in practice?

A great example of a People centric culture is Google. It is common knowledge that Google is a great place to work, consistently ranking number one globally. It has created a unique and immensely powerful people-centric culture around the idea of being "Googley". As China Gorman, CEO of Great Place to Work institute states "*Google employees around the world, or 'Googlers' as they call themselves, understand that to be 'Googley' is to be unique, true to yourself, collaborative, and comfortable being around people that may be smarter than you.*"[3] This Googley culture has become an immense competitive advantage and has assisted Google to attract and retain the cream of the crop in its industry. Need a figure to crystallise the value of a Googley culture? In 2013, the work produced by Google's 40,178 employees result in annual revenues of $50.2 billion ($1.25m per employee). By comparison, Yahoo's 12,200 employees produced annual revenue of $4.68 billion ($383,606 per employee).

An example of a Customer Centric company is FedEx. The 25 employees that have gone above and beyond in providing customer service receive the prestigious 'Purple Promise Rewards', a unique corporate-wide program that publicly recognises and rewards employees' commitment to customers, both internally and externally. To keep 'The Purple Promise' and be eligible for the award, FedEx employees must:

- Do whatever it takes to satisfy customers.
- Always treat customers in a professional, competent, polite and caring manner.
- Handle every customer transaction with the precision required to achieve the highest quality service.
- Process all customer information with 100 percent accuracy

This initiative, among many others, has resulted in FedEx ranking 20th among the Best Places to Work and consistently ranking number one in its field on the American Customer Satisfaction Index.[4]

You need to know your starting point

Each organisation is at a different starting point in developing their culture. Some are already good and need some tweaking to be great. Others are toxic and need major reformation.

The first step is to do a GAP analysis - are you Good, Average or Poor on each of the 8 culture qualities?

3   http://fortune.com/2013/11/29/what-makes-a-workplace-a-   great-place/
4   http://theacsi.org/index.php?option=com_

The culture you have today is primarily based on your current leaders and the way they behave. So ask people beyond your leadership team about the messages they receive on 'how to fit in', to get a true picture of your culture.

The Culture8 survey is a simple and effective tool that provides insight into how convinced people are that these styles are characteristic in the organisation. The data will provide a benchmark for your organisation, and enable you to track progress. Importantly the data will provide insights, not just drown you in more information you can't do anything with.

Secondly it also enables a leadership team to shape their target culture. It is difficult to move all 8 qualities at once. So consider your vision and goals, and if you could only choose 3 of the 8 qualities to focus on, what would they be?
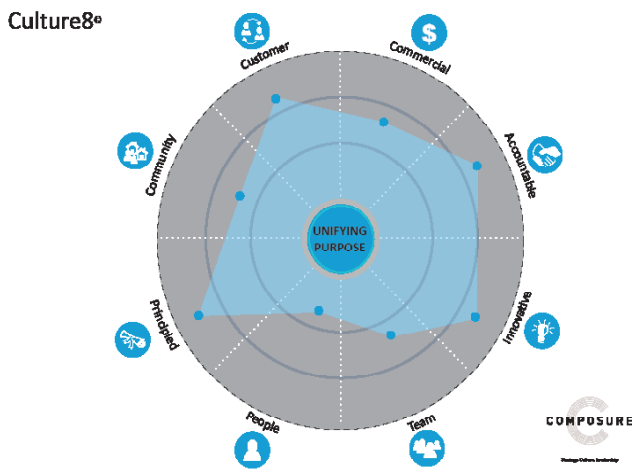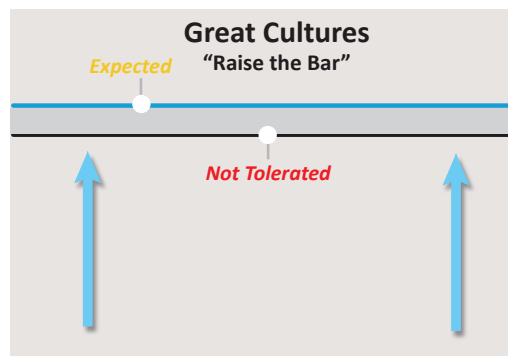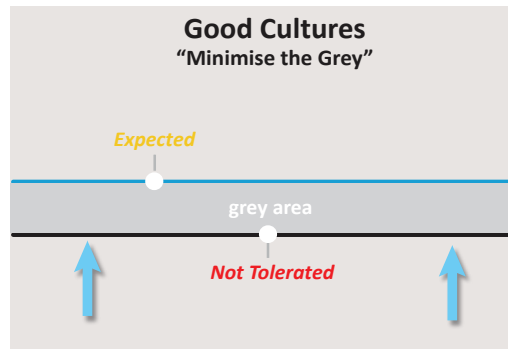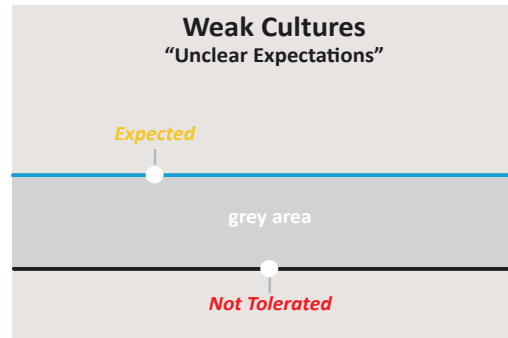
Culture8®

Once you have identified the 3 target culture qualities you wish to improve in, it is useful to breakdown precisely what behaviours you expect from your team, and what behaviours will no longer be tolerated.

The Golden Rule

A Previous CEO of Adidas in Australia was frustrated that senior-executive meetings were routinely beginning 5-10 minutes after the scheduled start because a majority of the executives were arriving late. A meeting was called for 10am the following morning. At precisely 10am, only 4 of the 15 members of the team were sitting in their seats and the door was locked. As the other 11 members slowly amassed outside the meeting room over the following minutes, knocking, texting and emailing those inside the room to let them in, the CEO ignored them and asked that those inside the room do so as well. The meeting continued with just a third of the members in attendance for the next 30 minutes. The CEO only had to do it once.

The golden-rule of culture is:

Minimise the 'grey areas' of behaviours. Make it clear what is **expected**, what is **not tolerated**, and help people understand what it looks like to 'raise the bar'. Importantly ensure your leaders 'walk the talk' and are clear and consistent about what is expected around here.

Weak Cultures
"Unclear Expectations"

Good Cultures
"Minimise the Grey"

Great Cultures
"Raise the Bar"

Culture Factors

The Culture Factors identified below explain the source of your cultural messages. In essence, these are the reason you have the culture you have. By identifying and exploring the message that each of the factors is sending you can start to understand and shift your culture.

If the messages your organisation sends are aligned and consistent, you will get a clearly defined culture. If the messages contradict each other then your culture will take its own course.

The main culture factors are:

Human Factors

Leadership
- What is the vision your leaders have set?
- How are decisions made (and how is this process interpreted by those affected)?
- How do your leaders behave as role models?
- What poor behaviours do your leaders tolerate?

Mindsets

- What are the principles that guide you and what do you stand for?
- What are your core beliefs?
- Why do people have the underlying mindsets they have?
- What are the prevailing attitudes to work?

Talent

- Do you have the right people in the right roles to achieve your goals?
- Do you support your people to grow and develop?
- How do you deal with people who lack capability?
- How do you reward people?
- Who gets promoted and why?

Appearance Factors

Symbols

- What are the unspoken symbols that tell people how things are done in your organisations?
- What is your office layout?
- What physical artefacts are around the business and do they reflect what you want your culture to be?
- What are the rituals in your business?

Brand

- What message does your brand send?
- Are you approachable, modern or traditional?
- What is your reputation in the community?
- Are people advocates of your brand?
- Does your customer value proposition match your employee value proposition?

Organisation Factors

Structure

- Is it clear who reports to who and what they are accountable for?
- Do you have a structure that is appropriate for your vision?
- Is it hierarchical or flat, tight or loose?
- Who gets the good jobs and why?
- How easy is it for people to move across the organisation into different teams?

Systems

- What systems have you got in place to make your work efficient and effective?
- Are your systems fit for purpose, are they too complicated or too loose?
- Which systems bring the most heat and frustration?
- How effective are your HR systems across an employee's lifecycle?
- How effective are your financial systems?
- How effective are your operating systems?

Technology

- How is technology changing the way work gets done?
- Are you an early adopter of new technologies or do you play it safe?
- Are your people given the technology systems they need to be efficient and effective?
- Do you encourage exploration and use of new technologies?
- Are your people proactive about using technology to connect across and beyond your organisation?

The fundamental Culture Factors we assess, form the backbone of your culture. Each of them influence and augment any strengths you have as well as any problems. If, for instance, you have identified that your organisation would benefit most from having a culture that is more accountable, commercial and people focused, ask yourself what factors are standing in your way and what factors you intend to harness to see marked improvements. Do you have the right talent and leadership in place to improve accountability? Do you have the right systems and structures to make your people feel valued?

Alignment and Composure

There you go. We have exposed the elephant in the room. You now have the tools to assess your culture and understand the factors in your business that need to be aligned to your vision.

Now comes the tricky part. Getting your leaders and people aligned behind the vision. This phase of the journey is not a simple methodology that can be explained by putting pen to paper. It will depend on the talent and capability of your leaders as well as their attitudes and emotional responses to change. In broad terms, a fundamental shift in your culture will require your leadership, followed by the rest of the organisation, to align to the new culture and remain composed through the often-unpredictable process of organisational change.

It is vital to shape your culture story. Find language and descriptors that will resonate with your people. This culture story will form the foundation for your leaders' clear, consistent and compelling communication around the 'new' way of working. Do not underestimate the importance of your leaders' ability to share this story. Our experience is too many organisations assume their leaders are good communicators and do not invest time and effort to get this right. This inevitably results in confusion and minimal change.

As with all change, you must have a clear, consistent and compelling vision of where you want your culture to be. You will need to find the leaders who will form your 'Culture Coalition'. These are the leaders who 'walk the talk' and call out those who don't. You must set clear parameters of what behaviour is expected and what will not be tolerated. You will need to routinely celebrate exemplary behaviour and use these interim-wins to create momentum.

Remember:

Clear and Consistent messages over time change behaviour.

Importantly, you must keep reinforcing the importance of your leaders remaining composed. This doesn't just happen. You have to train for it, develop it and be ready for the challenges ahead.

Change doesn't happen overnight. You are not going for the cheap and easy fix. Your organisation is on a three to five year journey towards a fundamental shift in culture. There will be ups and downs. There will be frustrating moments. It will look like a failure somewhere in the middle. Remind yourself regularly of the reason you are doing what you are doing: this shift will make the difference between your organisation succeeding into the future, or becoming a footnote in the history books. A strong team of composed leaders who are aligned to a common vision and send clear and consistent messages will result in change.

A Final Word

Creating a positive organisation culture can be one of the most rewarding experiences of your working life. To create a great organisation that not only enriches lives but also achieves its vision and goals is a profound achievement.

It's worth the effort!

About Composure Group

Composure Group has over 20 years experience in consulting to over 100 organisations and teams from a range of industries.

Jeremy Nichols, the founder of Composure Group, has experience on both sides of the table, managing businesses and advising them. He has led a number of consulting firms as well as consulted to a broad range of clients over his 20 years in Management Consulting. During this time, he has acted as a key advisor to many CEO's and Executive Teams on;

- Shaping and sharing their strategic story
- Creating pragmatic culture change processes
- Challenging leaders to be clear, consistent and compelling in the way they lead others and drive change
- Aligning dysfunctional executives teams
- Helping organisations, teams and individuals navigate the challenges of transformational change at both the operational and emotional levels

Jeremy Nichols, Managing Director

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