

# Building a high performance



*Building a high performance organizational culture is more important now than ever. In an era where financial analysts and portfolio managers attribute an average of "35% of their valuations to non-financial intangible assets,"<sup>1</sup> and where at least "7 of the top 10 non-financial variables they take into consideration are related to human resources."<sup>2</sup>*

By Kevin E. Yousie

# culture

## organizational culture:

### *the essential function of leadership*

*"John Kotter and James Heskett found that firms with stronger cultures tend to achieve higher performance."<sup>3</sup>*

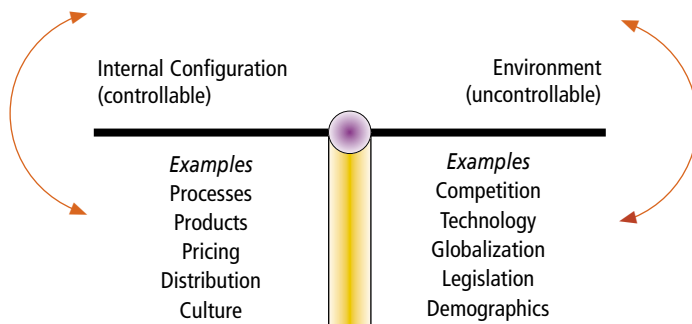


#### What is organizational culture?

The classic definition of culture is "a shared set of norms, values, beliefs, and expectations. These are developed over time and are passed down or forward through the generations of managers."<sup>4</sup> Usually unconsciously, the assumptions created by these filter what information is considered relevant and how that information is used. They also narrow the range of strategic options the organization is prepared to consider as being viable.

#### How does organization culture translate into performance?

To be successful, organizations must be keenly and accurately aware of the factors that shape the [external] environments within which they operate. Their challenge is to remain well aligned with these while ideally providing a differentiated value proposition or product/service offer, to their customers. Organizations that lose this strategic balance (See *Diagram 1*) encounter a wide range of negative performance symptoms that could include, among other things, poor financial results, dissatisfied customers, high employee turnover, and poor morale.



**Diagram 1: Maintaining Strategic Balance**

*Picture a child's teeter-totter where the challenge is to achieve ongoing balance between uncontrollable environmental factors at one end, and the organization's internal configuration, which includes culture, at the other...*

It is essential that the shared norms, values, beliefs, and expectations held by employees be in balance with the external environment. "If an organization's culture has not facilitated adaptation to the environment, the organization will either not survive or will find a way to change its culture."<sup>5</sup> High performing organizations recognize this and proactively take steps to facilitate this culture-environment balance on an ongoing basis. They consciously cultivate an organizational culture that is conducive to the organization's success.

Cultures within successful organizations are characterized by agility, alignment with external environmental factors as well as with the organizations' mission/vision, and a bias for action. These three factors are crucial in a rapidly changing environment. But being aligned today is not enough. Like winning racecar drivers who anticipate the turns in the road, successful organizations are constantly encouraging their employees to look ahead, to anticipate change, so they can position themselves and the organization to slip ahead when there is a curve in the road, when there is a change in direction.



# Building organizational culture

In high performing organizational cultures, employees have a sense of personal responsibility for understanding and staying current with external trends in the environment. They are aware of the relevant strengths and weaknesses within their organizations and they have the ability to assess whether external events will potentially translate into opportunities, threats, or constraints for their organization. They are strategic thinkers. These employees have also proactively forged relationships with others and know who to talk to with respect to specific situations as they arise. Given the levels of complexity and specialization within organizations today, this culturally entrenched sense of personal accountability and empowerment is essential.

### Levers that shape culture

While there are various models that can be applied in addressing the wide range of organizational culture situations that might present themselves, the four levers illustrated below in Diagram 2 will in some fashion be prominent in virtually all models.

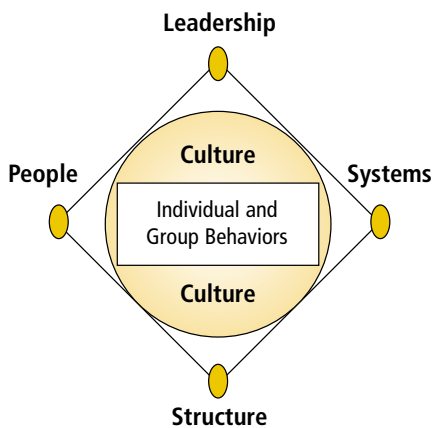


Diagram 2: The Levers That Shape Culture

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Any change in the configuration of Leadership, People, Structure, or Systems (square) will potentially impact culture (circle) as well as individual and group behaviours (rectangle). These outcomes may be intentional, however in reality, they are often the unanticipated consequence of decisions taken without adequate consideration to systemic implications. The following chart provides examples of some factors that can impact organizational culture.

### Examples: Some factors that can impact organizational culture...

Leadership	People	Structure	Systems
New/Incumbent	Level of Qualification	Reporting Relationships	Reward & Recognition
Type of Experiences	Breadth of Experience	Organization Design	Compensation
Leadership Capabilities	Inside/Outside Hires	Accountability Clear	Information Systems
Communication Skills	Mix of Personality Types	Span of Control	Customer Service
People Skills	Unionized/Not	Empowered/Not	Training & Development

### The essential function of leadership

"Building an organization's culture and shaping its evolution is the unique and essential function of leadership." <sup>6</sup> While all four of the cultural levers shown above are important, the characteristics and configuration of the board and the leadership team are key. To a very large extent, they control the other three levers, establishing the standards and the tone. A change in leadership can have a profound impact on organizational culture, effectiveness, and performance.

Good leadership is often "like the Abominable Snowman whose footprints are everywhere but who is nowhere to be seen." <sup>7</sup> Often subtly, through their actions and words, leaders shape, foster and evolve an organization's culture by pushing or pulling the levers that can influence it. It is also their responsibility to ultimately dismantle the culture when it becomes dysfunctional.

It is the role of leaders to ensure strategic balance is maintained and to tailor culture so people "think and perceive in ways that increase the

probability that they will see unconventional opportunities." <sup>8</sup> In reality however this is frequently not the case. Many organizations are so locked within their historical cultures that they cannot see reality for what it really is. It is difficult to achieve above average performance when confined by such mental model restraints. In a stable environment this may not be a major problem. However in today's rapidly changing world, this reliance on dated assumptions can easily lead to a terminal illness capable of devastating an organization and destroying many individual careers in the process.

# leadership, people, systems

*"Leadership is like the Abominable Snowman, whose footprints are everywhere but who is nowhere to be seen."*

Warren Bennis & Burt Nanus

## Questions Leaders May Wish To Ask Themselves

Leaders who want to build high performance organizational cultures may wish to begin by asking themselves the following five questions:

- 1. What are the elements of culture that shape the way decisions are made within this organization?**
- 2. Do these still make sense given the current [and anticipated] external environment the organization operates within?**
- 3. Do I have a broad enough perspective? (i.e. Do I need to step back and look at the situation as an outsider would?)**
- 4. Can I claim that personal accountability, strategic thinking, empowerment, agility, alignment, and a bias for action at all levels characterize this organization?**
- 5. How well does this organization support the enablers of a high performance culture (e.g. continuous learning, open communication, experimentation, innovative measurement, and risk-taking)?**

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1 *The HR Scorecard*, by Becker, Huselid and Ulrich, Harvard Business School Press, 2001.

2 Ibid.

3 Ibid.

4 *The Synergy Trap: How Companies Lose the Acquisition Game*, by Mark Sirower, Free Press, New York, 1997.

5 *Organizational Culture and Leadership*, by Edgar H. Schein, Jossey-Bass, 1997.

6 *The Leader's Now Work: Building Learning Organizations*, by Peter Senge, Sloan Management Review, 1990.

7 *Leading Others, Managing Yourself*, by Warren Bennis and Burt Nanus, Leaders: The Strategies for Taking Charge, 1985.

8 *Leading the Revolution (In Conversation with Gary Hamel)*, Ivey Business Journal, July/August, 2001.