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HOW TO BUILD A STRONG AND HEALTHY ORGANIZATIONAL CULTURE

"Zuckerberg's New Leadership Style Sparks Turmoil at Top," screamed a large headline on the front page of a recent edition of the Wall Street Journal, based on the CEO gathering his 50 top execs together and telling them that Facebook Inc. was at war and he planned to lead the company accordingly, "causing unprecedented turmoil atop Facebook . . . and driving several key executives from the company." For many, a comment like this would elicit a "Ho-hum" from any executive hearing it. It may be that the article's author confused leadership style with a crude attempt at culture change.

One of the big things that culture does is to make an organization a more predictable and safer place for its members. What Zuckerberg did was to step all over Facebook's predictability and safety. Zuckerberg told his execs that "during times of peace, executives can move more slowly and ensure that everybody is on board with key decisions." An alternate interpretation of Zuckerberg's awakening to "war" is that he had discovered that it is a whole different game swimming downstream in a fast growth company and swimming upstream in a company challenged by competition, regulation, and public criticism. Organization cultures form an answer to a single question: What does it take to be successful? And when the answer changes, the culture has to change or fail.

HOW TO BUILD A STRONG AND HEALTHY ORGANIZATIONAL CULTURE

"It's the culture" is a common explanation for successful companies such as Apple, Ruth's Chris, and Ritz Carlton. It's an equally common explanation for companies that have plateaued or are in decline such as Whole Foods and JC Penney as well as those that have failed such as Enron and Sears. Our enthusiasm for crediting and blaming culture for the success of a company means one thing for sure: culture matters!

Given its importance, it's a good thing that culture holds no mysteries. It's a thing and, as a thing, it can be understood, measured, nurtured, and changed. All it takes is a solid understanding of the "why", "what", and "how" of culture. Why does a culture form? What is it? How do you build or change a culture? How do you know whether you have the right culture?

These are good things to know, as culture happens. Whether it works, is a whole other question. Whenever two or more people come together to accomplish something, a culture forms. The question is whether it is a culture that furthers ambition or kills it. A leader's choice, then, is not whether there will be a culture, but whether it's one that best supports the enterprise's success. *Supporting the success of an enterprise is the sole purpose of a strong and healthy culture*.

Why Culture?

A long, long time ago our ancestors made a life-saving discovery: they needed others to survive. In order to be successful – we have to join with others to form a group united by a shared interest. This discovery of "we enables me" gave rise to an innate part of human nature: we are driven to belong. We enthusiastically join a group and respect its rules all in the interest of personal success. When our personal success aligns with the group's success, a culture is born – regardless of whether it works.

WHAT IS ORGANIZATIONAL CULTURE?

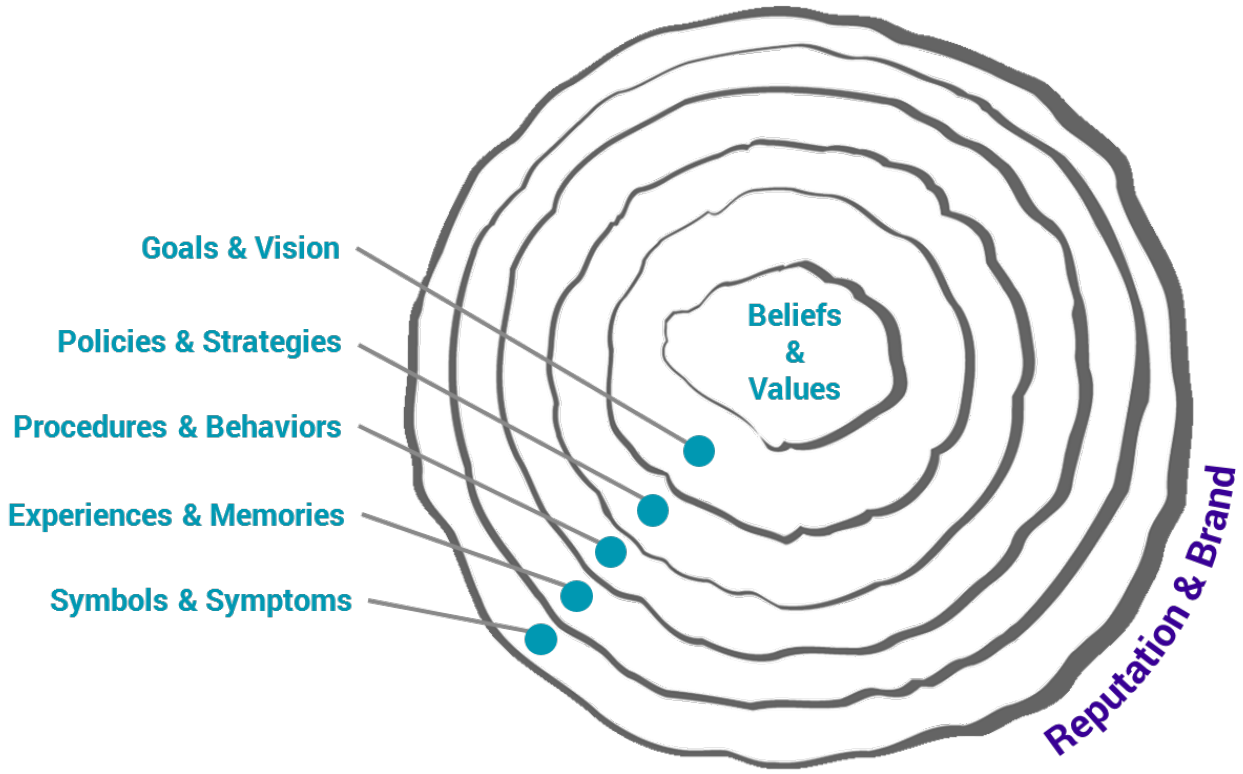
Socrates said something along the lines of "the definition of terms is the beginning of wisdom." Good advice, so let's start the process of building a strong and healthy organizational culture with a clear definition of culture:

Organizational culture is the system of shared values, beliefs, and experiences that shape the thinking and behavior of a group towards success.

Shared is the operational word in this definition as differences in beliefs not only create differences within a culture, they create a different culture. That's what is going on in the example from Facebook. What Zuckerberg believes it will take in order for Facebook to be successful has changed and, therefore, so must Facebook's kumbaya culture.

UNDERSTANDING YOUR CULTURE

Cultures are layers of meaning. While its layers are what make a particular culture so hard to understand, understanding can be gained by methodically peeling back the layers to reveal the underlying values and beliefs. The layers of an onion provide a good metaphor for understanding the key elements of organizational culture, and the importance of purposefully aligning those elements to achieve success. In a strong culture, all of the layers are in alignment, creating a structurally united culture. In a healthy culture, the layers are not only aligned, but directly and intentionally connected to the enterprise's success. Given this important distinction, it follows that a strong culture is not necessarily a healthy one; hence, the failure of Enron and Sears.



THE LAYERS OF CULTURE FROM THE INSIDE-OUT

When you experience a company from the inside-out, what you experience is its culture. This is the perspective of internal stakeholders such as employees and suppliers. In contrast, when you experience a company from the outside in, what you experience is its reputation and brand. This is the perspective of external stakeholders such as customers and community members. While cultures are built from the inside-out, they are more easily understood from the outside-in, at least up to a point.

THE LAYERS OF CULTURE

SYMBOLS AND SYMPTOMS

Symbols and Symptoms are things you can easily see or readily find (in the instance of a public company). Examples of symbols include how employees dress, the company logo (think Nike's swoosh or McDonald's arches) and office appearance (décor, location, and size). For example, we were once meeting with a large international company and heard some employees talking about jobs, using the expression that "That's a fifteen tile job!" When I asked for an explanation, the employees said that the number referred to the number of ceiling tiles in an office: the more tiles, the higher the status of its occupant. Symptoms are important metrics of enterprise success such as share price, sales and profit, as well as employee turnover. This is the most visible layer of a company's culture.

EXPERIENCES AND MEMORIES

The next layer, **Experiences and Memories**, reveal the roots of the company's customer and other stakeholder experiences and the memories created by those experiences. For example, Ruth's Chris Steak House wants its guests to experience four specific things: *Timeless American Steak House Food, A Great American Bar with a Twist, Legendary Service, and Total Guest Indulgence.* The memory that the experience is intended to create is: "Ruth's Chris is the best American steak house – period." To the extent that this memory is *consistently* created, Ruth's Chris will have a strong consumer brand.

THE LAYERS OF CULTURE

PROCEDURES AND BEHAVIORS

Procedures and Behaviors are the tools that support the creation of the intended experiences and memories. This layer includes stakeholder-focused procedures such as employee pay and benefits, hiring procedures, recognition programs, products and product ingredients, customer service programs, and product/service guarantees. Also included in this layer are the employee behaviors that the procedures are designed to promote and reinforce. For example, in the airline industry, safety is the primary focus of many procedures. However, if employees don't follow an important procedure, such as the safety announcement that precedes every flight, safety is compromised. This results not from a bad procedure, but rather a failure to act in accordance with the procedure, which is a behavioral lapse. Very often, cultures are undermined by procedures that don't fit and, therefore, that members will not follow.

POLICIES AND STRATEGIES

Policies and Strategies are the organization's identified imperatives and the policies that support them. In most industries, for example, one of the must-have imperatives is quality control; another is talent management. The purpose of the latter is to hire, develop, and retain employees who will deliver the organization's intended customer experience or product. Examples of policies that dictate a particular talent management strategy is "promotion from within." With this kind of policy as a guideline, the talent management process would focus on hiring practices, employee development, and recognition. This is the layer that connects internal stakeholders (employees) with external stakeholders such as customers.

THE LAYERS OF CULTURE

GOALS AND VISION

Goals and Vision are where the future of the enterprise is imagined and constructed to ensure success. For example, a company might have a vision of being a remarkable place to work and, to ensure that they can achieve this, they establish goals such as industry-low turnover, industry-high employee productivity, a high ranking among *Fortune Magazine's 100 Best Places to Work,* and set an employee goal of being a great place to *work, grow, have fun, and make money."*

BELIEFS AND VALUES

Beliefs and Values are the heart and soul of an organization's culture - the "whys" of a company's actions - and, while impossible to see in any direct sense, they illuminate a company's culture and its ability to create and sustain success. The Facebook example reflects a crisis of beliefs and values. Values and beliefs also explain the differences in stakeholder priorities within different cultures. These differences result from the culture's beliefs about success (e.g., business model), while its values determine how different stakeholders' priorities are treated.

The following sections will focus on the core of your culture – Beliefs and Values – as these lay the foundation for you and your team to develop and align the other layers.

CULTURAL BELIEFS - GETTING ON THE SAME PAGE

Now that you know what culture is, let's look at the five core dimensions of beliefs:

1. What is to be achieved
2. The right way to behave
3. The right way to care for stakeholders
4. The right way to compete
5. The right way to be unique

CULTURAL BELIEFS - GETTING ON THE SAME PAGE

The first step in a culture-building process is for you and your team to get on the same page with respect to these beliefs. In order to tap into these dimensions, leaders should start by asking themselves:

- What does the enterprise want to achieve in terms of results (e.g., real growth in sales and profit) and reputation (e.g., "A remarkable employer")?
- How do enterprise members behave (e.g., teamwork, respect)?
- How does the enterprise see to the well-being of others (e.g., compassion, community involvement)?
- How does the enterprise compete (e.g., customer centricity, ethics)?
- How is the enterprise unique (e.g., hip, fun)?

It is important that leaders clearly agree on the answers to these questions. By further breaking the five dimensions into several goal-oriented sub-dimensions, leaders can take a manageable approach to designing the intended culture. The final exercises will help you get more detailed about these beliefs.

When leaders choose to design an *intentional* culture, rather than letting the culture they have evolve organically, they are taking the first step toward truly integrating vision and strategy with culture, and ensuring that what they need to do to be successful actually becomes "the way we do things around here."

CORE VALUES

Values are articles of human goodness. As such, they represent the standards we hold ourselves to, and a statement of what is most important to us. Our values shape our beliefs about right and wrong. From there we are poised to do good things.

There are six broadly defined core values – wisdom, courage, humanity, justice, temperance, and transcendence – within which individuals and enterprises demonstrate their capacity to do good things on the behalf of others. In this sense, a value is not something you seek (e.g., wealth, thrills, etc.), but something you are (e.g., wise, humane, just, etc.). The musings of Steve Allen get at the difference between claiming values and acting on them in order to do good things:

> If God does exist, it should be clear by now . . . that He is quite content to leave the necessary work of improvement to his human agents. The deity has never yet miraculously introduced into the human drama a hospital, orphanage, convent, church, synagogue, temple, cancer research center, or any other helpful social institution. He leaves that to the more compassionate of His creatures [us]. May [our] tribe increase![1]

CORE VALUES

This is a big responsibility and a huge challenge. To claim to be wise demands wise acts, to claim to be courageous demands courageous acts, to be humane demands humane acts, and so forth. A place where people work is simply another context for applying values. If you look at these requirements closely, you can see some of the seeds of personal and organizational development.

Values and beliefs are two sides of the same coin as our values color or give a tone to our beliefs. Beliefs are articles of faith about how the world works and how to be successful within it. The need for consensus was one of the apparent beliefs at the founding of Facebook, but no longer. Our values shape how these beliefs are acted upon. It's as though the six core values (which we believe are universal) are funneled through our morality (sense of right thing to do) to become a particular code of conduct. It is this code of conduct that defines the nature of your organization's culture and its members.

CULTURE-BUILDING EXERCISES

As you can see from this discussion of organizational culture, there are few mysteries about what it is, how to build one, or how to change one to improve its strength and health. The exercises on the following pages are meant to give you a taste of the kind of thinking and work that goes into the culture building process. While the exercises are not exhaustive of what has to be done in order to build a strong and healthy culture, they will give you a good understanding and starting point for the process.

CULTURE-BUILDING EXERCISES
WHAT WE ACHIEVE

The following exercises are to be completed individually and then discussed by the entire team.

WHAT WE ACHIEVE (Reputation Focus and Results Focus)

1. Define what results your enterprise should achieve in ways that can be measured.

   1a. *How is your definition different than what is currently talked about?*

2. In a few sentences, state what you think the reputation of your enterprise should be.

   2a. *How is it different than its current reputation?*

3. Define how you could measure the reputation you would like your enterprise to earn?

4. What are the tradeoffs between the results you think your enterprise should achieve and the reputation you would like it to earn?

CULTURE-BUILDING EXERCISES

HOW WE BEHAVE

The following exercises are to be completed individually and then discussed by the entire team.

HOW WE BEHAVE (Openness, Status-orientation, Respect, Competence, and Team)

1. Describe the typical behavior of an employee that reflects how you want your company's culture to be.

2. How is it different than what characterizes your current culture?

3. Note one or two changes that would help to close these gaps between your existing and ideal culture.

3a. *How would closing the gaps positively impact your company's results and reputation?*

3b. *Which parts of the "Culture Onion" would have to be changed in order to close the gaps?*

CULTURE-BUILDING EXERCISES

HOW WE CARE

The following exercises are to be completed individually and then discussed by the entire team.

HOW WE CARE (Compassion, Community Involvement, Remarkable Employer, World Class Customer Experience, and Safety)

1. A company's reputation is built on its status with each of its stakeholders (e.g., customers, employees, vendors, community). The sub-dimensions listed with "How We Care" provide examples of how you might care for individual stakeholders. In as few words as possible, how do you want each of your stakeholders to think about the company?

1a. *Are your descriptions the same or different than what each stakeholder group currently thinks about your company?*

1b. *If they are different, which parts of the "Culture Onion" would have to be changed in order to change stakeholder perceptions of the company?*

CULTURE-BUILDING EXERCISES

HOW WE COMPETE

The following exercises are to be completed individually and then discussed by the entire team.

HOW WE COMPETE (Customer Centric, Quality, Ethically Competitive, Staying Fresh, Innovation, Flexibility, Accountability, and Time Horizon)

1. How does your company win against your best competitors?

1a. *Is your company winning now?*

1b. *If not, what has to be done in order to for the company to be a more effective competitor?*

1c. *Which parts of the "Culture Onion" would have to be changed?*

CULTURE-BUILDING EXERCISES

HOW WE ARE UNIQUE

The following exercises are to be completed individually and then discussed by the entire team.

HOW WE ARE UNIQUE (Polished, Hip, and Fun)

1. What makes your company unique or stand out in the market place?

1a. *If your answer is that it is not unique, what needs to be done in order for it to be unique?*

2. Note one or two changes that would help to close these gap between what is and what is needed.

2a. *How would closing the gaps positively impact your enterprise's results and reputation?*

2b. *Which parts of the "Culture Onion" would have to be changed?*

NEXT STEPS

These exercises provided an overview of the importance of culture for enterprise success and a review of how to create and maintain a viable, relevant, and resonant culture. The next step is to meet with your team, share insights, and gain alignment, and then agree on how to move your culture forward.

Need help answering these questions?
The Corvirtus CultureMap™ is designed to do just that.

ABOUT CORVIRTUS

Corvirtus – a best-in-class assessment provider - supports companies globally, from Fortune 500 companies to start-ups, by strengthening their cultures through hiring, developing, and retaining exceptional people.