

cultural re-



**Recognize a corporate culture
that doesn't work – and then
rebuild it.** By Deborah Lane

invention

You can't put your hands on corporate culture, but it's there, an invisible force that can decide a company's success or failure.

"Organizational culture is probably the most important, most powerful force in any corporation. Because culture constitutes the lessons of the past, it provides the template for how to behave in the future. Once a corporation loses sight of its culture, it's only a matter of time before it slams into a brick wall," says Stephen Balzac, president of consulting firm 7 Steps Ahead.

Culture is not some abstract concept, "It is absolutely crucial. When you have complex organizations in which people may be dispersed all over the world, culture is the only glue that holds everything together," says Rita McGrath, associate professor at New York's Columbia Business School. Certainly, there's buzz about corporate culture in the boardroom, the c-suite and all the way to the mailroom. Those companies that get it right have a distinct competitive advantage.

If your culture needs a makeover or even a tweak, there's no time like the present to get the wheels turning.

WHY CULTURE MATTERS

In David Wolfe, Jag Sheth and Raj Sisodia's 2007 book, *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose*, the authors contend that companies focused on culture returned 1,025 percent to their investors over a 10-year period, compared to 122 percent for the S&P 500.

What's more, new research from Deloitte suggests a powerful link between volunteerism and an employee's positive perception of his or her employers. For example, Millennials who frequently participate in their company's volunteer activities are two times more likely to rate their corporate culture as very positive, compared to Millennials who rarely or never volunteer (56 percent versus 28 percent). They are more likely to be proud to work for their company (55 percent versus 36 percent) and more likely to feel loyalty towards it (52 percent versus 33 percent). The research shows that a commitment to sustainability, creating a fun work environment and putting a high priority on corporate responsibility and volunteerism matter a lot to this demographic.

Furthermore, a recent Maritz Poll found that almost three years after the worst economic downturn since the Great Depression, employees' deep distrust of company management lingers. Despite a slight improvement in business conditions, the American workforce remains less engaged with their employers than they were a year ago. Poor communication, a perceived lack of caring, inconsistent behavior and perceptions of favoritism were cited as the biggest reasons for their lack of trust in senior leaders.

"A strong indicator of management mistrust is lack of shared values. Companies must align those overall values as an organization with those individual values of their people. Knowing that you work for a company whose values are similar to yours drives loyalty and strengthens trust," said Rick Garlick, Ph.D., senior director of strategic consulting and implementation, Maritz Hospitality Research Group, in a prepared statement.

Culture has always been important, but in today's world it has taken on new meaning, says Linda Henman of consulting firm Henman Performance in Town & Country, Mo. "People no longer perceive that they must stay in a bad or uncomfortable position just because their father worked there or because they have always worked there. As the economy improves and the music starts, the game of musical chairs will begin anew. The best and brightest will be the first to leave and the hardest to replace," says Henman.

A toxic culture will drive out A players, adds Kathryn Kehoe, managing director, CMF Associates, who leads the firm's organizational design and talent acquisition services in Philadelphia. And in this age where social media rules, you can ill afford to have your company the subject of negative Facebook or Twitter fodder.

SIGNS OF AN UNHEALTHY CULTURE

Simply put, culture is a pattern of shared beliefs that a group has developed over time to address its unique challenges and opportunities. These beliefs have worked well enough to be considered valid and, therefore, important enough to be taught to new members as the correct way to address important issues, says Henman.

The question is, how do you know if your culture needs reworking? There are plenty of red flags, including:

- An increasingly large percentage of voluntary turnover. “Efforts to solicit feedback from the workforce can yield valuable information on how employees perceive the workplace and can identify areas to address,” says Anne Dahlgren, Midwest region talent leader in Deloitte’s Chicago office. “We conduct an annual employee satisfaction survey that provides us with direct input from our workforce on what we’re doing well, areas that need to be evaluated and ideas for improvement.”
- Leaders who don’t practice what they preach. For instance, leaders may continually demand teamwork from direct reports, but never reward these efforts, choosing instead to set up departmental competition that encourages knowledge hoarding and silo thinking.
- The company rumor mill is viewed as a source of credible, reliable information.
- More energy is spent on procedural items than on actually getting the work done. Similarly, who produces the work becomes more important than the quality of the work.
- Employees are exhibiting passive-aggressive behavior, such as agreeing to do things that they never follow up on.
- Employees maintain an emotional affiliation with a former company (as in a merger or acquisition, where the primary identity is with the former organization).
- Staff is risk-averse and unwilling to try new things.
- Staff is focused on pleasing the boss, rather than doing what’s right for the company.

Quite frankly, “If your organization isn’t succeeding at whatever it aims to do, the culture of the organization should be examined. If the kind of people you want to hire aren’t attracted to your organization, or leave soon after they’ve been hired, you might need to do some culture work to keep them around or engaged. If there’s a general sense of frustration or cynicism, or if people who have been around for awhile consistently (and loudly) long for the ‘good old days,’ there might be the need to do some work on your organizational culture,” says Eric Peterson, manager, Diversity & Inclusion with the Society for Human Resource Management in Alexandria, Va.

That said, it’s not really so black and white. “What may be ‘right’ for one organization may be ‘wrong’ for another. It all depends on your mission, and what your organization is set up to do,” says Peterson. For example, McDonald’s has a very strong, almost rigid culture, partly because it’s important that the Big Mac you buy in upstate New York tastes exactly the same as the one you buy in Texas, Minnesota, or Hawaii, says Peterson. “Organizations that depend on constant innovation would not thrive with that kind of culture,” he explains.

WHAT ABOUT THE GENERATION GAP?

Sometimes culture clash comes down to generational differences among colleagues.

“Let’s start with the elephant in the room: the Gen Y myth—the whole concept that Gen Y is somehow less dedicated and less motivated than Gen X or Boomers,” says Balzac. “What is different is that Gen Y doesn’t share the cultural beliefs that you graduate from college, work at one job for 40 years, and retire to enjoy your golden years. While it was a valid cultural belief at one time, it’s no longer valid in the current environment and shows no sign of regaining validity. Younger employees are less deeply immersed in the culture; they’ve had less time to absorb it and to assume its values. Which means they’re more likely to propose ideas and approaches that older employees view as violating cultural values and hence are more likely to reject,” says Balzac.

Since the older employees typically have more authority, younger employees are more likely to be left feeling frustrated. How they cope with that, however, will be strongly influenced by their generational cultural values. A Boomer or X’er might decide that if they stick around and pay their dues, they’ll get a voice in due time; a Gen Y’er is probably more likely to go somewhere else. One solution is not inherently better than another, says Balzac.

What’s more, explains McGrath, “For the Depression-era generation, values such as thrift and reliability were key. For Boomers, it’s ambition, advancement and a work hard/play hard style. For Gen X’ers, it’s individual security and promote-ability. For the Millennials, it’s about feedback, the chance to hone skills and rise quickly, and a tremendous amount of individual autonomy. Put all those different ideas of work in one organization and you can have massive disconnects.”

“Differences between generations can affect the way organizations recruit and build teams, deal with change, motivate and manage people, and boost productivity and service effectiveness,” Dahlgren adds.

A large percentage of Deloitte employees are members of Gen Y, she says. In order to give a voice to this segment of the workforce, Deloitte created a Gen Y Council that creates dialogue around generational issues and serves as a sounding board for major organization-based initiatives.

Another solution, says Peterson, is to manage expectations. “No matter your generational cohort, an employee wants to know exactly what their employer expects of them and what they can expect from it. An organization that has a clear-eyed view of what kind of culture it needs and is blunt about framing that culture for its employees will fare better with a multigenerational workforce than one that is less transparent and trying to be all things to all people.”

HOW TO BE AN INNOVATOR

Innovation is what separates one company from the next. The power of innovation drives profits. But how can you best develop creative, idea-generating, strong teams?

It starts and ends with trust, says Michael Bechara, managing director of the Granite Consulting Group in Brewster, NY. “Being a part of the team means ceding a portion of your autonomy (and credibility) to another. People cannot really function as a team



THE WRONG WAY TO CHANGE CORPORATE CULTURE

Balzac highlights some of the biggest mistakes, including:

- **Striving for perfection.** For example, "We must make the perfect mousetrap, which works until someone comes along with a cat."
- **Seeking to protect.** For example, propagating a sentiment of, "We must not hurt our existing products." "Pity our competitors don't feel that way," says Balzac.
- **Focusing too heavily on identity.** For example, "We're an X not a Y. IBM was a serious business company in the 1980s. They didn't 'do games.' Now they're heavily involved in serious gaming," Balzac points out.
- **Buying into the "Creeping Box" syndrome.** The notion that, "We're so far outside the box no-one can catch us. Just ask Yahoo! Once you move outside the box, the box grows and suddenly you're back in the box."

Culture change isn't a precise, surgical operation. You have to take the time to really understand the values and assumptions that are no longer valid, and then build up a new set of values and assumptions. Most culture change fails because it tries to focus too narrowly on just one thing.

"Corporations go through a lot of pain and spend a lot of money only to experience a fleeting success before the culture reverts back to the way it was," Balzac warns. "When you seek to change only one thing, everything connected to that one thing acts to pull it back to its original form."

unless they trust one another, and no amount of facilitation, meeting or technology will change this," he says.

A culture of "all ideas are good ideas," "ideas come from everywhere/everyone," and "it doesn't have to be perfect the first time round" undoubtedly will fuel innovation. A risk-adverse, top-down culture does not, Kehoe warns.

To encourage organizational innovation, Deloitte has invested \$300 million in Deloitte University, a learning and leadership development facility near Dallas that will open this year. "It is designed to be a place where our people network and build relationships, grow together and develop as leaders. It will be a powerful catalyst for lifelong learning and help to foster our culture of teamwork and our talent's growth both personally and professionally," Dahlgren explains.

Another key cultural factor in the race for innovation: A commitment to employee development. Don't limit people to taking classes in their areas of expertise; rather, encourage them to study whatever interests them. "Innovation comes from putting together apparently disparate pieces of information," says Balzac.

To encourage any behavior, you need to reward it, both tangibly and intangibly, adds Henman. "Leaders often overlook the cheapest and most effective way to reward: simple compliments. Leaders should also reward attempts that fail. Above all, you can't punish mistakes if you want to create a learning, innovative environment," she warns.

Companies focus on individual performance and individual reward. "As a result," says Balzac, "they get a bunch of individuals often competing for a limited pie. While it's important to acknowledge and reward individual contributions, that can't be all that you reward, and it should never be set up in a way that creates competition among team members."

CORPORATE CULTURE & ITS INFLUENCE

Culture is broad, and it is far-reaching. "If the organization just added transgender individuals to its non-discrimination policy, I don't have to be transgender to feel the effect of that policy change. I know that I work for an organization that values people as they are and wants to ensure that employees can be their true selves....And I'll probably be more willing to share (my) idea," says Peterson.

Does the organization practice what it preaches? "The number one intangible involves boss behavior. Most people leave their bosses, not their jobs or their companies. Organizations that model and demand respectful interpersonal behavior from their employees, and punish or replace those who don't exhibit it, take great strides in doing one of the most important things to retain stars. Top performers won't put up with temper tantrums, bad language and fear tactics, and they won't stay in a culture that either allows it or encourages it," says Henman.

It's not enough to talk the talk; from top to bottom, everyone must walk the walk. Say the company professes that it's committed to volunteerism, yet employees who volunteer their time are paid less or promoted less frequently than those who spend all their time at their desks; then volunteerism is devalued and eventually will fade out.

"The behavior that is rewarded will become part of the culture, and the culture will attract those who believe in the values manifested through the behavior," says Balzac. □