

Building a High-Performance Culture

By Richard Barrett, Chairman and Founder, Barrett Values Centre

Cultural capital is the new frontier of competitive advantage. Who you are and what you stand for has become just as important as the quality of the products or services you sell. In the last three years Deloitte, Ernst & Young, and PwC have all issued reports focusing on the importance of organizational culture in driving a company's success.

- According to E&Y, 55% of the FTSE 350 companies have seen a 10% increase in operating profits driven by their investment in culture. Overall 92% of the Board Members of these companies said that a focus on culture had improved their financial performance.ⁱ
- According to Deloitte, culture has become one of the most important business topics of 2016. CEOs and HR leaders now recognize that culture drives people's behaviour, innovation, and customer service: 82% of Deloitte's survey respondents believe that "culture is a potential competitive advantage."ⁱⁱ
- According to PwC, 84% of leaders believe that culture is critical to their organization's success. Sixty percent think culture is more important than their strategy or their operating model.ⁱⁱⁱ

The increased recognition of the importance of corporate culture raises three important questions: What is organizational culture? Why is it important? And, most importantly, how can you make your culture conscious? In other words, how do you measure it?

What is organizational culture?

The culture of an organization is a reflection of the values and beliefs of the current leaders, and the institutional legacy of the values and beliefs of past leaders that have been institutionalized into the organization's structures, policies and procedures. Therefore, if you want to transform your culture you must change your leaders or your leaders must change. You must also review the organization's structure, policies, procedures and incentives to ensure that they fully reflect the values you want your organization to espouse. This step—the realignment of the structure, policies, procedures and incentives—is the one that is most frequently forgotten in cultural transformation initiatives. Forgetting to carry out a structural realignment can significantly undermine a cultural transformation initiative.

Many organizations put a great deal of energy and large amount of resources into personal development programs for their executives without doing anything about structural realignment. This serves only to aggravate the level of discontent and disillusionment in the executive population. When executives return from personal development programs, they usually come back with a higher personal awareness about how to interact with their colleagues. They quickly become disillusioned when they realize that, although they have changed the organizations policies, systems, processes and procedures have not. The new behaviours they have learned are not

only not practised, they are also not rewarded. This is why it is important to re-align the structures, policies, procedures and incentives with the values that are espoused in the cultural transformation process.

In large organizations, the process of structural re-alignment can take up to two years to implement. In smaller organizations, it can be done in less than a year. The responsibility for this lies with the leaders and the human resource function.

Why is culture important?

Culture is the key to commitment, and commitment is the key to employee engagement. Commitment arises when the organization provides employees with opportunities to satisfy their needs and desires. The needs and desires of employees are determined by the stage of psychological development they are at and the needs of the stages of development they have passed through which they have not yet mastered. In other words, employees feel committed when they are able to meet their survival, safety and security needs, and when their work gives them a sense of meaning—when they are able to fully express their creativity, connect with others to make a difference, and make a lasting contribution to the well-being of humanity and the planet.

Commitment is further enhanced when the leaders, managers and supervisors embrace democratic principles—treat employees as equals, listen to what employees have to say, deal with employees fairly, and give employees opportunities and challenges to grow and develop both professionally and personally. In other words, when employees feel that their leaders, managers and supervisors care about them and their families and care about the local community in which they live, they will bring their full selves to work. When you get to the heart of the matter, it is all about trust—leaders trusting their employees, and employees trusting their leaders. Trust engenders responsible freedom and reduces the need for bureaucracy. Trust shows up in organizations when there is a commitment to internal cohesion—a shared purpose and a shared set of values.

How do you make your culture conscious?

Basically, you make your culture conscious by measuring it. This involves carrying out a baseline cultural diagnostic (Cultural Values Assessment), including data cuts for each business unit, department and team, as well as data cuts for demographic categories such as gender and age. The results of the values assessment will allow you to identify the cultural health of the organization and the cultural health of the sub-cultures that exist in different business units, locations, departments and teams. It will also tell you precisely what you need to change to create a high performance organization.

You begin the cultural transformation process by carrying out a Cultural Values Assessment of the organization. At the same time, you should build a scorecard of the organization's current key performance indicators, including output indicators such as productivity, efficiency and quality, outcome indicators such as profit, income and market share, and causal indicators (which you will get from the cultural values assessment) such as the level of Cultural Entropy[®] and the level of values alignment^{iv}. The object of the scorecard is to develop a set of baseline indicators

from which you can measure the progress and impact of your cultural transformation journey from year to year.

One of the best ways to carry out a cultural values assessment is to use the Barrett Values Centre's Cultural Transformation Tools (CTT).^v Because of the worldwide demand for the CTT the survey instruments have been translated into over 50 languages. The uniqueness of the CTT is they make the culture not just visible but measurable. They allow you to map the underlying causal factors that promote or inhibit the performance of an organization. This is because the focus of the CCT is on values—the motivators that reflect our needs. More importantly, the results of the assessments allow you to have new conversations you have never had before: transformation conversations about what is fundamentally important to the success of the organization.

The values data is typically collected online and anonymously. Once the values assessment is online and open, employees are sent the assessment link. They first fill in the demographics which have been customized for the organization and then they are asked to select from a list of 80–90 words or phrases:

- Ten values/behaviours that represent who they are (personal values).
- Ten values/behaviours that represent, from their own experience, how their organization operates (current culture).
- Ten values/behaviours that represent what they believe to be essential for the organization to reach its highest potential (desired culture).

The assessment typically takes 10-15 minutes to complete, and the web site is usually left open for one or two weeks. The values assessment can be added to the front end or back end of other employees' surveys, such as an employee engagement survey. Paper versions of the survey can be made available to people who do not have access to a computer. Additional questions may be added at the end of a survey in the form of free text, yes/no, multiple choice and Likert scale questions.

The Cultural Transformation Tools are based on the Seven Levels of Conscious Model (see Figure 1) which in turn is based on Abraham Maslow's hierarchy of needs. The Seven Levels Model shifts the focus of Maslow's model from needs to consciousness and gives greater definition to the concept of self-realization. The Seven Levels Model can be used to map the values of individuals, leaders, organizations, communities and nations.

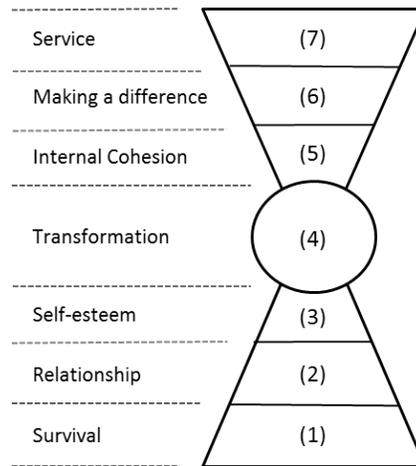


Figure 1: The seven levels of consciousness model

At the core of the CTT values technology is the concept that all values and behaviours are motivated by specific needs, and every need is aligned with one of the Seven Levels of Consciousness. Thus by asking employees what their values are you can find out what levels of consciousness they are operating from. By asking what values employees see in the organization you can identify what levels of consciousness the organization is operating from (current culture), and by asking employees what values they would like to see in the organization you can measure the desired culture.^{vi} The following provides an example of some of the more important outputs of a Cultural Values Assessment. The values that employees are asked to pick from include positive values and potentially limiting values (values that lead to fear-driven outcomes). For example commitment is a positive value and blame is a potentially limiting value.

A typical low cultural health organization, high cultural entropy organization

Figure 2 shows the values data plot of an eighty person organization. Each dot on the diagram represents one of the top ten values. An (L) after a value indicates a potentially limiting value. Positive values are shown as shaded dots and potentially limiting values shown in white dots. You will notice from the distribution of the top ten values that there is a significant misalignment in consciousness between the personal values (a focus at Level 5), the current culture (a focus at Levels 1 and 2) and the desired culture (a focus at Level 4 and Level 2). There are no matching personal and current culture values and only one matching current and desired culture value, accountability. Normally we would expect to see two or three matching personal and current culture values, and five or six matching current and desired culture values.

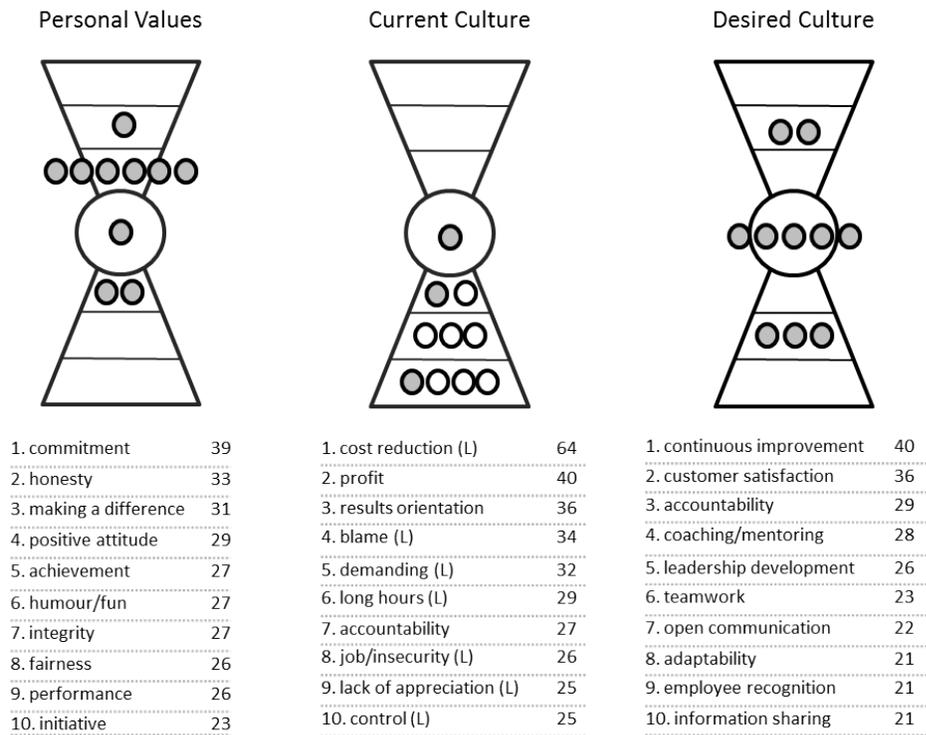


Figure 2: Values plot of a low cultural health, high cultural entropy organization.

What is typical about this data plot, which we frequently find in low cultural health/high cultural entropy organizations, is the desired culture values are concentrated at the transformation level. The values expressed at this level are the remedies to many of the issues (potentially limiting values) at Levels 1, 2 and 3 in the current culture. Due to the difficulties they are having, this company has become internally focused—you will notice that customer satisfaction does not occur in the top ten values of the current culture but is the number two value in the desired culture.

Additionally, there are five positive relationship values in the desired culture (accountability, open communication, coaching/mentoring, teamwork and employee recognition), which act as a counterbalance to the four potentially limiting relationship values in the current culture (blame, demanding, lack of appreciation and control).

Figure 3 shows the values distribution diagram for the personal, current and desired culture of this organization. This is the distribution of all the votes for all values. The level of cultural entropy is calculated by adding up the proportion of votes for potentially limiting values (the cultural health score is the inverse of the cultural entropy score). The level of cultural health is 52 percent and the level of cultural entropy is 48 per cent (in the critical range). The cultural entropy is relatively evenly spread across Level 1 (18 per cent), Level 2 (16 per cent) and Level 3 (14 per cent). What is disturbing about this result is the high level of cultural entropy at Levels 1 and 2 (it is more difficult to reduce entropy at Levels 1 and 2 than at Level 3).

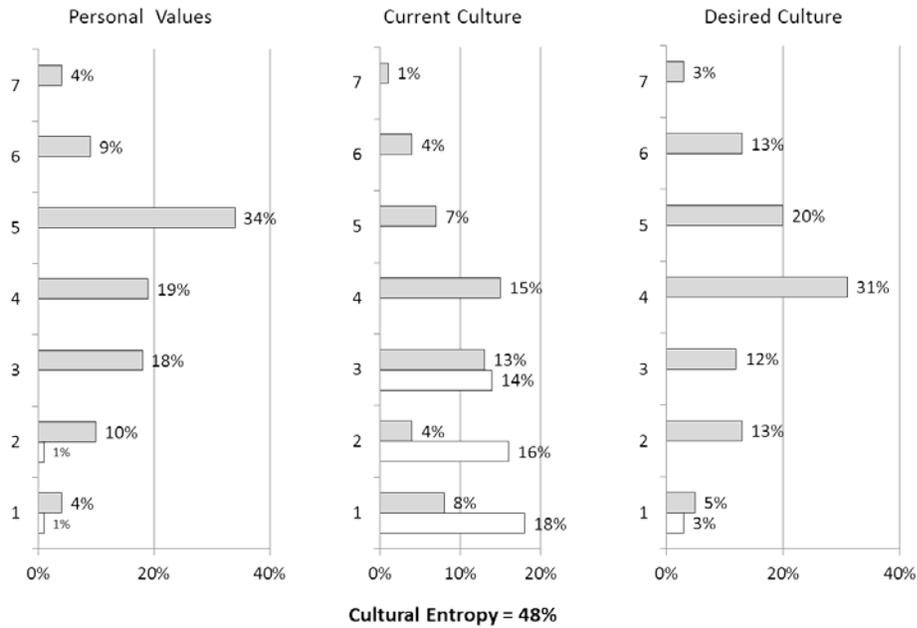


Figure 3: Values distribution diagram

Table 1 shows the top value jumps. A values jump occurs when the number of votes for a value in the current culture increases in the desired culture. You can see from this table that the key issue for this company is the quality of leadership. The top value jumps include coaching and mentoring, employee recognition, open communication, information sharing, leadership development and empowerment.

Table 1: Value jumps table

Values	Current culture votes	Desired culture votes	Value jump
Coaching/mentoring	1	28	27
Customer satisfaction	15	36	21
Employee recognition	0	21	21
Continuous improvement	21	40	19
Open communication	4	22	17
Information sharing	10	21	16
Leadership development	3	26	16
Empowerment			

The way forward for this company

The high level of cultural entropy and the seven potentially limiting values showing up in the top ten current culture values are a clear sign of poor performance: The leaders are letting their fears dictate their behaviours. Blame, demanding, long hours, cost



reduction and control are all signs that the leadership group has lost its way. The organization is focused on profit, but not on customers. Neither is the company taking care of its people—lack of appreciation and job insecurity are potentially limiting values showing up in the current culture.

The desired culture values point the way to improving the quality of leadership: Coaching/mentoring, leadership development, open communication, employee recognition and information sharing are all desired culture values that do not appear in the top ten current culture values and are high-scoring value jumps. These are the values that the leadership team needs to focus on if they want to turn this company around.

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Notes:

ⁱ [http://www.ey.com/Publication/vwLUAssets/ey-culture-and-boards-at-a-glance/\\$FILE/ey-culture-and-boards-at-a-glance.pdf](http://www.ey.com/Publication/vwLUAssets/ey-culture-and-boards-at-a-glance/$FILE/ey-culture-and-boards-at-a-glance.pdf)

ⁱⁱ Global Human Capital Trends 2016. The new organization: Different by design, Deloitte University Press, p. 37.

ⁱⁱⁱ <http://www.strategyand.pwc.com/culture-and-change>

^{iv} Cultural entropy measures the degree of dysfunction in an organization that is generated by the self-serving, fear-based actions of the leaders, managers and supervisors. As cultural entropy increases, the level of trust, internal cohesion and well-being decreases. Cultural entropy is inversely correlated with employee engagement. Low entropy leads to high engagement. High entropy leads to low engagement.

^v For more information on the Cultural Transformation Tools go to www.valuescentre.com

^{vi} For more information on the process of cultural transformation consult: Richard Barrett, *The Values-Driven Organization: Cultural Health and Employee Well-Being as a Pathway to Sustainable Performance* (London: Routledge), 2017.