

Building a Winning Organizational Culture

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In the last three years Deloitte, Ernst & Young (E&Y), 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? How do you measure it? And, most importantly, how can you improve it? This article focuses on the first and last questions: how to define organizational culture, and what you can do to improve it. The answer to the question "How to measure organizational culture" is fully explained on the Barrett Values Centre's website (www.valuescentre.com) and in my book, *The Values-Driven Organization*.^{iv} In this book, first published in English in 2012, and now available in English, French, German, Portuguese and Spanish, I make the following statements:

- Cultural capital is the new frontier of competitive advantage.
- The culture of an organization is a reflection of the values, beliefs and behaviours 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.
- Organizations do not transform. People do.
- Therefore the transformation of an organizational culture begins with the

transformation of the values, beliefs and behaviours of the leaders.

The starting point of every cultural transformation initiative should be to find out what is working and not working in the organization. This involves carrying out a cultural diagnostic (Cultural Values Assessment) for the whole organization, including data cuts for each business unit, department and team, as well as organization-wide demographic categories such as gender and age. The results of the assessment will allow you to identify the Cultural Health of the organization, and the Cultural Health of the sub-cultures in each business unit, location, department and team. Also, because the Barrett Values Centre's Cultural Values Assessment enables you to measure the current culture as well as the desired culture, the results provide you with a roadmap for change.

THE PROCESS OF CULTURAL TRANSFORMATION

The cultural transformation process can be divided into ten steps (see Figure 1). These are described in the following paragraphs. The first five steps apply to organizations that have not been involved in a cultural transformation programme in recent years (see Figure 1 (a)). The last five steps represent the feedback loop that allows organizations to measure and manage their culture on a year-by-year basis (see Figure 1 (b)).

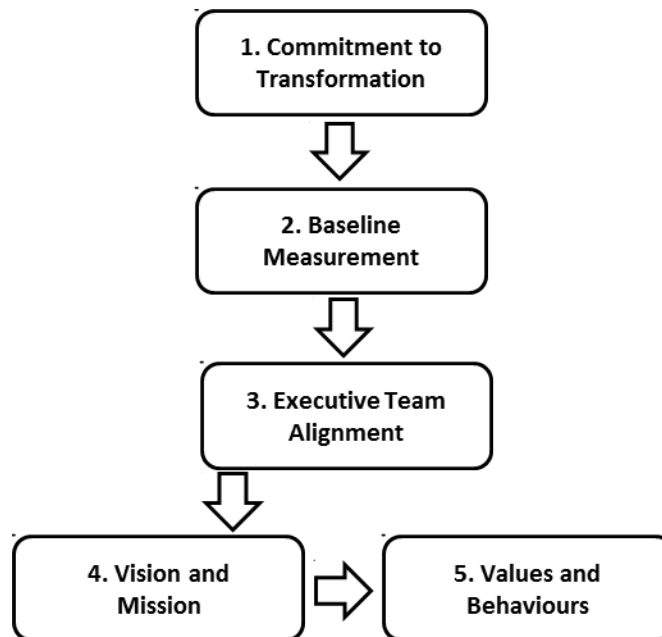


Figure 1 (a): The cultural transformation process—steps 1 to 5.

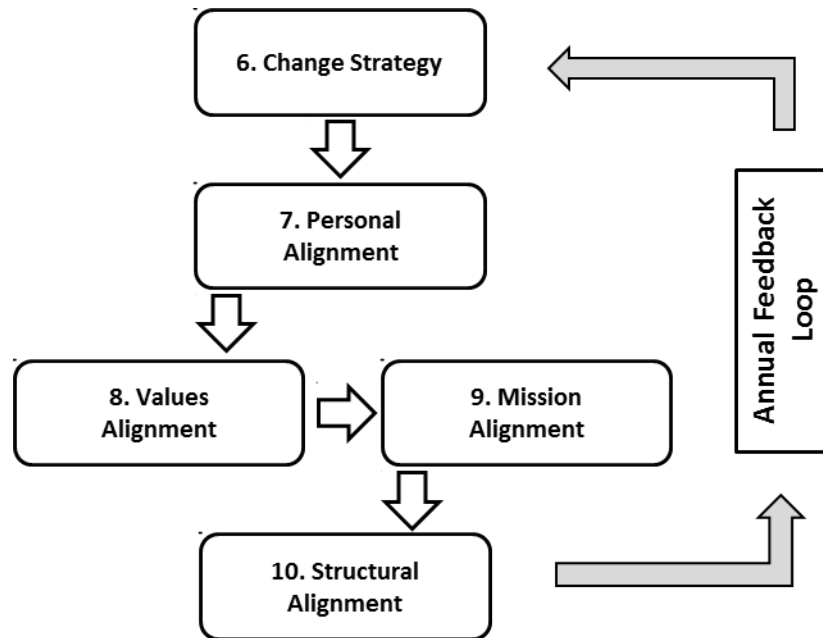


Figure 1 (b): The cultural transformation process—steps 6 to 10.

Step 1: Commitment to transformation

Cultural transformation begins with the personal commitment of the leader and the leadership team to the transformation process—which necessarily includes a commitment to personal change. Without this commitment to cultural and personal change, there is no point in proceeding with a cultural transformation initiative. It is important for the leaders to understand that in making this commitment they may have to focus on their own personal transformation, particularly those who head up units, locations, departments or teams that display low levels of Cultural Health or high levels of Cultural Entropy.^v

To improve the culture of an organization, the leaders must change, or you must change the leaders.

The process of cultural transformation is not something that can be delegated, nor can it be handed off to a team of consultants. Consultants can help facilitate the process, but they should not be in charge of the work. Culture work is something that the organization has to do for itself, and it is always ongoing: culture has to be managed, and the way we manage culture is through values.

At the start of the cultural transformation process, it will be important, if the leader has not already done so, to handpick his or her leadership team. As Jim Collins says in *Good to Great*, getting the right people on the leadership team and sitting in the right seats is extremely important.^{vi}

It is quite usual for there to be one or two naysayers in the leadership team who are not willing to sign up to personal transformation. This is the point where they have to



decide to get on or off the bus. There is no room on the bus for anyone who is not a willing participant and committed to the process. Usually, at this point, those who find the prospect of personal change too challenging, start looking for alternative employment. It is important that the leader be aware that this might happen and is willing to go ahead despite the fact that he or she might lose some of his or her best performers.

Step 2: Baseline measurement

After the leader and leadership team have made a personal commitment to the cultural transformation, then you can proceed by carrying out a Cultural Values Assessment of the organization and, at the same time, build a scorecard of the organization's current performance, including output indicators such as productivity, efficiency and quality, outcome indicators such as profit, income and market share, and causal indicators—the level of Cultural Health and Cultural Entropy and employee engagement.

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. This is also the best moment to do a values clarification exercise. This involves setting up focus groups across the whole organization to help people develop a deeper understanding of the impact and behaviours associated with the top positive and potentially limiting values that show up in the results of the Cultural Values Assessment.

Step 3: Executive team alignment

At this point, it is vitally important for the leadership team to own the results of the Cultural Values Assessment, individually and collectively. It is also important that they have a fundamental agreement on the way forward: On what is working and not working and what they individually and collectively propose to do to move the cultural transformation process forward. Without this alignment and commitment, nothing will change. The culture of an organization is a reflection of leadership consciousness. If there is no internal cohesion in the leadership team there will be no internal cohesion in the organization.

The process of building internal cohesion should begin with leadership team alignment.

The leadership team can be regarded as a cultural fractal of the whole organization. If you don't have internal cohesion in the leadership team, you will not have internal cohesion in the rest of the organization. The only way to build internal cohesion in a leadership team is to create a climate of trust. This requires that the leaders spend quality time together, getting to know each other at more than a superficial level. You will find the Trust Matrix exercise, which is described in *The Values-Driven Organization*, extremely useful in this regard.

There are several different things that can be done to facilitate the alignment of the leadership team. First, you can pull out the leadership team's results from the Cultural Values Assessment. This will tell you the level of Cultural Health and Cultural Entropy the leadership team experience. This could well be different from the level of



Cultural Health and Cultural Entropy at the management and supervisory levels of the organization.

Second, you can pull out each leader's individual values plot and have them share their results with the rest of the team. Early intervention with the Executive Team is critical so that they enter the organisational values discussion with accountability and humility. What we are looking for at this stage of the process is both their individual and collective accountability.

Step 4: Vision and Mission

After you have completed your baseline measurements and agreed on a way forward, the next step is to develop an internal and external vision and mission for the organization. A methodology for doing this, which is known as the Four Why's Process, is described in *The Values-Driven Organization*.

In large and medium-sized organizations setting the vision and mission is the job of the leadership team. This task cannot be delegated. The direct reports of the leadership team (the leadership teams of the members of the leadership team) and a cross-section of the rest of the leadership group should be asked for their comments once the leadership team has sketched out some draft statements.

The vision and mission statements should be short, easily memorable and inspirational. They should reflect a higher purpose. The purpose of the mission and vision statements is to give focus and direction to the organization, so everyone is working towards the same goals. In small organizations, as long as it is manageable, it makes sense to involve as many people as possible in setting the vision and mission. Guidelines for developing mission and vision statements are provided in *The Values-Driven Organization*.

Step 5: Values and behaviours

In addition to developing a vision and mission for the organization, it will also be important to define the values the organization wishes to embrace to guide its decision making. These are known as *espoused values*. *The Values-Driven Organization* provides guidance for choosing espoused values. The purpose of the espoused values is to provide a set of common principles that define how people in the organization should interact with each other and with the outside world.

The results of the Cultural Values Assessment will be useful in this regard since they will highlight the values that are most important to employees in their personal lives and their desired cultural values. To the extent possible, all employees should be involved in this process. The values should be single words or small phrases that are easily memorized and support the vision and mission. Normally, there should be no more than five values: Four is ideal. Preferably, the values should be spread over multiple levels of consciousness with at least one value at levels four and five (see the Seven Levels Model described on the Barrett Values Website and in *The Values-Driven Organization*). Some organizations prefer to choose seven values—one at each of the Seven Levels of Consciousness. Some organizations also like to prioritize their values. This is useful if a particular decision requires adherence to more than



one value. It is important that the values can be easily recalled from memory. The need to prioritize values becomes important when you have more than four values.

Once the espoused values have been chosen, two or three behaviour statements should be developed for each value.

To determine what behaviour statements are appropriate for each value you can use a technique such as appreciative inquiry.^{vii}

The purpose of developing behaviour statements is twofold:

- To give clarity to what each espoused value means in the context of the day-to-day operations of the organization so you can recognize the value in action.
- To provide a way of evaluating executive and employee performance—to measure the degree to which leaders, managers and supervisors as well as other employees are living the values of the organization.

Because behaviours are always contextual, it is not unusual for different behaviours to be used for the same espoused values in different parts (business units) of the organization. The behaviour statements should be short, memorable, one-sentence statements that describe the actions that support the value they represent, and they should be appropriate for the context of the work unit. For example, the value of “trust” on a factory floor may give more focus to competence-based behaviours, whereas “trust” in a sales or accounting department may give more focus to character-based behaviours.

Together, the values and behaviours, and the vision and mission, should define the unique character and personality of the organization, the levels of consciousness it aspires to operate from, and the key features of the brand. The ultimate purpose of defining the vision, mission, values and behaviours of an organization is to create internal cohesion and a capacity for collective action.

Step 6: Change strategy

For any significant change process or cultural realignment, there should be a clear understanding among executives about why the proposed changes are being undertaken. Whether you are involved in a one-off change project or cultural transformation exercise, the results of the Cultural Values Assessment will direct you to the causal shifts that are needed to improve your outputs and outcomes. The changes that are proposed should be clearly communicated to everyone along with the benefits the proposed changes are expected to bring. Since the changes proposed will be alignment with the desired culture that employees have indicated then there should be very few problems in getting the employees to accept these changes.

The Cultural Values Assessment gives employees a voice.

It provides a way for employees to communicate directly with the leaders of the organization about what they believe is working and not working, what is important to

them and the needs they have that are not being met.

Organizations that use the Cultural Values Assessment on a regular basis, *and act on the results*, have found that the number of employees taking the survey each year increases as employees realize that the leaders of the organization are not only taking note of what they are saying, they are also taking actions that address their needs. When this happens, the year-on-year results of the Cultural Values Assessment will normally show a drop in Cultural Entropy—an increase in Cultural Health.

Step 7: Personal alignment

Personal alignment should begin with the leadership team and the senior executives in the organization. When the leaders transform—achieve a higher level of personal mastery or adopt a higher set of values—their behaviours change, and as their behaviours change, the culture changes.

To this end, it is important for all members of the leadership team and the extended leadership group to get feedback from their colleagues on the extent to which their behaviours support or detract from the desired organizational culture. One way of doing this is for all members of the leadership team and the extended leadership group to carry out one of the Barrett Values Centre's Leadership Values Assessment tools. The feedback from this assessment should include a coaching session to support each leader in lowering his or her level of personal entropy and shifting his or her focus to a higher level of consciousness—helping them to make progress with their personal development. This will involve developing their empathy and compassion skills and tapping into their intuition and inspiration. After the leadership team has embarked on the process of personal alignment, the direct reports of the leadership team should follow suit. Eventually, everyone in the organization who is a leader, manager or supervisor should participate in some form of feedback process that enables them to grow and develop and improve their performance.

Step 8: Structural alignment

The purpose of the structural alignment is to reconfigure the structures, policies, procedures and incentives of the organization, so they fully reflect the espoused values *and* the vision and mission of the organization.

For transformation to happen, the espoused values must become pervasive at the institutional level.

In large-scale organizations, the process of structural alignment can take up to two-to-three years to implement. In smaller organizations, it can be done in less than a year. The responsibility for this usually falls to the human resource function. This process is explained in *The Values-Driven Organization*.

Step 9: Values alignment

For the espoused values of the organization to be lived, everyone in the organization needs to know what the values are, and how the values relate to the role they are performing in the organization. This is usually communicated through a values

alignment workshop.

As already stated, different behaviours may be associated with the same value depending on the functions that a particular unit, department or team performs. It is useful, as part of the values alignment process, for employees to define the behaviours of their unit during the values alignment workshop. Once employees in a particular unit have agreed on a set of behaviours, they should individually and collectively commit to them, and be accountable for supporting each other in living the agreed behaviours.

The purpose of values alignment is to inculcate the espoused values and behaviours into the executive and employee population. Apart from the informational content, the values alignment workshops should give participants an opportunity to explore their own most important values and practice the concept of values-based decision making. The Personal Values Assessment (PVA), which can be found at www.valuescentre.com/pva, can be used as part of the personal values clarification process.

Step 10: Mission alignment

Just as everyone in the organization needs to be aware of and aligned with the espoused values and behaviours of the organization, they also need to be aware of and aligned with the vision and mission. This is usually communicated through a mission alignment workshop. Apart from the informational content, the mission alignment workshop should give employees the opportunity to explore their own sense of purpose or mission to see if the role they are currently performing matches their skills and talents, and aligns with their passion. The workshop should also enable employees to get a clear line of sight between the work they do each day and the mission or vision of the organization. Every employee needs to know how the contribution they make on a daily basis makes a difference to the success of the organization. Part II of this book is devoted to the topic of values alignment and mission alignment.

FREQUENT MISTAKES

The four most frequent mistakes made in culture transformation programmes are as follows:

Forgetting to do structural alignment

This step—the realignment of the structural incentives—is the one that is most frequently forgotten in cultural transformation initiatives. Many organizations put a great deal of energy and resources into personal alignment or personal development programmes for their executives without doing anything about structural re-alignment. This serves only to aggravate the level of discontent and disillusionment in the executive and employee population. When executives and employees return from personal development and personal mastery programmes, they usually come back with a higher personal awareness about how they should be interacting 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.

Unique focus on team building

Another frequent mistake that companies make is to invest in team building without first focusing on personal alignment. This significantly limits their potential for success: without self-knowledge and personal mastery, the impact of a team-building exercise may not last. For maximum impact, personal alignment (learning to lead yourself) should precede team building. This particularly applies to the top team where very often most of the dysfunction lies. Learning to lead yourself is a fundamental prerequisite to leading others.⁷

Failure to customize the transformation process

Change agents and consultants frequently make the mistake of using off-the-shelf personal alignment or team-building programmes that have not been tailored to the specific needs of the organization, unit, department or team they are working with. When you carry out a Cultural Values Assessment of a team you immediately know, when you get the results, what issues need to be tackled and what topics your personal alignment and team-building programmes should address. Also, I would suggest that you use the Trust Matrix exercise described in *The Values-Driven Organization*.

Failure to build internal capacity for values/culture management

Cultural transformation is an inside job, and it is an ongoing process: It needs to be managed and facilitated by people who are trained. It cannot be handed off to consultants, but it can be guided by experienced individuals who can transfer their knowledge and skills to the people in the organization who are charged with values/culture management. In large organizations, it is particularly important to train people throughout the organization in the use of the Seven Levels of Consciousness™ Model and the Cultural Transformation Tools®. These people, once trained, become the organization's cultural ambassadors and culture navigators also known as change leaders or culture leads.

CONCLUSIONS

To build a high-performing, values-driven organization that engenders high levels of Cultural Health, employee engagement and well-being and low levels of Cultural Entropy, you will need to develop a cultural transformation process that targets both the personal alignment of the leaders and the structural alignment of the organization.

This work should not be approached as a project: It should be regarded as an ongoing process of values management that becomes deeply engrained into the measurement ethos of the organization. Using the Barrett Values Centre's Cultural Values Assessment and the Leadership Values Assessment tools, on an annual basis, will enable you to monitor the level of Cultural Health and Cultural Entropy of the organization as well as the level of personal entropy of the leaders, managers and supervisors.

Carrying out an annual Cultural Values Assessment allows you to determine the needs of your employees, and monitor the extent to which they feel aligned with the culture



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of the organization (values alignment), and the extent they feel the organization is on the right track (mission alignment). Together with the level of Cultural Health and Cultural Entropy, these indicators will enable you to assess the level of employee engagement.

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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} Richard Barrett, *The Values-Driven Organization: Unleashing Human Potential for Performance and Profit* (London: Routledge), 2012.

^v Cultural Entropy is a measure of the degree of dysfunction in an organization due to fear-based behaviours.

^{vi} Jim Collins, *Good to Great* (New York: HarperCollins), 2001.

^{vii} Appreciative Inquiry (AI) is a process or philosophy for involving individuals in a dialogue that focuses on renewal and change. See *The New Leadership Paradigm*, pp. 456–457.