Getting Real About Creating a High-Performance Culture

October 2013

Consulting
Performance, Reward and Talent

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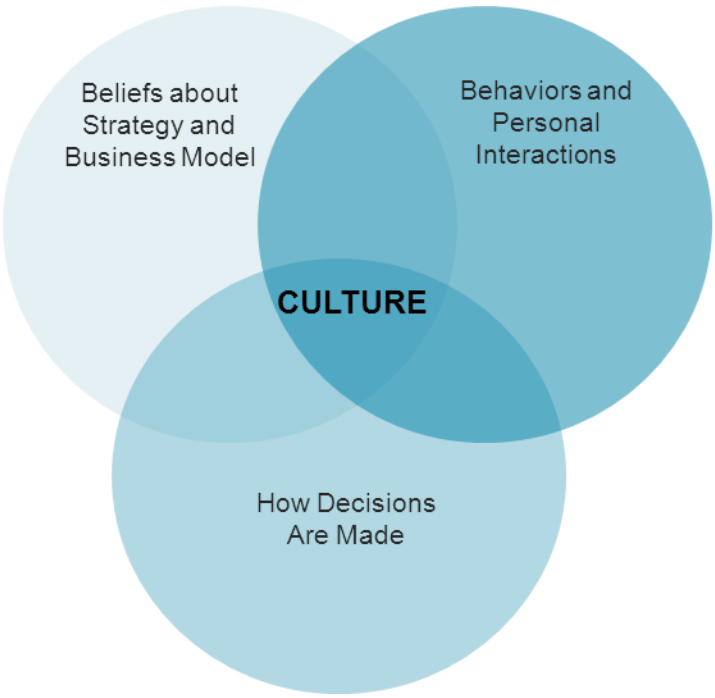
Following the Great Recession, many organizational cultures have suffered as leaders focused on cost-cutting measures, assumed low employee engagement was a natural reaction or simply were in survival mode. Now, as organizations strive to grow, leaders are struggling to build high-performance cultures. This paper will draw upon input from leaders[1] and research from a random sample of employees[2] to shed light on culture challenges and solutions. In order to create a high-performance culture, leaders must start with useful definitions of culture, define a culture that uniquely connects with value creation, and—most important—set a practical plan in motion to create and sustain the culture needed for organizational success.

Really…What Is Culture?

Organizational culture is often defined as a set of shared assumptions about how to think, feel and act.[3] Pragmatically speaking, culture is the way work gets done. The culture of any organization is a function of the people within and the behaviors in which they engage. When people are asked to describe their organization's culture, they do so with traits. These traits shown in the graphic below fall into three interrelated themes that include:

- Beliefs about the strategy and business model (e.g., innovative, customer-focused, cost-focused)
- Behaviors and personal interactions (e.g., collaborative, candid, political)
- How decisions are made (e.g., consensus-driven, analytical, bureaucratic)



[1] Human Capital Institute Webcast: Building a High-Performing Culture; Aon Hewitt (2011). Webcast attendee panel (n=124 HR and business executives).
[2] Aon Hewitt's Employee Research Database.
[3] Schein, E.H. (1985–2005) *Organizational Culture and Leadership*, 3rd Ed., Jossey-Bass.

Real Trouble: The Emergence of Dysfunctional Cultures

Two-thirds of companies say that their cultures do not align with business objectives. This is the core definition of a “dysfunctional” culture. The most frequent traits employees use to describe a failing corporate culture are short-term oriented, indecisive, reactive, secretive and task-oriented. Dysfunctional cultures do not happen overnight, and are therefore often hard to detect. In many cases, they emerge when the business strategy is not fully articulated down to the behaviors required for success. When employees hear high-level business imperatives, the immediate question that follows is, “How will we do that?” Without clear answers, employees fill in the white space with behaviors they are comfortable with, or worse, behaviors that are motivated by fear of uncertainty. Dysfunctional cultures also occur when business priorities shift but the current culture does not—for example, a company shifts to focusing on growth in new markets, but retains a long-term customer relationship culture that does not support the “hunter” mentality required to find and grow customers in new markets.

Additionally, culture dysfunction frequently arises in merger and acquisition situations. However, the problem is compounded by bringing together two organizations with differences in business models, cultures and people. For example, Company A acquires Company B, with the goal of assimilating Company B. Company B assumes its business model is still valid—and potentially the reason for the acquisition—and continues to drive its current model and supporting culture. But Company B’s culture is no longer valid, and therefore becomes dysfunctional under Company A’s business model assumptions.

The impact of a dysfunctional culture can damage employee engagement, which is commonly viewed as a leading indicator of growth and business performance. The engagement-culture relationship can create virtuous or vicious cycles. Low engagement and high turnover are common in companies with misaligned cultures: 71% of employees are either passive or actively disengaged, and 75% of employees are likely to leave, in companies with misaligned cultures. Conversely, 44% more employees are engaged, and twice as many employees will stay, in companies where culture is aligned with strategy.

High-Performance Cultures Drive Real Value

The framework on the following page shows culture as part of a larger organizational value chain. High-performance cultures are marked by business assumptions, decision-making and personal interactions that align with operational and customer value creation. The shared behaviors in these organizations enable value creation and business performance.

The Organizational Alignment Framework

There is no one definition of a high-performance culture. It depends on your strategic priorities. For example, consider a culture that is *process-driven* and *risk-averse*. These may sound like undesirable culture traits, but in organizations like an airline or the military where safety is a priority, these culture traits drive organizational value. Similarly, *innovative* generally sounds like a positive culture trait, but consider some of the "innovative" financial practices and value destruction behind the recent financial meltdown.

According to Aon Hewitt's research, high-performance cultures have some traits in common, regardless of the organization's strategy or business model. They are often described as *decisive, long-term oriented, proactive, open and transparent, and people-oriented*. Although many of the traits of high-performance cultures remain the same regardless of the organization's strategic priority, the relative importance of these traits changes depending on whether the primary focus is *innovation*, *customer service*, *quality* or *cost leadership*. Further, companies that excel at certain strategies are marked by some unique culture traits. For example, high-performing innovative companies are described as *risk-tolerant* and *growth-oriented* in addition to common traits like *decisiveness*. By contrast, high-performing cost leadership companies are most differentiated by being *enterprise-focused, collaborative* and *results-oriented* in addition to other common traits. It is the profile created by the collective traits that defines these high-performance cultures.

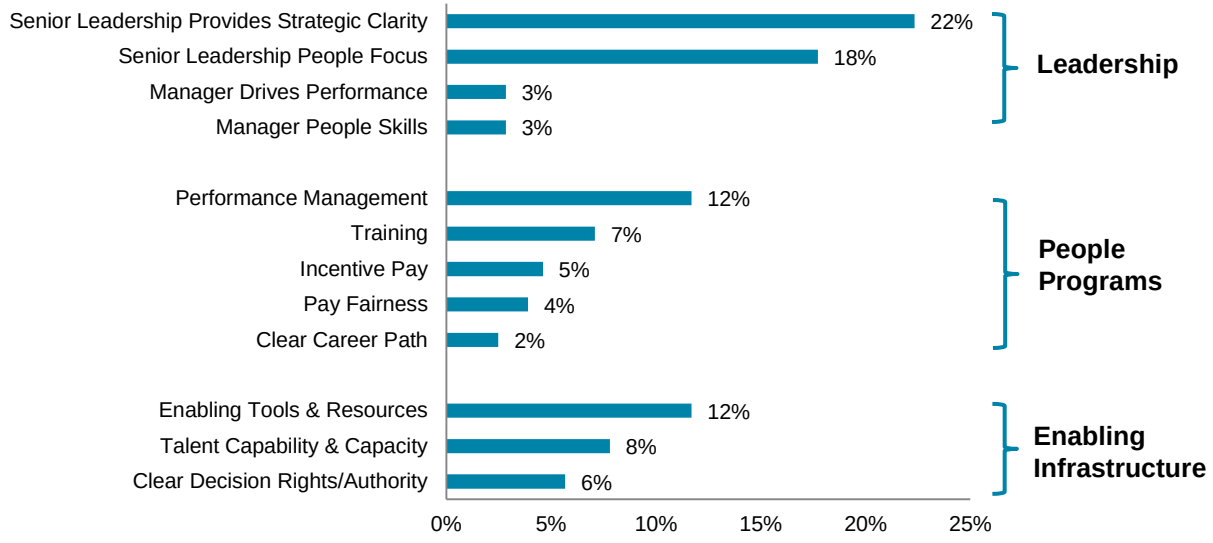
Rank Order of Difference from Average Company Profile	All High-Performing Companies	Primary Strategy within High-Performing Companies			
		Innovation	Customer Service	Quality	Cost Leadership
1	Decisive	Decisive	Decisive	Proactive	Enterprise-focused
2	Long-term oriented	Risk-tolerant	Open/transparent	Long-term oriented	Long-term oriented
3	Proactive	Long-term oriented	Long-term oriented	People-oriented	Collaborative
4	Open/ transparent	Proactive	Proactive	Open/transparent	Results-oriented
5	People-Oriented	Growth-focused	Action-oriented	Decisive	Decisive

Darker boxes indicate strategies that are not in the top 5 of all high-performing companies.

What Really Impacts Creation of a High-Performance Culture

If you want to change your organization's culture, you have to change the behaviors of the people in your organization. Changing people's behavior cannot be done through one-time training, special incentives or any other silver bullet strategy. It requires a holistic approach. The employee data below shows that the areas that matter most to creating a high-performance culture are: 1) leadership, 2) people programs and 3) enabling infrastructure.

Relative Impacts on Creating a High-Performance Culture



Leadership: Senior leaders have the greatest relative impact on creating a high-performance culture. As a prerequisite to identifying value-creating behaviors, leaders must clarify the strategic direction. Employees must trust that leaders are taking the organization in the right direction. Second is senior leadership's focus on people, which is seen in caring for employees' well-being, and being visible and accessible. Managers play a role too, but to a much lesser extent. This finding is not surprising, as leaders have significant impact on all three of the culture trait areas (strategy, decisions and personal interactions). In addition, they ultimately have the power to design, keep or change the rest of the culture drivers. One high-performing company we work with created a leadership competency model based on articulated culture traits. This became the source for leadership assessment and coaching plans that were rolled out across the organization.

People Programs: Within all of the people programs, performance management has the greatest impact on creating a high-performance culture. This seems intuitive since this is where expected competencies and behaviors are typically articulated for employees. Performance management also ties competencies to training, incentives and career advancement. It is next to impossible to create a high-performance culture without adequately articulating behavior and performance expectations. Organizations need to ensure that required culture traits inform competency models, tie these competencies and performance expectations into performance management and reward, and develop people appropriately based on performance assessments. Unfortunately, we know most organizations struggle with performance management, incentive design and talent development. High-performance organizations effectively differentiate rewards for top performers. In doing so, they reinforce the behaviors needed to build and sustain the required culture.

Enabling Infrastructure: This area broadly describes the processes, policies, structure and technology that enable people to do what is expected of them. The highest-impact item in this area is ensuring that employees have the tools and resources to do what needs to be done. This sounds obvious, but we continue to hear from many employees about process and technology barriers to performance. As noted earlier, culture is a function of the people within an organization and the behaviors in which they engage. Without a sufficient number of the right people doing the right things, organizations face a math equation that will never produce high performance. This makes talent processes a key focus—the capability and capacity of people in an organization is what perpetuates, or can change, a culture.

Get Real: Taking Action

Taken together, the ingredients necessary to building a high-performance culture can feel overwhelming. Changing a culture requires organizations to get very pragmatic. Where to start? First, make it relevant by defining the cultural traits required by the strategy and business model. Answer the question, "What do we have to be really good at to deliver our value proposition to our customers?" Second, make it practical. Translate required culture traits into competencies and behaviors for different roles. For example, if a desired cultural trait is "decisive," define what that means for procurement, R&D, customer service, etc. Finally, make it stick. Using the cultural levers we identified—leadership, people programs and enabling infrastructure—create the system that reinforces the behaviors you need. Then you can attract, retain and promote the right people who engage in the right behaviors that make high-performance culture real.

Make it business-relevant | Make it practical | Make it stick

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