Culture eats strategy for breakfast

Geoff Dodds discusses the importance of culture to professional services brands, how to measure it and what to do about it.

This article originally appeared in *professional marketing* magazine. For further details go to www.pmforumglobal.com

"Culture eats strategy for breakfast". So said Peter Drucker some years ago. Peters and Waterman said much the same in *In search of excellence*: "Every excellent company we studied is clear on what it stands for and takes the process of value shaping seriously. In fact, we wonder whether it is possible to be an excellent company without clarity on values and without having the right sort of values"

Herb Kelleher of Southwest Airlines said it too: "Given enough time and money, your competitors can duplicate almost everything you've got working for you. They can hire away some of your best people. They can reverse-engineer your processes. The only thing they can't duplicate is your culture."

What is surprising then is that, in spite of this sage advice dispensed by respected gurus some time ago, there is still only a handful of firms properly putting it into practice.

The case for culture

In the business of professional services, what we do can be copied. What we are like, what we believe and what we stand for cannot.

Sad to say, rather like the NHS – where mental health plays Cinderella to physical health – in branding, much of our time and effort is spent on the physical aspects: products, services, environment, visual identity, communications. There is much less focus on the mental, emotional and cultural aspects:

- Beliefs and core purpose
- Goals, aims, aspirations
- Values, priorities, behaviours
- Feelings, emotions, motivations
- Attitude, commitment, engagement

In mergers, takeovers and team acquisitions, the focus of due diligence is almost universally on the numbers and the skills being acquired. Rarely is there much, if any, robust measurement of the cultures involved.

Why is this? If we were planning to live with someone, we would be more interested in their character and personality than we would be in what they do for a living, how clever they are or what they do in their spare time.

Yet when it comes to organisational culture, it tends to be viewed as one of the 'soft' issues and is given a lower priority. It's also harder to pin down than some of the apparently more 'tangible' aspects of a business.

Some of us are old enough to have gone through the 'merger of equals' that brought together Price Waterhouse and Coopers & Lybrand. The assumption at was that, as two of the Big Six, they would be pretty similar and therefore compatible. The focus was on scale and services.

> ***Given enough time and money, your competitors can duplicate almost everything you've got working for you… The only thing they can't is your culture.***

It was only later that people realised how different were the two cultures, memorably labeled as the 'Romans' and the 'Goths'. Much discomfort and infighting ensued before this was fully appreciated and actions were taken to integrate the two sides more effectively.

Many mergers and acquisitions are known to destroy value precisely because of such clashing cultures.

A soft issue?

So is culture a soft issue? Well, the evidence would suggest the contrary.

Richard Barrett, in his book, *The Values –Driven Organisation*, presents research he has done into comparing the long-term performance of the Top 40 US Companies to Work For against the S&P 500 average.

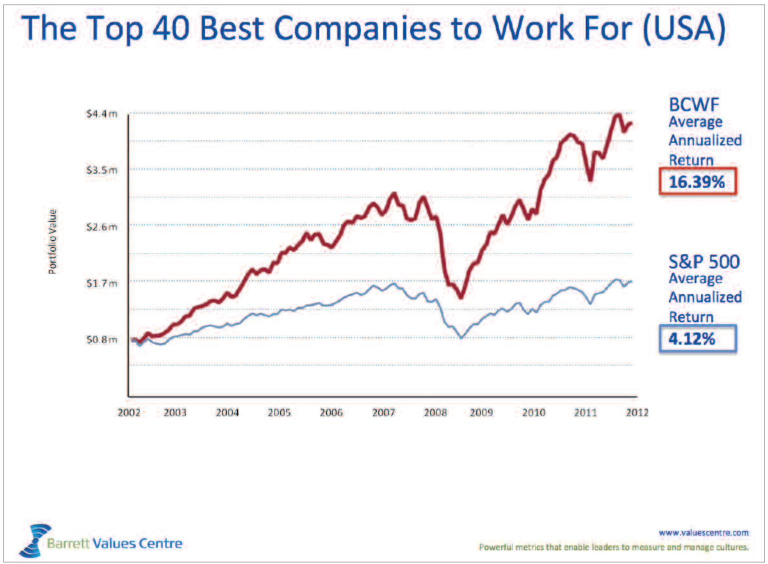
Barrett has also tracked the performance of Raj Sisodia's 18 Firms of Endearment against the S&P 500 average (see the charts overleaf). This research strongly supports the notion that those firms who pay most attention to their people and culture reap dividends in terms of hard commercial performance.

So perhaps culture is not so soft after all.

Pinning it down

But it is still quite hard to pin down isn't it? Well no actually. Culture can be measured. And like anything you want to manage and improve, it should be measured.

I've written before about how to do this, so I will simply repeat here that there are many tools available for measuring culture. One such is CTT (Cultural Transformation Tools), from the Barrett Values Centre. I have used this exten-



sively with my clients, mostly as part of their branding programmes and without exception it has provided insight and value.

CTT measures employees' personal values, the actual current values of the organisation and employees' views on the values required to create a high performing organisation in the future.

Once you have such a fix on the culture, you can begin to work on it in three ways.

1 Values alignment

The first and most obvious question arising from the data is the degree to which the values of the existing culture match the values of the people working within it. In other words, to what extent can people bring themselves fully to work?

In many organisations, I have found that there is a significant gap between employees' personal values and the values they experience when they walk through the office doors. There is often a sense in which people feel that they move into a different kind of world at work, one in which they are expected to behave in a different, less natural way.

Clearly there is a direct link between values alignment and staff engagement. People who are aligned to the culture in which they work are more emotionally engaged with the organisation.

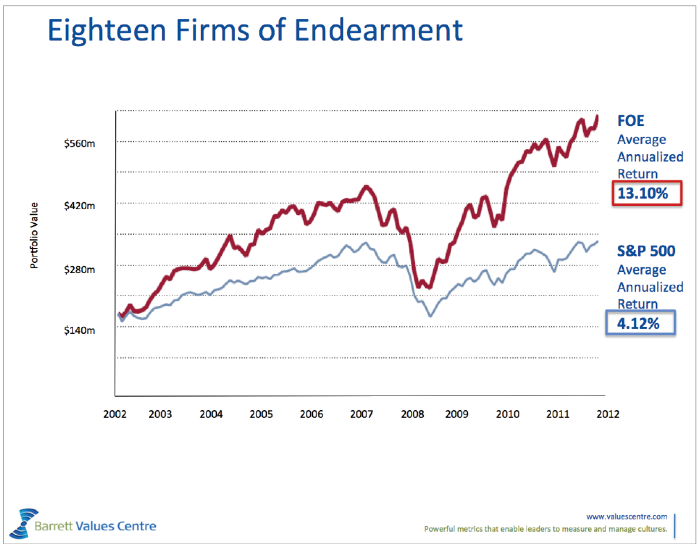
If people are not aligned to the culture, they will inevitably be less engaged and there is little chance of them delivering a positive or cohesive brand experience, internally or externally.

Once you have identified from the data the gaps between personal values and current culture values, you can begin to work with leaders and employees on action to address them.

Values alignment is nicely captured by this quote: "For 20 years you have paid for the work of my hands. If you had asked, you could have had my mind and heart for free".

2 Mission alignment

If Values Alignment is the emotional part of engagement, Mission Alignment is the intellectual component. Mission Alignment is about the match between where the culture stands today and where it needs to be in the future.



In other words, as an employee, am I experiencing today the kinds of values that I believe are necessary for this to be a high performing organisation in the future?

Many so called Values Programmes select core values based purely on the qualitative judgments of leadership. Far more powerful is to make that selection based on tangible data as to both current and desired culture.

3 Cultural entropy

The third element, Cultural Entropy, is a measure of the negative values present in an organisational culture, such as hierarchy, bureaucracy, control, etc. In other words, entropy is the proportion of votes cast, in a values survey, for negative values.

A healthy organisation should have a cultural entropy level below 10%. Many of the organisations I have worked with have entropy levels above 20% and in some cases as high as 40%.

A question I have sometimes been forced to ask is "If this were an airline, what would you do now?" The answer, "Shut it down".

Cutural entropy, of course, has a direct impact on staff engagement. Other research by Towers Watson shows that only 27% of employees in the UK are 'highly engaged'. This suggests that my experiences of cultural entropy levels are perhaps not atypical.

Once you have the data to identify the sources of entropy, you can begin to take action to reduce it.

To sum up…

Culture is the core component of a professional services brand. Above anything else in the business, it has the power to differentiate, without risk of imitation. A brand based on culture is authentic – what you are inside is what you are outside.

Organisations who attend to their culture are more commercially successful. Culture can and should be measured.

And finally, in the words of Luke Johnson: "No matter how far reaching a leader's vision or how brilliant the strategy, neither will be realised if it is not supported by an organisation's culture."

With thanks to Raj Sisodia and more especially to Richard Barrett, author of *The Values Driven Organisation*, from whom I have learnt pretty much everything I know about culture.

Geoff Dodds is a brand consultant and coach, specialising in helping service organisations compete more effectively. Contact Geoff@geoffdodds.com or visit www.geoffdodds.com