The Strategy-Culture Gap: Or How to Get the Culture You Need to Win

by Donald Tosti

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Introduction

Margaret Mead defined culture as "the way a group of people prefer to behave." Others have defined it as "the way we do things around here." This behavioral view of culture, defines it in terms of a set of practices that are common to some group. That definition works for any culture, including company cultures. The trick for organizational leaders is to find ways to ensure that the way people in the organization "prefer to behave" is compatible with what is needed to successfully deliver the business.

The historical business landscape is littered with groups and businesses that did not have the "right" culture to survive over time. They were unable to change as their environment changed. The practices that make up an organizational culture include such things as how people within the organization relate to each other, how they relate to outsiders (for example customers, vendors, allied organizations, etc.), how people relate to those at different levels in the hierarchy, and what people think is important about what they do.

We often use value labels to organize sets of these practices into coherent groupings such as "trust," "openness" or "respect." While the labels are important and useful for communication and understanding, it is the practices that really matter. What makes the difference for an organization is what people *do*, not what they say they do or what they say they believe to be important. While organizations are becoming more knowledgeable about the significance of their cultures, there still seem to be those who feel that culture can somehow be changed simply by declaring a set of values. While that may be a useful start, it usually does little to change how people actually behave.

Organizational Values: As is—As needed

"As is" practices –this reflects the culture that has "built up" over the years that the company has existed. It is probably based on how the original founders behaved modified over the years by the organization's need to adapt- We usually refer to these practices and values as the ***Present Values***

"As needed" practices—these are the cultural values and practices the organization needs to exhibit in order to support the strategy and mission of the organization today. We refer to these as *Operational Values* since they are what is necessary to get results and accomplish the mission. Operational values should be seen in the day to day practices that support the delivery of the strategy. They are generally stated in fairly specific terms, and are focused on organizational results.

The Strategy-Cultural "GAP"

I sometimes work with senior management teams on establishing their priorities and generating new strategies. I often end these sessions with a question "On a scale from one to ten to what extent do you believe

we have a culture that can support this new strategy?"

Answers usually range from three to seven. Then I ask "If it is really this low how you expect to successfully implement the strategy?

This points out the existence to a greater or lesser extent in virtually every company of a Strategy—Culture gap. That gap can be defined as the difference between present practices and the operational practices necessary for results.

Managers may if pressed acknowledge the strategy – culture gap but seem helpless in knowing what to do to close it. Too often management avoids any direct responsibility for dealing with this important issue by delegating it to the HR department which lacks the operational power to make the change happen.

Some companies try to deal with cultural issues by developing a set of *aspirational* values. The process often takes place at a retreat where the managers contemplate their vision and core beliefs. The resulting values are then declared and presented to the rest of the organization. People are encouraged to follow them and managers are supposed to use these values as broad guidelines for their actions and decisions. Such aspirational values may not truly be "company wide cultural values" since they may not all be demonstrated by all the people in the organization. For example a value of "we will develop our people" can be an important and high priority value for a manager but the janitor would probably be hard pressed to demonstrate it in his or her daily work life.

Operational Values

Operational values are derived quite differently from aspirational ones. They are based on a careful analysis of what is required to be a successful organization in terms of results. They must be clearly linked to the "bottom line" and all other indicators of success like customer satisfaction and loyalty. They can easily be positioned as "company culture values" since they are anchored in behavioral practices that can be demonstrated in some form by all employees in their interactions with each other, with customers and in the priorities they establish.

Current attempts at dealing with Values

Today in many organizations aspirational values are increasingly being considered and formulized. Unfortunately at the same time most organizations ignore the operational values which focuses on results leaving them to what ever has evolved over time. They seldom even identify and even less frequently actively work to bring their "organizational culture" into line with the requirements for their organizational success; closing the strategy-culture gap.

Both types of values may be critical to the long-term health and success of an organization, and should not be in conflict. That is, decisions and beliefs about organizational priorities must be supported by the way people actually work with each other and with the organization's customer and suppliers. It may help to differentiate them by thinking of aspirational values being linked to vision and operational values to mission.

How Needed Operational Practices can be determined

If we are going to create a new process we would first examine our mission and determine what results would reflect mission accomplishment. Then working back from results we would define a set of processes that would best produce that result. The various

processes would then be linked together to form the operations.

A similar methodology would be used in determining the needed cultural practices. We first examine and get agreement on desired results. Then working backwards from results we could define a set of practices which would support the production of that result. These practices could then be grouped together under value labels.

Let's see how that would work in practice. Suppose we defined a desired result as "increasing customer loyalty." Management feels that this result could make a huge bottom line difference.

Then we would gather data from company employees and perhaps customers as well as to how we should behave to deliver this result. This could be done in many ways; Surveys, card sorts, interviews, focus groups, observations, etc.

Now it is quite likely this research effort would indicate some practices like the following:
..Always be honest: never pass on inaccurate information
..Always meet your commitments
..Make sure your advice is based on fact not just your personal agenda

These practices could easily be grouped under a value of "trustworthy" and then be positioned as an operational value.

This method is often referred to as a "criterion referenced" approach since it begins with a specific criterion; that is the desired business result and uses that as a reference point to determine what actions we should take.

The Power of Operational Values and Practices

Operational Values and Practices are not just nice to have. They are **absolutely critical** if we are to deliver the desired results. This fact provides a strong motivation for change. The one thing we know from research on culture change is that it is most likely to occur when people in the culture see a clear advantage for that change; the most powerful advantage being to survive and/or to thrive as a community or in this case as a business.

Since they are directly linked to the results of the business, operational values can more easily be described as those things we **must** demonstrate as a company in order to survive and thrive. What's more operational values as they are derived from data from a cross-section of employees at all levels are easier to buy into them those generated by managers at some retreat.

The other advantage is that operational values are derived from clustering of practices. The practices in turn were derived from what was necessary to deliver results. Thus a clear "audit trail" exists from results to practices to values.

Aspirational values generally came out of senior management deliberations and as such provide no "audit trail" making them a somewhat harder sell. "Why should we change?" is the often unanswered question people have when confronted with aspirational values. In addition the question arises "does that mean I have to change or just the managers?"

Another important factor in culture change is the ability to measure it. Since in the process of creating operational values we defined the practices; these can provide opportunities to measure present level of demonstration by the culture. Therefore the extent to which the culture is aligned with the strategy can be objectively assessed: and the "cultural gap" determined. This is a powerful tool for culture change it allows us to justifiably claim that our value alignment is

not being driven by dictates of management but by dictates of the business.

There are many cultural assessments instruments available in the marketplace. But virtually all of these are "norm referenced" rather than "criterion referenced." A criterion referenced assessment is derived from an analysis of the business requirements consistent with the company's own strategy. A norm referenced assessment is derived from a statistical analysis of some "theory" about cultural dimensions across a wide variety of organizations with widely different strategies. Furthermore the dimensions derived from norm referenced instruments are seldom congruent with either the aspirational or operational values of the organization making it even harder for people to make the linkages.

When we perform an operational value analysis we often find there is most often an overlap between any previously generated aspirational and our "new" operational values. Organizations should aspire to be more than what they are now, but the operational values are the ones which we should focus on for culture change because these are most important for implementation of the strategy and the immediate and long-term success.

Some managers cling strongly to those aspirational values that they worked so hard to generate. They may also view operational values as less colorful and inspiring than aspirational values. On the other hand to the average employee aspirational values often seemed more "motherhood" and more vague than operational values. In addition they are too often seen as the executive managers values not the organizations values.

Community or cultural values by definition must be capable of being demonstrated by every member of the community. A company is a community and, therefore, the community values must be "owned" and demonstrated by every employee, not just managers. Since our operational values and practices were derived through a community consensus processes they are more easily accepted by the employees as "*The way we* **should** *be doing things around here.*"

Examples of Operational Values

The following examples are some of operational values of a client organization. This company had previously listed a series of aspirational values that senior management had generated but which had had little or no effect on the company culture. The operational values were "criterion referenced" that is they were determined by asking people what we need to do to deliver results using the methodology described earlier.

Our Operational Values

If we are to continue to thrive and grow as a business, the way we conduct ourselves must be aligned with what it takes for business success. Our operational values are described below; following the descriptions, they are further defined in terms of actual behavioral practices that people demonstrate in their working relationships.

Values for a Professional Services Culture

Client Focus

- We keep abreast of client needs and priorities.
- We see meeting the needs of the business and client as far more important as conforming to bureaucratic or administrative requirements.
- We demonstrate respect for our clients and avoid "bad mouthing" them in our office.

- We view establishing a positive working relationship with clients as a top priority.
- We seek ongoing feedback from clients on our performance.

Integrity

- We are willing to be held accountable for our performance.
- We act in ways that visibly support the values of the organization.
- We work with people fairly to avoid "winning" at the expense of others and to make sure everyone is fairly dealt with.
- We strive to do the right thing for the client, the company and our fellow employees.
- We respect and are willing to rely on the professional competence of others in the company.

Agility

- We are willing to admit when wee made a wrong decision, and take action to correct it.
- We are willing to make difficult decisions, when necessary.
- We experiment with new ways of doing things, and seek opportunities to improve.
- We are willing to make significant change in the way we do things, to provide better value to the client.
- Our decisions are based on business priorities and evidence of effectiveness, rather than on personal or political considerations.

Trust

- We strive to deliver on all our commitments.
- We keep confidences.
- We let people know as soon as possible if something will prevent us from meeting a commitment.
- We assure that the information and advice we give others is accurate or is qualified.
- We avoid overloading ourselves to such an extent that we fail to deliver on our commitments.

Initiative

- We look for alternate ways to deal with problems when our path seems blocked.
- We concentrate more on how to avoid problems in the future than on trying to determine who is at fault.
- We keep up with changes in technology and business applications.
- We demonstrate a sense of urgency and energy to achieve quality results.
- We are willing to take reasonable risks and accept new challenges.

Relationships

- We feel free to raise any issues or concerns we may have, and expect a considered reply from those with whom we work.
- We respond constructively and non-defensively when others disagree with our views.
- We recognize the value of work in collaboration with others, rather than solely as individual contributors.
- We provide information openly without "hidden agendas."
- We listen as carefully to views that we disagree with as to those that support our own.

As one reads through the previous list their relevance to the business results becomes obvious hence there is little need to sell them to the employees. They are clearly what we need to do to win! The question now is to what extent are we living these values?

Follow on action

Once these operational values and practices were determined, they were published on their web site and an orientation to the operational values and their importance to becoming a more successful business was given to all employees.

The practices were then used to create an assessment survey. Each employee evaluated the extent to which they thought people in their unit were demonstrating these practices. The data was then collected and analyzed by work unit and given to supervisors in a workshop setting so they could consider what they could do to raise the scores in each of their own sections. The important factor here is to get supervisors to recognize that changing the culture by aligning it around the operational practices is a key part of their job.

A modified form of the assessment instrument was prepared for managers. Each manager designated six people who he felt could give honest feedback on the extent to which he demonstrated these operational practices. These people then filled out an online survey rating that manager on his effective use of these operational practices.

Then in a workshop the managers were given their individual feedback and an opportunity to work out a plan of action for each of the practices that indicated they need further work on. Then they were given the feedback from the entire organization broken down by functional areas. Managers then in functional teams looked at the data and determined what they take can do to support increases in critical practices identified.

Reconciling aspirational and operational values

It would be ideal if we just had one set of values or at least one major set of operational values and a second probably smaller set of aspirational values. As we said earlier is usually an overlap between the two sets and so if we can reconcile this it would be to our advantage.

The best way is to start with the operational values. If we first determine those, we can try to extend there meaning into more inspirational terms. This can be done sometimes by putting in additional wording upfront for example in the operational values above we added additional wording in the introduction to enhance their aspirational aspect as follows.

Our Operational Values

Focus on Customers

"Retaining satisfied customers is Job One."

We keep in close touch with our customers; we continue to learn about their needs and wants; we test our decisions and actions for their impact on customers; we deliver on our brand promise of value and character.

Create Value

"We work at being first-rate business people to provide first-rate business value."

We look at our work in terms of how it benefits our customers, our company, our people, and all who have a stake in our business success; we continually look for better ways to maximize those benefits and manage our clients.

Demonstrate Respect

"Valuing the contribution of others and recognizing different viewpoints."

We approach everyone with whom we work with the assumption that they have responsible intentions and can make a positive contribution; when differences arise we look first for ways to gain from them.

These three samples indicate what we did to increase the inspirational level of each operational value. First we developed a "slogan" that could easily remembered and then we summarized the value by examining the nature and purpose of the operational value in more detail

When we completed this company's management felt we had pretty much covered what they came up with in their discussions of aspirational values during their away day. There was only one which did not come out of the operational value assessment which they felt they needed and so that was added as an aspirational value with no accompanying practices indicated. That value was

We take a global view

Our success requires us to be responsive to a global marketplace. While we cannot be all things to all people, we can and must be in a position to provide a solid array of information and telecommunications products and services that address changing marketplace needs. We must monitor trends in the technology and the global marketplace to anticipate customer needs and requests. We strive to be at the leading edge in new data services and to be the organization that is sought out as a source of innovative and practical solutions as business needs change.

A Final Note

Our goal is organizational alignment. Just as we must be sure that our **goals, processes, and tasks** are well aligned to produce results on the strategic side of management it is just as true that the cultural side consisting of **values, practices, and behaviors** should be aligned to achieve desired business results. The importance of a clear set of operational values with a defined set of practices allowing the organization to measure its cultural alignment. Being focused on results is as important as having process measures by the strategy will be calm and ever increasing importance in assuring organizational health and maintaining high levels of productivity. Research indicates that an appropriate culture that investing in the creation of an appropriate culture can produce one of the most powerful returns on investment in organization can make. While Information Technology has had a significant impact on productivity, Human Performance Technology promises and even as much or perhaps even greater impact in the future.