Five Conditions for High-Performance Cultures

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Organizational culture—along with five crucial conditions—is the key to lasting, positive change and high performance. Read on.

YOU'VE probably tried them all–all of the "solutions" that were supposed to make a real difference in your organization. You've restructured, merged, benchmarked, and reengineered. You've implemented TQM, diversity programs, 360-degree feedback, and maybe even on-site child care and flextime. Yet, you're still scratching your head and asking, "Where are the results we thought we'd see by now? Why aren't we experiencing high performance?"

The good news is that we're now learning more than ever about what it takes to achieve successful change in an organization and move people to dramatically higher levels of performance. Business leaders, consultants, and academics now know that success doesn't hinge on any one reward system, training program, or strategic plan. We are realizing that true success stems from the comprehensive effects of an organization's culture and the rigorous, system-wide implementation of strategic change. Such implementation targets more than structures, policies, and systems—more even than vision, values, and goals. A systemic approach goes to the heart of an organization–the attitudes, beliefs, habits, and expectations of all individuals from the top to the front lines.

Why, what, and how

Any organization can be viewed as a system with three distinct subsystems. The first subsystem is the why—why the organization exists and where it's going. In other words, its purpose, mission, and values. The second subsystem is the what—what the organization does to pursue its purpose and accomplish its mission. That involves strategies, structures, systems, and skills. The third subsystem is the how—how the individuals, teams, divisions, departments, and other subgroups interact. That involves people's attitudes, habits, and behaviors.

Most change efforts have focused on the first two subsystems. Such efforts—whether a new quality program, revamped customer service plan, or merger with another company—are often done in isolation, with little relevance to or coordination with other change needs and initiatives. Worse, they're often imposed without enrolling or engaging the people responsible for implementing such initiatives and making them successful—the employees. It's not unusual for an organization to invest a lot of time and money in a change effort and yet invest little more than hope that people's hearts and minds will follow.

That lack of true engagement, especially when combined with many years of "programs of the week," can cause confusion, division within the ranks, the dissipation of resources, and a scattered effort. People can become disillusioned and alienated, and they can lose their loyalty to others and the organization. In such cases, it doesn't take long for distrust, poor communication, resistance, cynicism, and hidden agendas to take root. Those become real obstacles to productive change and improved performance.

If we want the highest return on all of our assets, people at all levels of the organization warrant careful management and thoughtful leadership. Simply put, high performance lies within the realm of organizational culture.

Not so soft

Culture has long been regarded as "soft stuff"—difficult to manage, cumbersome to change, and almost impos-

sible to measure. Just uttering the word *culture* can make people shrug their shoulders and roll their eyes. But we are finding that culture defines, supports, and sets the boundaries of an organization's ability to function. All the change in the world won't provide sustainable performance unless an organization's culture and people are fully prepared and aligned to support that change. Culture is what distinguishes truly high-performing organizations from the pack.

If an organization's culture were a living organism, its heart would be the state of being of its individuals—from the CEO to frontline workers. Experience proves that *state of being* translates to the capacity for doing. It involves employees' day-to-day belief systems and attitudes, and the norms that define acceptable behavior.

When looking at states of being, ask these questions:

- Do employees feel like victims of a system in which they have no stake, input, or control? Or do they feel like meaningful participants in the organization's strategic direction?
- Do they fear change as just another hassle that means more work? Or do they embrace change from a sense of ownership—with full understanding of the implications for their personal and professional lives?
- Do they feel entitled to certain benefits and advancement? Or do they measure their performance and manage their expectations based on outcomes?

To carry the living organism analogy further, the arms and legs of an organization are how people's capacities (their states of being) are manifested, leveraged, directed, and rewarded through such mechanisms as systems, structures, strategies, operating processes, skills, and so forth. Those mechanisms are critical for translating intention into action. But though they reveal important information about how things get done, they don't tell us a lot about why they get done in the way they do.

The challenge in creating a high-performance culture is to combine a strong, steady heart with flexible arms and legs. That synthesis would result in a high-performing organization with the following characteristics:

THE THREE SUBSYSTEMS



Strategic focus. A strategic focus is a clear, compelling direction that guides and motivates people's choices. Employees have a vivid picture and deep understanding of why the organization exists, where it's headed, and how it will get there. They know what's required of them, as individuals and team members, to advance the business and make great things happen. That picture engages people's hearts and minds. It also rekindles hope and renews their willingness to contribute.

Clear view of reality. Sustainable high performance requires people to see the world clearly, accurately, and with unblinking honesty while maintaining a positive mindset of possibility. From that perspective, they view all that they see through a lens of opportunity and potential. When people trust their intuition and imagination to create new value in every situation, they can engage with change flexibly and creatively. When dealing with reality's givens, there's a fundamental shift from a problem-solving orientation to an opportunistic focus on discovery, innovation, and growth.

Commitment rather than compliance. When people operate from true commitment, they feel a profound personal ownership and responsibility for the success of the organization and for accomplishing its strategic direction. They recognize the significant link between their personal needs and aspirations and those of the organization. Their willingness to perform doesn't depend on specific directives or favorable circumstances. They know that giving their best will serve and benefit everyone involved, so they spontaneously offer their best.

Aligned behavior. In true collaboration, people's actions are consistently focused and purposeful. They demonstrate high levels of commitment and teamwork for long-term, sustainable success. They communicate candidly, coordinate seamlessly, and respond collaboratively in pursuit of shared goals. Individual initiative isn't lost in compliance; group coherence isn't lost in competing agendas. Individual effort and energy combine synergistically to create high-impact results. When attitudes, perceptions, beliefs, and relationships are confronted and leveraged throughout an organization within the context of a clear and compelling vision, true alignment can take place around any given change.

In combination, those conditions can create a powerful, self-renewing dynamic of accomplishment, learning, and change. The organization learns to propel itself to unprecedented levels of success at which expectations are continuously recalibrated as results surpass preconceived notions of what's possible. The organization's human and business systems unite in the exhilarating expression of shared purpose, mission, values, and success.

The Titanic syndrome

Changes implemented without clear reference to the context of culture and in isolation from an organization's overall system prove to be little more than bandages with no positive long-term impact. Yet, many businesses continue to seek simple, direct, cause-and-effect, activity-driven solutions to their challenges—perhaps because the idea of a more systemic or holistic approach seems vague and unmanageable. As a result, most people continue to experience change initiatives as frustrating, unproductive distractions.

It's hard to feel either valued or valuable when you find yourself once again rearranging the ship's deck chairs in the midst of a crisis. People want and need to know what's happening on the bridge and how their contributions will help create the conditions for true success. Only when people understand how a specific change relates to the larger framework of "who we are, what we're about, and how we do business around here" will they have the neces-

sary information for making meaningful choices and significant contributions.

The impact of an organization's culture on its ability to change, survive, and thrive is no longer purely anecdotal. Research and experience help us understand some fundamental patterns underlying the complexity of culture. Those patterns guide us in organizing our thinking, learning, and approaches to change.

In their book, *Corporate Culture and Performance* (Free Press Publishing, 1992), John P. Kotter and James L. Heskett established that corporate culture has a significant effect on a firm's long-term sustainability and economic performance. They found that, over an 11-year period, firms with an embedded cultural capacity for managing change achieved these results:

- increased revenues by an average of 682 percent compared with 166 percent in other firms
- expanded workforces by 282 percent v. 36 percent
- raised stock prices by 901 percent v. 74 percent
- improved net incomes by 756 percent v. 1 percent.

Kotter and Heskett present a strong case for intentional change through specific cultural transformation. Examples include

- Bankers Trust—an increase in annual ROA from -8.71 percent to +14.09 percent between 1977 and 1985
- ConAgra—a 50-fold growth in stock value over 14 years
- General Electric—market value growth from $12 billion to $60 billion in 10 years
- Xerox—ROA increase from 5 to 12.4 percent, revenue from $8.5 to $17.5 billion, and market share from 8.6 to 16 percent between 1983 and 1989.

Daniel Denison of the University of Michigan Business School has also found clear, compelling relationships between an organization's culture (defined by Denison in terms of mission, involvement, consistency, and adaptability) and bottom-line business performance (defined in terms of profitability, ROA, sales and revenue growth, market share, innovation and product development, quality, and employee satisfaction). Denison's 15-year research of more than 1,000 companies of different sizes, sectors, industries, and ages consistently shows that culture affects an organization's ability to change in ways that support sustainable success.

One of the authors of this article, Caroline Fisher of ARC International, recently completed research that corroborates Denison's findings and sharpens the focus on two specific cultural elements that heavily influence business performance. They are (1) organizational direction (mission, vision, and strategy) and (2) involvement (teamwork, capability development, and empowerment). Denison's definition of performance includes these six factors:

1. profitability and ROA
2. sales and revenue growth
3. market share
4. product development and innovation
5. quality
6. employee satisfaction.

Fisher's studies show that the presence (or absence) of a clear, compelling direction embraced by employees at all levels affects all of the factors except product development and innovation. Her studies also show that employee involvement affects all factors except market share and sales and revenue growth.

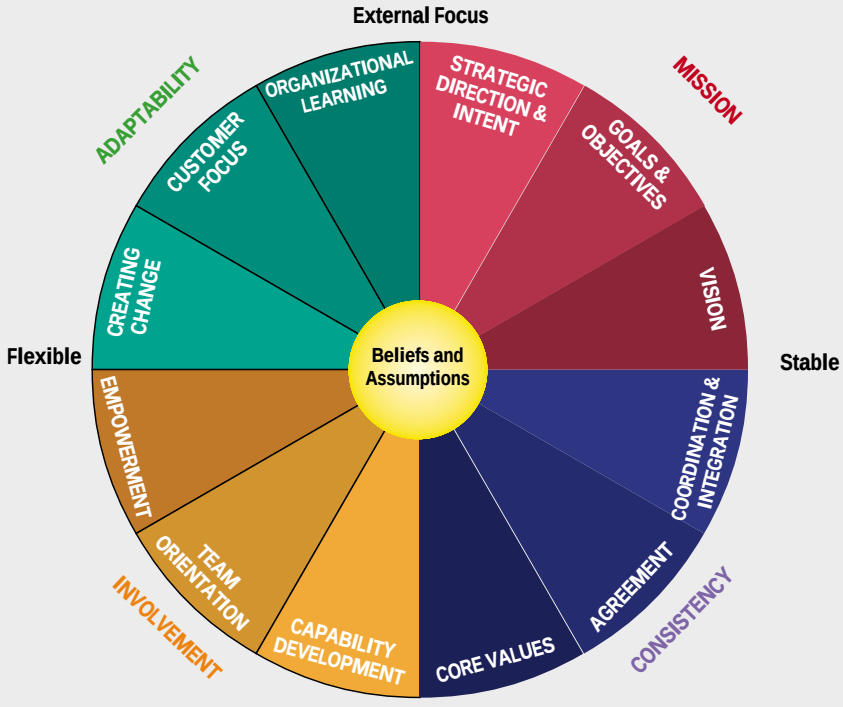
The human system

Even for people who find the evidence compelling, there remain tough questions. They may respond: "That's all well and good, but what can I do with this information? How can I put these concepts to work?"

The first step is to assess where your organization, department, or division stands culturally. What are the culture-related strengths that will support effective change and performance? What are the culture-related weaknesses that must be addressed in order to systematically support effective change and performance?

At the heart of Denison's model of organizational culture are individual beliefs and assumptions. (See the figure.) The systemic elements of mission, involvement, consistency, and adaptability are tied to bottom-line business performance and used to operationalize the concept of culture. But for any change to be effective, it's

DENISON'S MODEL OF ORGANIZATIONAL CULTURE



crucial to challenge and clarify people's beliefs, assumptions, and attitudes. In other words, the most potent leverage for significant and sustainable change resides within the human system at the core of every business system.

The premise behind the new generation of human performance approaches is that the solutions to most organizational issues reside within the organization itself. To access that innate capacity, it's essential to raise and confront issues that may be unacknowledged or avoided in the organization. To do that, you have to engage and coordinate different levels of employees. Overall, the process unfolds within a tangible, measurable framework. Throughout, people are challenged to confront head-on the implications of change at a fundamental and personal level. By making it a habit to hold up a mirror, people learn to be more objective and responsible about opportunities and results. An organization should help individuals and teams take ownership of their current reality and help them achieve breakthroughs in their relationships with their colleagues, customers, and work environment.

The result is a critical mass of people who will

- communicate directly, honestly, and responsively
- work collaboratively, with a new spirit of alignment and partnership
- demonstrate the courage and capacity for taking appropriate risks
- demonstrate responsibility for themselves and ownership for the goals of the organization
- embrace the organization's success as their own and actively explore possibilities.

In such cultures, people remain aligned through change and are actively supported in achieving continuous improved performance and superior business results. Whether facing a new CEO, new product line, reorganization, or merger, people will be able to respond both strategically and tactically. Success is defined in clear, unequivocal terms. People value the opportunity to collaborate because they've learned that working together enables them to accelerate and share success.

Essential conditions

Cultural transformation occurs within the context of everyday business issues, challenges, and opportunities. Though it must emerge from a given reality, it can't be fully realized or adequately sustained without certain conditions in place. These conditions rely heavily on top leadership but must eventually live throughout the system. Here are five essential conditions.

Condition 1. A relevant focus. Change efforts must focus on clearly defined results and be implemented in the context of real-life, real-time challenges.

Often, changes are attempted in a vacuum or as part of an off-site event, with no ties to daily operations and objectives. Change initiatives are not implemented as training that's separate and distinct from business objectives; they're implemented within the context of what the organization is trying to achieve–its business purpose, mission, goals, and success measures. It's only within that context that change has meaning, has organization-wide impact, and catalyzes high performance.

Condition 2: Driven from the top, but fueled throughout. Real change has to be driven from the top but fueled throughout an organization. That's essential to achieving accelerated, enduring organizational change. Its importance can't be overstated. Senior leaders must be part of the change, must experience the change, and must own the change as part of their formal accountabilities and responsibilities. Only in that way do people throughout the organization find adequate evidence of the reality of change so that they want to invest themselves fully in the process and take ownership for strategic objectives.

Condition 3: Leaders' commitment. An organization's leaders have to commit to a systemic, organization-wide approach to a culture change. An organization's culture is the cumulative expression of all subsystems: the why, what, and how. Its ability to perform is either reinforced or undermined by conditions within each subsystem. Culture change is an intense, complex process; it takes time and challenges people to call on the best in themselves and others to see beyond that complexity to achieve results. It takes courage and commitment to persevere, but we now know that such commitment is essential to achieving the high-performance potential of individuals and organizations alike.

Condition 4: Comprehensive involvement. Employees at all levels have to be engaged, have to be involved, and have to take ownership of the change. We've all seen versions of this memo:

Dear Valued Employee: The following contains a list of the new values agreed upon by senior management in our recent retreat. Please implement them immediately. If you have questions, contact your immediate supervisor.

When the top level fails to demonstrate its own changes, true commitment from other levels isn't going to happen. Such commitment is achieved only through hands-on involvement by all contributors in an organization. Everyone must have input, must grapple with the implications at personal and professional levels, and must be given the opportunity to make choices. It's only through that level of engagement that a change is integrated into an organization's culture. The personal experience of change, when managed properly, can unite all levels of the organization in its commitment to shared success.

Condition 5: External coaches. An organization needs external coaches to catalyze, guide, and facilitate a change process—despite the temptation to keep the messy business of change in-house. Most internal leaders, HR specialists, and OD practitioners believe they have adequate experience and are in the best position to lead change. But, in reality, that's almost never true. A fish deep in its element (water) has no experience of anything that isn't water. It's best to have someone from outside of the tank to help people examine organizational beliefs and assumptions. In addition, most leaders have built their competencies through experience with only two of the three subsystems—the why (purpose, vision and values) and the what (strategies, structures, systems, and skills). A comprehensive change process is often messy, scary, and confusing. An outsider can infuse some objectivity and help put things in perspective.

A 1993 *Business Week* article reported that 79 percent of the 400 executives polled said change in their companies was rapid or extremely rapid, 61 percent predicted the pace of change would accelerate, and 25 percent said they couldn't name a single company good at managing change. Many managers still see organizational change as a transitory event that everyone needs to "get through," and they tend to think things will "settle down" when the event is over.

Change management must move from a management task characterized by directives, activities, and checklists to a leadership imperative characterized by comprehensive engagement and a strategic focus on building an organization's enduring capacity to sustain high performance. But even the best intentions and a big budget will continue to produce little more than head scratching unless an organization has a fundamental shift in the way its people interact, embrace their roles, and take personal responsibility for shared success. What's called for is an organizational culture that engages people and that buoys change with a vivid and widely held strategic focus, a clear view of reality, everyone's fervent commitment, and aligned action.

A successful change initiative draws on that type of broad cultural framework and systemic support. Leaders who are not afraid to confront the messy business of their human systems will engage people's issues, needs, and concerns. Such leaders will be the architects of enduring organizational cultures characterized by resilience, responsiveness, and high performance. Many organizations are still caught in this conundrum: "Why institute another change when things just stay the same?" But those with change-savvy cultures ask, "What's next? What's possible? What can we create together—*now*?" ■

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