

# Wass Consulting Group, Inc.

## *Management Insight*

<http://www.wcginc.com>

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### Is Culture the Culprit? Why Should You Care?

Peter Drucker once said, “We know nothing about what motivates people, all we can do is write books about it.” His words could apply equally as well to the concept of “corporate culture”. Entering these two words into the Google search engine yields a half million hits. Why is so much written about corporate culture? More importantly, why should you care?

The answer to both questions is the same: corporate culture is fundamental to producing corporate results. And as a business leader, that is your responsibility. A culture that fits your company and its demands produces the right results. A culture that doesn't fit dilutes the results produced by even a great strategy, great processes, a great organization, and great products. That's why the most successful companies – the leaders in their industry – place so much emphasis on shaping and sustaining the right corporate culture. These companies include Southwest Airlines, UPS, and Wal-Mart, among others. Just as the business models for these successful companies are different (and are all probably different than yours), so are their cultures. The right culture for one organization might not be right for you.

A simple sports analogy that is illustrative of how one can view culture is shown in the adjacent illustration.

While the various panels that make up the soccer ball (i.e., the company, business unit, facility, department, or other organizational unit) are all

very important - even critical - to its success, it is what's inside that counts, as it impacts every element of the organization.



The strength and pervasiveness of an organization's culture can be compared to air in the soccer ball. It is internal, not always seen, yet is vital to how well the ball performs. If the ball's inflation (i.e., the organization's culture) is not right, then even the best organization structure, strategy, business processes, products, or level of resources will not be enough for you to play the game successfully. This integrated view where all aspects of the organization, including culture, work together to determine its output has been accepted by the more enlightened competitive companies, and is now being taught by most of our nation's graduate schools of business.

You may already be aware of specific cases where inappropriate corporate culture was a root cause of

disastrous business results - in a chain of events that unfolded over time. The wrong corporate culture provides a *medium* where a dysfunctional organization, inefficient business processes, regulatory difficulties, or marketing mistakes can grow. Culture, too, can be the source of an *immune reaction* to desirable changes attempted to the status quo. Consider the merger of Time-Warner with AOL. Financial analysts projected great benefits to accrue from the merger. It should have worked. Yet we know the merger was a financial failure, in large part due to conflicting corporate cultures that were not adequately addressed during merger implementation.

Sometimes cultural shortcomings remain undetected until it's too late. Consider the electric generating station that was shut down for two years because a deteriorating equipment condition went unnoticed for several years. A subsequent investigation indicated that one of the root causes was a complacent site culture derived from having produced excellent results over many years. A "we are the best" culture can prove to be as equally inappropriate as a cumbersome, lethargic, or bureaucratic one.

Looking forward, culture may be a roadblock if you are planning to make a significant change in your organization, such as:

- Merger, acquisition or divestiture
- Significant outsourcing of activities
- Reorganization
- Implementation of new technology
- Major cost reduction efforts.

While corporate culture can be a major source of performance improvement or an impediment to it, it is still not addressed in many organizations. In fact, many executives are out of touch with their corporate culture, and as a result, they often underestimate the impact that culture can have on business performance. It is too often viewed simply as a non-quantifiable factor, and its potential effect on the bottom line is not fully appreciated. Even where executives acknowledge

the importance of culture, they tend to just talk about it, instead of taking action to improve it.

Management "how-to" literature is replete with acknowledgments of how important culture is to an organization's performance. For example, Lou Gerstner, former CEO/President of IBM wrote, "I came to see in my time at IBM, that culture isn't just one aspect of the game - it IS the game" (excerpted from *Who Says Elephants Can't Dance*). More recently, John Spooner, CEO of Intel, e-mailed a memo to all employees indicating that "there is nothing more important to Intel's success than its culture . . .". In spite of this, however, most executives are not able to take the next step. What has been missing is a roadmap for management to travel from knowing that something is out-of-whack to being able to make specific changes - changes that affect corporate culture that can start to improve business performance almost immediately.

Over the years, many executives have tried to improve their organizations by implementing one or more of the numerous performance improvement initiatives such as:

- Re-engineering, Process Improvement, or Lean Manufacturing
- Quality Improvement Initiatives such as:
  - Total Quality Management (TQM)
  - ISO 9000/9001/9002
  - Six Sigma
- Total Enterprise Information Systems such as SAP or Peoplesoft
- Restructuring, or implementing significant organizational change.

Such programs and initiatives are all good things, but often fail to produce the results expected. If your organization has already taken some of these steps, take a moment to answer these straightforward questions candidly:

- Are the improvements working?
- Are you satisfied with the results?
- Are you achieving the desired results on a sustained basis?

- Has your organization's performance continued to improve?

If the answer is "YES" to all of these questions, there may be no need for you to read on; you have made a productive investment that is paying continuing benefits. In the search for improvements and better methods, however, there can be a "shooting star" effect - lots of flash, sparkle and initial enthusiasm and results - followed by a loss of momentum, burnout, and business performance indicators returning to their original levels.

We at Wass/Trenkle, a collaborative initiative of the Wass Consulting Group and Trenkle and Associates, have done more than simply develop theoretical approaches to "improving business results through cultural change". Our approach is based on two proven management principles: measuring what is to be improved, and linking cultural changes directly to the business outcomes being sought.

- In order to change culture, you must first be able to define and measure it. If you can't measure it, you can't control changes to it. Without measurement, there is no way to communicate the impact of the corporate culture to key executives or to other interested parties (e.g., regulators, financial analysts, stockholders). In terms of corporate attention, if something is not measured, it's as if it doesn't exist.
- Business performance and culture must be linked to justify the time and effort associated with implementing cultural change. Measurable changes in corporate culture must lead to measurable improvements in business results. Others have worked on this, but we at Wass/Trenkle have solved it by combining the expertise gained in evaluating both the hard (e.g., strategy, organization, business processes) and soft (e.g., organization culture) factors that influence your business' performance, with the ability to help you improve it.

The Wass/Trenkle approach combines both the "hard" and "soft" management sciences to understand and resolve business and cultural shortcomings in the context of an organization's performance imperatives. We believe that it is often the "soft stuff" (i.e., cultural attributes) that makes the "hard stuff" (i.e., business attributes) function, and that both are equally important in affecting an organization's performance. We also consider individual behavior, not just the intangible underlying factors such as assumptions, beliefs, and attitudes alone, to be important manifestations of culture. Here's what we do in a five step process which we call a Performance Scan<sup>SM</sup>:

- We first identify the critical business drivers (i.e., your Key Leverage Factors) that have the most leverage on your business performance results; we also identify the key business issues that might be constraining business results.
- Concurrently, we probe the attributes of your organization's culture that have been shown to impact business performance.
- We then prepare and administer a customized survey which is linked to an international database of companies; this survey allows us to gather information relevant to your business goals, results, and corporate culture from the viewpoint of management as well as your employees (i.e., those who make things happen).
- A detailed analysis of the unique aspects of your business attributes and cultural characteristics is then conducted, and these findings are compared to an established, validated database; to your Key Leverage Factors; and to your business performance.
- Finally, we compare cultural feedback and other information obtained in the Performance Scan<sup>SM</sup> with operating performance factors of your organization to determine those specific areas most in need of change to support improved business results.

But, we're getting ahead of ourselves. Our objective in this first *Management Insight* is to demonstrate why you should care about your corporate culture. The next in this series of five *Management Insights* will identify specific symptoms and indicators of weakness in your organization that can adversely affect business results. It will help you decide whether you should take the time and effort to look into your corporate culture more deeply, or whether your resources would be better spent elsewhere. This and subsequent *Management Insights* in this series (once issued) can be found on our website at <http://www.wcginc.com>.

If you have comments or questions on this *Management Insight* or on the topics addressed in it, please feel free to contact either Len Wass or John Trenkle by phone or e-mail.

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**The Wass/Trenkle** group of companies is a collaborative initiative of the **Wass Consulting Group** and **Trenkle and Associates**. Our combined resources are unique, and are aimed at helping our clients *"improve business results through cultural change."*

We are innovators in this field and have developed a unique and proprietary **Performance Scan<sup>SM</sup>** that enables top management to readily identify the current state of its organizational culture and to identify its specific strengths and weaknesses. This enables top management to take targeted actions to improve those cultural and business attributes that will have the greatest impact on business results. This puts management in the driver's seat by providing them with the information needed to decide upon and begin targeted performance improvements. Skilled and experienced professionals support these efforts, complementing existing organization resources to move toward better results at a very high tempo of improvement. Until the Wass/Trenkle initiative was launched, management had no reliable way to tackle the monumental task of energizing the corporate culture to improve business results. Our approach lets management focus on key aspects of their business and culture, and identifies the actionable improvements that bear directly on their business results.

Our unique blend of skilled and mature consultants provides an array of proven consulting tools, techniques, methodologies, and mixture of proprietary assessment tools and approaches. We provide an extraordinarily accurate method for determining if cultural or business change is required, the extent of such change, and where such changes should be best applied. We combine the well researched and documented survey methodology, organizational diagnosis, and organizational development consulting capabilities of Trenkle and Associates with the more traditional general management consulting experience and knowledge of the Wass Consulting Group. This provides our clients with the skill and experience needed to diagnose and implement cultural transformation that results in improved business performance.