

Assessing Culture and Leadership

Culture and leadership are the last elements of strategy implementation you need to consider. Both must support the high-level strategy and the day-to-day work required to implement it.

The business literature often refers to company culture. For instance, we have allusions to 3M's culture of innovation and its 15 Percent Rule, which allows R&D personnel to spend 15 percent of their time pursuing whatever ideas appeal to them, as long as those ideas have some commercial potential. We also hear of Wal-Mart's culture of dedication to satisfying customers and driving down costs. And then there's eBay's more playful, collegial, and "can do" culture.

Culture refers to a company's values, traditions, and operating style. Culture is one of those vague qualities that is difficult to measure or describe with precision, but it nevertheless exists and sets a tone for managerial and employee behavior. In a sense, it describes how people view their workplace and how things are done. One company may be highly engineering oriented, pride itself on its tradition of technical innovation and problem solving, and operate with a command-and-control style. Another company's culture, in contrast, may value service quality above all else, and operate in a collegial, non-hierarchical manner.

One way to understand a company's culture is to ask, "Who are your company's heroes, and what stories do people tell about them?" These heroes might be super-salespeople, or master organizers, such as General Motors' Alfred Sloan. St. Paul-based 3M counts Dick Drew and William McKnight among its heroes. Even though these individuals passed from the scene many decades ago, current employees know who they were, recognize their contributions, and tell their stories even today.

Dick Drew, who developed masking and cellophane adhesive tapes in the 1920s and 1930s, was an accomplished inventor—a man who could quickly diagnose a customer's problem and craft a profitable technical solution. His many successful inventions made him a legend in the company. William McKnight spent his entire career with the company, eventually rising from assistant bookkeeper to President, and then Chairman (1949-1966). McKnight's great contribution to 3M lore was his business philosophy, whose

principles continue to guide the company. He described that philosophy as follows:

As our business grows, it becomes increasingly necessary to delegate responsibility and to encourage men and women to exercise their initiative. This requires considerable tolerance. Those men and women, to whom we delegate authority and responsibility, if they are good people, are going to want to do their jobs in their own way.

Mistakes will be made. But if a person is essentially right, the mistakes he or she makes are not as serious in the long run as the mistakes management will make if it undertakes to tell those in authority exactly how they must do their jobs.

Management that is destructively critical when mistakes are made kills initiative. And it's essential that we have many people with initiative if we are to continue to grow.[1]

A company's culture may be strong or weak. Strong cultures are difficult to change without great effort, time, and substantial disruption. Thus, companies with strong cultures are wise to adopt strategies consistent with their cultures. Doing otherwise creates implementation problems. For example, it is advisable for 3M, Hewlett Packard, Nokia, and Siemens to stick to strategies consistent with their cultures of technical innovation; those cultures will naturally support implementation. Companies that find themselves in competitively dead-end positions, however, may have to adopt strategies that are at odds with their existing cultures. The traditional air carriers (United, BOAC, Delta, and so forth) are prime examples of companies that must change their strategies or go under. Yet the strategic options before them will require a difficult set of cultural changes. For some, the "us versus them" tensions between management and labor will have to give way to a more collaborative culture. In these cases, the organizations will have to reinvent their culture and strategy simultaneously—a truly difficult proposition.

Changing company culture to better align it with a new strategy is the responsibility of the CEO and the senior management team. It is a top-down job, and HR professionals can play an important role in the process. How? Help your CEO and the senior management team identify the company's current culture and evaluate cultural alternatives. Provide guidance on how

your company can transition from the current to the desired culture. Here are a few ideas for approaching the task:

- **Identify aspects of culture that must change in support of strategy implementation.** Examples may include product quality, customer focus, command-and-control management, etc. Concentrate on these and leave less-critical aspects of culture alone. You can only do so much.
- **Model the behaviors and values you'd like to see employees adopt.** For example, suppose you've determined that people throughout your company must be willing to take more risks in order to create the entrepreneurial culture your company needs to carry out its strategy. In this case, you'd want to demonstrate that entrepreneurial quality yourself by taking risks in your own role—for instance, by proposing bold new HR initiatives that your company has not considered in the past. If your company's strategy hinges on lowering cost, you can model the right behaviors and values by cutting your own travel and entertainment expenses before you ask others to do the same. Remember, people are watching you.
- **Engage employees in "town meeting" forums to build consensus and commitment to change.** The personal connection between leaders and rank-and-file employees is an essential ingredient in reshaping an organization's culture. Why? It builds trust, which in turn makes it easier for employees to embrace change.
- **Sponsor celebratory events when change milestones are met.** Celebrating the "small wins" that your company's employees have achieved during a change initiative further reinforces cultural change. Apply this practice in your own HR department, and encourage managers throughout your firm to do the same.
- **Set high performance standards.** Help managers throughout your firm to establish challenging but realistic expectations of their employees' performance. Faced with ambitious expectations, most people achieve more.
- **Reward people for the results you seek.** When people know that they'll receive praise, recognition, and financial and nonfinancial incentives for achieving clearly defined goals, they're more likely to strive to meet and even exceed those goals.

How well aligned is your company with its chosen strategy? Do you have the right people and reward systems in place? Is the organization—and its many units and functions—structured in a way that supports the strategy? Do other key activities, such as recruitment, training, and other processes, support the strategy? Does the organization's culture fit with the business strategy? Assessment tool 6-1 provides a checklist you can use to review the alignment concepts explained in this chapter and to answer these questions.

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