

What Makes an Organization Successful? The Role of Culture and Competence

The question of how to help their organizations succeed is one that senior executives ponder over daily.

Every organization has characteristics and features that drive managers crazy and keep them awake at night. If managers allowed themselves to complain out loud, here are some of the things they would say:

- Why aren't our employees more motivated?
- Why do they keep making the same mistakes?
- Why don't they think about how they can do their work better?
- Why aren't we closing more sales?
- Why doesn't someone else come up with ideas to solve problems?
- Why don't people do what they say they're going to do?
- Why don't they work harder?
- Why am I doing my work and their work, too?
- Why don't our managers work together to accomplish goals instead of protecting their turf?

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If the readers of this book were to fulfill my vision for them, they would change their organization, managers, and employees in ways that would diminish the causes that give rise to these questions. They would feel more satisfied with themselves and their organization, as employees initiate the actions that reflect their vision.

A VISION OF ORGANIZATIONAL POSSIBILITY

The vision I hold of organizations is that they are dynamic, vital, nourishing places to work in which people set and achieve challenging goals and take responsibility for their own success. Employees go out of their way to satisfy their internal and external customers, act to improve quality, and learn and grow to become more satisfied and effective team members and employees. Employees engage in conflict constructively to reach sound decisions, and communicate openly and directly throughout the organization. They take initiative and seize opportunities for themselves and the organization, and act on their own to solve problems. They pride themselves on their innovation and their creative approaches to product and business development. They anticipate the consequences of different options and alternatives, and make decisions based on their analysis. In this visionary organization, employees are encouraged and supported to work at their highest potential, and succeed at doing so.

Managers in this organization lead by example. They display the aforementioned characteristics to an even greater degree than other employees. They are excellent motivators and developers of people, giving their subordinates constructive feedback and coaching to help them improve their performance. They help employees align themselves with organizational initiatives and objectives, and build organizational commitment through creative and continually changing methods.

Senior executives are strategic thinkers and visionary leaders who understand industry trends and develop long-term strategic plans based on the organization's strengths, weaknesses, and competitive position. They communicate a vision for the organization and the individuals in it that inspires employees to stretch themselves and work together to achieve the vision. They view the development of leaders as one of their most important job functions, and look for opportunities to expand managers' responsibilities and opportunities.

Finally, all employees, from the chief executive officer (CEO) down to the most unskilled workers, are committed to continually learn and improve themselves. They are known for their honesty, integrity, and personal credibility. People can be counted on to do what they say they will do. They

admit and take responsibility for their mistakes, and put themselves at personal risk to take stands based on their deeply held values.

As a consequence of the commitment, behaviors, and traits manifested by all its employees, the organization is recognized as the industry leader and universally respected for its integrity, values, and business success. Its retention rate is the highest in its industry, and it attracts quality candidates more easily than any of its competitors. It is known as a place where people work hard and morale is high.

THE THREE COMPETENCY CORNERSTONES SUPPORTING ORGANIZATIONAL SUCCESS

There are three cornerstones that form the foundation for organizational success:

1. The competence of its leadership.
2. The competence of its employees.
3. The degree to which the corporate culture fosters and maximizes competence.

By strengthening these cornerstones, organizations can improve almost every aspect of their functioning and come closer to achieving the vision described. To understand how these cornerstones interrelate, let us begin with the concept of culture.

Culture is defined as the way of life of a people that is transferred from generation to generation. In business, corporate culture is the way of life of an organization that is passed on through successive “generations” of employees. Culture includes who we are, what we believe, what we do, and how we do it. Most people are not aware or conscious of their culture: Culture is to people as water is to fish. Unless we have been exposed to different cultures, we are largely unconscious of our own. We maintain a set of beliefs, act in certain ways, and follow rules and customs, assuming that this way of life is the natural order of things.

When I speak on the subject of corporate culture, I sometimes begin with the following scenario:

Imagine that you are driving on a highway in the desert. It is completely flat, devoid of vegetation, and absent of any sign of civilization. You approach an intersection with another road, and you can see that there is no car in any direction for at least three miles. There is a traffic light at that intersection, and the light is red. Do you stop at the light?

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Typically, one-third of the audience say they will keep driving, one-third say they will slow down and then keep driving, and one-third say they will stop. I then ask the people who said they would stop, "Why?" They answer, "Well, because it's the law." In other words, they follow the rules because they are the rules. They do not think about whether they fit the circumstance in which they find themselves. Every day people unconsciously perform hundreds of small acts in customized ways that form the fabric of their cultures.

Another story that illustrates the concept of culture is the custom in the United States of men opening doors for women. If you ask men why they do it, the response is generally that it is the courteous or "right" thing to do. If you then ask them what the right or proper thing to do is in the case of revolving doors, you get a more uncertain and confused answer. Should they allow women to go first, because that's the right thing to do at doorways? Or should they go first in order to push the revolving door, thereby making it easier for the woman?

The anxiety men experience in this situation results from the conflict between two cultural rules: On the one hand, men should let women go first. On the other hand, men should do the hard work and make it easier for women. Notice how the word "should" appears in each of these examples. The concept of correct behavior, the behavior we *should* be doing, shows the process by which the culture conveys its norms and rules to people. Almost all cultural norms and rules operate on a subconscious level. Once they have been learned, we never consciously think about them unless they're broken. The invisible walls of culture become apparent only when someone bangs into them.

These examples seem innocuous and irrelevant to business. But what if that red light is a bureaucratic procedure in your company that prevents people from being innovative or satisfying customer needs? And what if that revolving door is a new information system that your employees are not comfortable with and that breaks some unconscious tradition in the organization that is no longer relevant to the current environment? Resistance to change resulting from an adherence to unconscious cultural rules is a problem facing all organizations.

Corporate culture defines the rules of the game. It says, "This is how we do things. This is what we believe. This is how we interact with each other. These are our attitudes toward work." The rules of corporate culture set the limits of organizational capabilities and effectiveness. One manufacturing client recently related to me a story about an individual who took over the job of operations manager at one of the plants. He was in the job for two years, and during that time made some significant changes in procedures

that improved productivity and efficiency in the plant. Because of this success, he received a promotion to a position in another plant. However, six months after he left his initial post, the operations area he had improved had abandoned all his procedures and reverted to the prior practices. The result, of course, was decreased productivity and efficiency. This story illustrates how cultures work: They tend to reject new and different behaviors and operate to maintain the traditional behaviors that people know and are comfortable with.

Changing Culture Today Is a Necessity, Not a Luxury

Improving corporate culture (though they may call it something else) is a top priority of almost every major corporation. The values and behaviors associated with organization improvement—becoming more customer-oriented, becoming more efficient, cutting costs, becoming more team-oriented, thinking globally—are all aspects of corporate culture.

The demands of today's marketplace mandate these kinds of cultural changes. Global competition has put a downward pressure on pricing that has never been seen before. It used to be that in a tight labor market, companies would raise wages to attract workers, and would then raise prices to cover the increased wages. Today, with markets full of products from other countries with lower labor costs, companies can no longer afford to raise prices based on internal margin and profit concerns. Customers will simply go elsewhere. Because of these factors, for example, the large car and truck companies can actually demand that their suppliers *reduce* the cost of their products by 5 or 10 percent. To maintain competitiveness and profitability, companies have no choice but to increase their productivity. They need to get more results from their resources, more revenue per employee. This requires a change in corporate culture.

People are not machines, and treating them as such seldom works very well. We cannot just say to our subordinates, "Increase your productivity by 15 percent this year," and expect it to occur. It usually isn't that easy. People have emotional needs, desires, and feelings. They want to feel cared about and they have their own motivations. They will not help you succeed in achieving the organization's objectives or your personal objectives unless their own wants and needs are satisfied in the process.

Another factor causing corporate culture to change is the transformation of the employment contract. Thirty years ago, the employment contract was an exchange of loyalty for security. Employees agreed to give

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their loyalty and labor, and employers agreed to continue employment unless there were drastic reasons for not doing so. While there was (in the United States) no formal employment for life in the implied contract, there was a clear understanding that employees need not worry about losing their jobs so long as they showed up most of the time and put in a “decent day’s work for a decent day’s pay.” Employment with the same organization for 20 or 30 years was commonplace.

Several events and factors have caused this contract to change. The recessions and reengineering of the 1970s and 1980s changed people’s fundamental beliefs about what they could and should expect from their employers. From the employer perspective, and employee showing up for work and doing a “decent” job was no longer sufficient. The economic pressures of the marketplace have forced employers to become more cost-conscious. The need continually to do it better and cheaper has deemphasized the concepts of loyalty and security. The attitude of many younger workers today—“What’s in it for me?”—is a direct result of the economic factors that have caused the decline of loyalty and security in the workplace.

The new employment contract is based on the exchange of reward for performance. Employers say to employees, “The better you perform, the more you will be rewarded. Depending on your position, your reward will include salary, bonus, stock options, and career opportunities.” Employment is more tenuous now than it was 30 years ago. It is more likely that employees will be required to leave their jobs if they (or the company) are not performing up to standards. On the positive side, those who perform well will more likely reap the benefits of their performance.

A natural consequence of this transition to a performance-oriented work environment is that those organizations that create a culture that fosters and rewards employee performance will be more successful at achieving their objectives than those that don’t. From this perspective, a successful culture has several specific characteristics:

1. *A successful culture fosters employee development and encourages employees to maximally impact the organization.* The culture has programs and processes to help employees take more initiative, set more challenging goals, be more innovative, become better leaders and managers, and in general take more responsibility for the success of their work unit as well as for the organization as a whole.

2. *The culture provides an avenue for highly competent employees to exercise their talents and impact the organization.* If an employee comes up with a good

idea to improve production, it will be implemented, and the employee will be recognized for the contribution.

3. *The culture creates a work environment in which employees are engaged, challenged, and motivated.* Leaders take responsibility for hiring and developing managers who motivate their subordinates. They structure jobs and teams in ways that keep employees stimulated and help them improve their skills and abilities. Work is a source of pride for employees.

4. *The culture's systems of compensation and recognition reward employees for their performance and their contribution to the organization's success.* Compensation may be financial, but it may include other rewards that for many people are at least as important. These rewards include recognition and acknowledgment of their contributions; leadership opportunities; training and development that improve competence; and work opportunities that are challenging, stimulating, and important to the organization. If employees significantly impact the organization and are not rewarded for that impact, expect them to go to other organizations where they will feel more appreciated.

The Current Situation

Few organizations come close to maximizing success and productivity. First, most managers are weak strategic thinkers. They tend to be strong at performing tasks and solving problems—they probably wouldn't have become managers if they weren't good in these areas. However, the ability to step back, see the big picture, put together a strategy, and turn it into a workable plan is something that eludes many managers. They tend to be much better at putting out fires than analyzing the fundamental causes for the fires starting in the first place.

Second, managers are typically poor motivators. To get people to work at their best, managers need to understand what drives them, what they care about, and what is important to them. Employees need to be communicated to in ways that address their motivations, concerns, and needs, and managers need to create a work environment in which those drives and needs are met through performing the job. Since few managers have models from their personal experience of people providing or creating such an environment, most have acquired little skill or experience creating a motivating environment for their subordinates.

Third, most managers are poor developers of people. In a recent study performed by Metamorphics of 300 organizations, developing others was

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found to be the weakest leadership competency. Most managers have few examples to use to help them develop others. Lessons from childhood and prior work experiences tend to teach motivational and developmental philosophies that are less than optimal.

Developing people requires a complex set of skills. It requires getting to know them, understanding their strengths and weaknesses, developing rapport and a relationship with them, and finding out what motivates them. It requires developing a plan for strengthening weaknesses, utilizing strengths, and providing the right kind of support to help them change their behavior. It is a daunting task, but it is a task demanded by the workplace today.

Finally, most managers do not have a sufficiently broad vision of their job as manager. Many are not even aware that there are things they should be doing that they are not. For example, one key function for many managers is developing the leadership ability of their subordinates. Yet if you ask most managers about the purposes of their jobs, this would not be mentioned. (It is not a surprise that most organizations do not reward managers for developing the leadership ability of their subordinates.)

Most employees have developed beliefs and behaviors that are at odds with those necessary to function in the ideal corporate culture. From the earliest experiences at home and at school, they developed relationships with authority figures that often stray far from the collaborative, free-flowing interaction required to maximize innovation and productivity. The attitude represented by the statement "It's not my problem" expresses the basic orientation of many employees. They would like to do a good job, but do not feel ownership of or act in accordance with the larger mission, vision, or goals of the organization.

Many people don't have the competencies and skills to reach or maintain the high level of performance that organizations need today. Competencies like results orientation, initiative, teamwork, innovation, and conceptual thinking are weakly represented in the general workforce. The development of these critical competencies has usually not been fostered by the American educational system, the home, or prior work experiences.

Finally, work cultures themselves are often not conducive to bringing out the best in people. The customs, rules, norms, and systems seldom fully promote the behavior needed to maximize motivation, learning, efficiency, and productivity. I do not know of any organizations that have in place all of the programs and processes necessary to train leaders, develop employees, resolve conflicts productively, and continually improve processes and systems.

On the positive side, the inherent nature of human beings is probably the most powerful force to help us overcome these deficiencies. In general,

people have an innate desire to exercise their creative intelligence and natural abilities. They usually want to learn and grow, be engaged, be challenged, solve problems, and be successful. They have hopes, dreams, passions, and wants. They have a desire to be affirmed, to be recognized, and to be appreciated. They want to be in relationships with other people, to work together and interact in ways that provide mutual satisfaction. These characteristics are common to people of every culture.

The aim of cultural transformation is to create integrated structures, processes, and systems that harness the basic human nature of employees. Organizations can become the vehicles through which employees exercise their drives, motivations, talents, and needs, as they work together to achieve the corporate mission.

Creating a Strategy for Changing Your Culture

A senior human resources (HR) executive for a large insurance company told me about efforts to change its culture and the way its employees worked. The company brought in a new CEO who was committed to making the organization more results-oriented, more nimble, more responsive to the market, and more aggressive. Toward that end he immediately launched some initiatives, one of which was to establish a performance management system to evaluate and reward behaviors that were aligned with his vision. Another was to spread the message throughout the organization that no job was secure unless the employee secured that job with strong performance.

Eighteen months later, the senior management team was trying to understand why the performance management system failed to generate the desired change. It became evident in our discussion that management had not clearly thought through the strategy for changing employee behavior, beliefs, and perceptions. In other words, they had not thought through the strategy for changing their culture. The pursuit of cultural transformation is in many ways like a revolutionary war. Entrenched forces dig in their heels to resist change and keep things the way they have always been. Every culture has its loyalists, people who enjoy benefits in the current culture that they will lose unless they change as the culture changes. Change agents also have allies, people who can be enlisted to support change efforts, who are unhappy with the way things are currently and are excited by the possibility of improvement.

As you attempt to transform your culture you will have battles and skirmishes. You will win some battles and lose others. You will need to choose

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your battles carefully. The challenge is daunting, but as worthy an endeavor as any you will pursue. If you successfully change your corporate culture, you will create a work environment that supports people to maximize themselves and their contribution to the company. As a result, employees will have more challenging, stimulating lives, the company will be more successful, its customers will be better satisfied, and you will have more reason to be proud of your leadership. What follow are the elements of a culture change strategy.

The Elements of a Culture Change Strategy

1. *A clear vision of your desired culture.* In the preceding pages I outlined some of the key elements of a successful culture. By articulating in some detail what your desired culture looks like, you will provide the foundation for your strategy. You will need to communicate this vision over and over again, and use it as a source of inspiration and motivation as you transform the culture.

2. *A statement of organizational mission.* This is the “Why?”—the reason for an organization’s existence and the source of the need for cultural change. The combination of vision and mission provides the reason the culture needs to change and is key to communicating to employees, shareholders, and customers.

3. *A set of values and principles that underlie and support the desired culture.* A calling to higher purpose inspires us. By grounding your vision and mission in a set of inspiring values and principles, you will make it easier to align the organization with your objectives. You will also have a foundation from which to challenge old assumptions and beliefs and replace them with agreements based on these values.

4. *A language and associated conceptual framework that helps change the way people think and act.* The words people use reflect attitudes, beliefs, and behavior. Building a common vocabulary that embodies the vision, mission, and values to which you aspire will help people begin to think and act in accordance with the vision.

5. *An in-depth analysis of your current culture to identify the elements of support and those that will sabotage change efforts.* Analyze your systems of hiring and promotion, compensation, production, communication, technology, management style, decision making, and so on, to determine how they function to support or resist your desired culture.

6. *A set of goals to bring about the change in beliefs, behaviors, and systems needed to create your desired culture.* These provide the organizational

direction and context in which specific initiatives will be developed and implemented.

7. *A plan with initiatives, tactics, action steps, and time lines, whose purpose is to create a detailed pathway to lead you from your current culture to your desired culture.* This plan will include specific objectives and action steps with clearly defined, measurable results to be achieved by specific times. This is the battle plan to which you and the organization can be held accountable.

8. *Systems to measure, monitor, and improve progress toward the achievement of the culture.* These include procedures to regularly measure how each initiative is progressing and processes for making prompt adjustments to keep the cultural change effort on track.

The Role of Leadership

There is probably no domain in which the role of leadership is more important than that of cultural transformation. The scope of the project should not be underestimated. As we are reminded every New Year's Eve, it is difficult for even one person to change entrenched habits. Our neural pathways have been programmed to create a sense of comfort that is associated with performing a sequence of behaviors that have become routine. These behaviors have been continually reinforced by reward and punishment, often in the form of others' approval or disapproval. Once behaviors have become routine, they feel as comfortable as an old shoe.

Try sleeping on the opposite side of the bed from the side where you usually sleep. Even a behavior change as minimal as this produces feelings of discomfort that are relieved only when you return to your usual habits. Imagine a more significant behavioral change, such as taking initiative when you haven't before, or coming up with new ways of doing some of the things that you have done the same way every day for years. Or, imagine giving subordinates direct, honest feedback about their behavior when you have never done it before. Multiply this by the number of employees in your organization and you see the magnitude of the effort you face trying to change an entire culture.

Leaders of corporate cultural transformation need a full range of leadership skills. Ideally they will be visionaries. They will be able to articulate a vision of the ideal culture, one that inspires others not only to want the new culture, but to commit themselves to its achievement. They will model the behavior that exemplifies the vision, and show people by example what they want to create. They will be excellent communicators, conveying the mission, vision, values, and plans throughout the organization. They will be

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mentors and coaches who help people see their potential, identify barriers to improvement, and create plans to change their behavior. They will provide ongoing encouragement and support as the culture change progresses. Finally, they will see that progress is measured, monitored, and maintained.

In my experience, there is nothing more rewarding or challenging than changing corporate culture. The real legacy of leaders is not in their short-term successes or failures but rather in the quality of the cultures they create. Managers and leaders who develop a culture of competence and help people become their best can truly take pride in their accomplishment.

The Use of Behavioral Competencies to Drive Cultural Transformation

A strategic plan is only as good as its components. One of the most critical elements in the plan to change corporate culture is the conceptual framework that contextualizes the change. The concept of behavioral competencies provides such a framework, and can serve as the core of a system and practice that can help you create the culture you want.

Competencies can be defined as the enduring traits and characteristics that determine performance. Examples of competencies are initiative, influence, teamwork, innovation, and strategic thinking. The competency methodology grew out of research whose goal was to determine the traits and characteristics that differentiate superior performers. For example, influence and results orientation are two of the competencies that most differentiate superior salespeople from average salespeople.

You may notice that these individual competencies include the same terms and concepts that describe a culture of competence. This should not be surprising, because the same traits that determine superior individual performance are the traits that describe the key features of a successful culture. The power of the competency concept derives from how easily it translates organizational mission, vision, and values into concrete behaviors and actions that employees can understand and perform. The use and repetition of the language of competency—“results orientation,” “innovation,” “teamwork,” and “service orientation,” for example—will help move the culture toward the vision.

Competencies can provide the foundation for an assessment process for use in selection, appraisal, and development that orients the entire organization to the behaviors most essential to a culture of competence. To the extent that one can accurately measure proficiency in a competency, it will

be possible to bring people into the organization who will manifest the behaviors needed in the desired culture. By using competencies as the basis for appraisal, one can communicate to the entire organization the kinds of behavior one wants and needs in the organization. By using them in the development process, you can create concrete pathways that enable employees to change their behavior in ways that are consistent with your vision of your desired culture.

This book provides both the theoretical foundation and a practical guide to creating the culture of competence that you need to succeed in today's world. The widely stated dictum that our employees are our greatest asset is true. This book is about maximizing the value and contribution of that asset, so that its potential value can be realized for the benefit of all of the organization's stakeholders. To create a culture of competence, you need to develop your human assets so that they are working together as effectively as possible to achieve the corporate mission.

A management philosophy and practice will succeed to the extent that it is in sync with human nature. If it does not inspire and motivate people to become the best they can be, it will be of limited benefit. A culture of competence is one in which employees work for their own learning, growth, development, and personal satisfaction. It is one in which employees strive to do their best for themselves, for their team, for the organization, and for the customers. They do so because it is the thing that most satisfies them. This book is about creating that culture of competence.

Creating Your Own Culture of Competence: Chapter 1—Exercises

EXERCISE 1—WHY WOULD WE CHANGE?

Ask yourself or others in the organization:

- What keeps your leaders awake at night when it comes to the organization and its people?
- What complaints do you or others have about how people achieve goals or work together?
- What about the current business environment would drive the need to change the culture?
- How would you describe the ideal culture for your organization?

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EXERCISE 2—IS IT WORTH THE EFFORT? WHAT IS THE CURRENT STATE OF THE CULTURE?

If you are looking to change your culture, here are some qualities you can assess in your current state. It can be the first step in determining if such an undertaking would be worth the effort.

QUALITIES	YES/NO
<i>The Culture</i>	
1. Our culture fosters employee development.	
2. The culture makes it easy for employees to contribute their skills and talents to the business.	
3. Employees are engaged, challenged, and motivated by the environment.	
4. There are recognition and compensation systems in place that reward employees for their performance and contributions.	
<i>Managers</i>	
5. Managers are able to develop a business strategy around the business and translate it into a workable plan.	
6. Managers understand the diverse needs and concerns of employees.	
7. Managers help create development plans based on the strengths and weaknesses of their employees.	
8. Managers take action to develop the leadership capabilities of employees at all levels.	
<i>Employees</i>	
9. Employees have the needed behaviors and skills to help achieve long-term business success.	
10. Employees clearly understand the role and contributions they make to the business.	
11. There is a high level of partnership among employees across the organization.	
12. Employees as a rule avoid blame and excuses, and focus instead on solving problems, serving the customer, and improving the quality of their work.	