



Culture: Soul and spirit

Part 1: The need for an agile culture

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Background

In reflecting on what the themes and topics of the 2016-2017 series of articles should be, we were of the opinion that the current (and expected future) economic, political and social challenges are important issues to engage with, as they create a context that will test the resilience and endurance of most organisations.

As in the past, we shall again utilise the Business Value Model™ to discuss these themes and topics from different business perspectives.

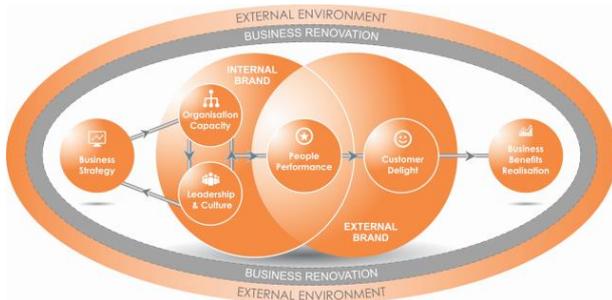


Figure 1: Business Value Model™

The BVM utilises the following logic:

- The realisation of specific business benefits (such as operating profit, top-line revenue and market share);
- is dependent on the creation of customer delight (loyal and satisfied customers);

The Idea in Brief

In this article, part one of two; the author explores how organisational culture is fundamental to organisational performance and an agile workforce. In essence, there may be no more critical source of business success or failure than a company's culture – it trumps strategy and leadership. Culture creates the foundation for strategy execution, people performance and customer delight, and will either be a company's greatest asset or largest liability. In part two a suggested culture journey map will be explored.

- which is a direct result of the delivery of value added products / services;
- by high performing people;
- who work in an fit-for-purpose work environment (organisation capacity with respect to business process, organisation structure, human capital, information flow and technology);
- who are led and managed by capable, competent and credible leadership;
- towards a common goal and strategy; and
- that addresses the dynamics of the competitive landscape in an innovate manner that builds the business brand and reputation.

In this article, the third in our series for 2016, we explore the role of organisational culture as a key imperative for performance differentiation and an agile workforce. This will be a two part article where in part one, we will explore the

need for agile culture and in part two suggest a proposed culture journey framework.

The need for an agile culture

No one needs to be reminded of the pace and depth of change in the world economy. Nor do we need reminding of the globalisation of business, politics and social mobility. Competition is a worldwide phenomenon and change is now a constant in any business. The current macro external environment trends in South Africa are characterised by volatility and unpredictability (Du Plessis, F., Muir, C. & Verwey, A., 2016).

The ability to innovate faster and in new ways, ensuring speed to market, is now even more critical to achieving high performance. Du Plessis, et al., (2016), further postulate the need for future proof organisations, that is, organisations that proactively and deliberately build the capacity to deal with external challenges now and in the future. ¹

That is why organisational agility is no longer a luxury, but a necessity (Torben, 2015). Long-term success is dependent on an organisational culture that is nurtured and alive and fosters an agile workforce. Culture is the environment in which a company's strategy, along with its internal and external brand, thrives or slowly dies. It's one of the most important drivers that have to be set or adjusted to push long-term, sustainable business success.

The key is to be infinitely adaptable and there is really only one way it can be achieved and that is to create a culture that has the built-in capacity for workforce agility and a future proof organisation (as defined above).

Think about it being like a nurturing habitat for success. Culture cannot be manufactured. It has

to be genuinely nurtured by everyone. Ignoring the health of a company's culture is like letting aquarium water get dirty (Torben, 2016).

How important is culture?

Culture matters, enormously so. Studies have shown again and again that there may be no more critical source of business success or failure than a company's culture – it trumps strategy and leadership. That is not to say strategy doesn't matter, but rather that the particular strategy a company employs will succeed only if it is supported by the appropriate cultural attributes.

The sinking of the Titanic by an invisible obstacle, the iceberg, reminds us that below the waterline there is a powerful force. In business terms this means that the visible part of the iceberg represents the business strategy and organisational capacity to deliver on the strategy. Below the waterline is the soul and spirit of the organisation – the collective mind-sets and beliefs of the employees that will enable the achievement of the organisations' strategy and ultimately organisational performance.

Between 1990 and 2007, more than 60 research studies were conducted, which covered more than 7600 small business units and companies to determine the cultural impact on the organisational performance (Shahzad, Luqman, Khan, & Shabbir, 1992). Results of these studies mostly showed a positive association between strong culture and performance improvement.

In a study by Booz & Company (Jaruzelski, Loehr, & Holman, 2011) related to the elements that contributes to a truly innovative company, they found that besides elements such as a focussed innovation strategy, a defined business strategy, deep customer insights, great talent and key execution capabilities, the most important individual element was corporate culture.

Korn Ferry commissioned a comprehensive, global survey of views on leadership development in July and August of 2015. The survey generated more than 7,500 responses

¹ Readers may also find our article titled "The Future Proof Organisation" useful. This article summarised current research and the feedback received from senior and executive leadership on what they regard as the characteristics of a "future proof" organisation.

from 107 countries. In essence, their results indicate that organisations see the need to make culture change a priority to drive alignment, collaboration and performance. Survey respondents ranked "driving culture change" as one of their top three global leadership development priorities. In a similar study by Korn Ferry (2014), 72% of the respondents agreed that culture is extremely important to organisational performance.

Culture has never been more critical to organisational performance than now. As organisations adapt to change and pursue new opportunities, they need to align the values, beliefs and behaviours of their workforce to support new and evolving business strategies. This is fundamental to their success to ensure an agile workforce. The old adage that culture works as the social glue that bonds employees together, applies. The author suggests that culture can be described as the spirit and soul of the organisation.

The spirit and soul of culture

To survive and grow, and even regain competitive advantage, many companies are grappling with ways to transform their businesses in the face of radical change.

They are responding in many predictable and time-tested ways: Changing CEOs and leadership teams, shifting strategies, rolling out new product lines, focusing on innovation, reducing costs and restructuring.

These are all the necessary things to do to react to change, but these actions usually only treat the symptoms of a chronic illness – hardening of corporate arteries – without curing the underlying cause. Companies may be missing out on the most important strategy of all: Creating a culture that becomes the performance differentiator.

Culture is not something companies can add on as "decor" once the building is complete; it is the foundation on which the house is built

(Lorsch, 2016). Culture is not something you can directly manipulate, as if by decree. Culture change occurs after you have successfully altered people's mindsets and their new behaviour has produced success, which can be traced back to the new actions and behaviours.

Companies with a weak or broken culture struggle harder and are negatively affected by the deficit. This demonstrates what most leaders know, or are learning: Culture is today's major performance differentiator. Culture creates the foundation for strategy execution, people performance and customer delight, and will either be a company's greatest asset or largest liability. This notion is echoed by Ulrich and Smallwood (2011), who indicated that a company's competitive edge no longer lies in its product, but in its people.

The definition of the soul and spirit of an organisation, that is culture, has been written about in numerous research articles. For the purposes of this article the definition of culture by Kotter and Heskett (1992) seems to be appropriate.

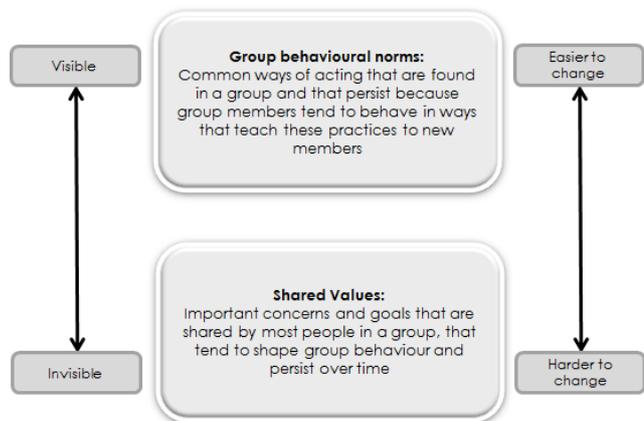


Figure 2: The definition of culture

Their definition of culture indicates two levels of culture which differ in terms of their visibility and resistance to change.

At a more visible level, culture represents the behaviour that new employees are automatically encouraged to follow by their fellow employees. At a deeper and less visible level, culture refers to values that are shared by

people regarding notions that are important and tend to persist over time. Culture could thus be described as the values and behaviours that contribute to the unique social and psychological environment of an organisation.

Culture evolves over time and serves to guide the perception of what is important (value), what is possible (opportunity), and what is real (reality) in the organisation (Owen, Mundy, Guild & Guild, 2001).

These sets of beliefs are expressed through the routines that become normative in the organisation and reinforced through the rewards and punishment meted out in the organisation. One belief in organisations, according to Owen et al., (2001), is that hard measures of performance are adequate for the “hard stuff”; however, this belief is contrary to sustainable high performance cultures, because it is the “soft stuff” of culture which, in reality, drives the “hard stuff measures” upwards.

The above clearly demonstrates the importance of culture in organisational performance and its contribution to the bottom line over the last number of years. Organisation leaders must and should realise by now, with the volume of knowledge available regarding the importance of culture on business results, that true success in transforming a business during volatile economic conditions stems from the comprehensive effects of an organisational culture and the system-wide approach to implement and manage culture.

Culture is a relentless driver of employee behaviour. Left to its own devices, it can potentially limit an organisation. But if leaders work to define it, assess it and understand it, culture can be used as a tangible lever to directly achieve goals and improve performance. Perhaps, most importantly, great company cultures function like great societies – they can expand human capacity by enabling people to do exceptional things.

Culture has to originate somewhere, though. It doesn't just happen. It is the responsibility of leaders to determine a cultural vision for the company, live and breathe it themselves, and then help to steer the rest of the company in the right direction. Culture comes directly from the behaviour of the leaders, and it is their duty to involve and inspire the whole of the organisation.

In the next article, part 2, a suggested culture journey framework will be provided for when an organisation is contemplating a culture change process.

Final remarks

The author has endeavoured to illustrate that the most important thing about organisational culture is that it is the only sustainable point of difference in any organisation.

Most leaders understand that their most reliable competitive advantage comes from their people, but few of them actually know how to get their people “all in” by convincing them to buy into the ideas and strategies that lead to outstanding results. Despite the hard work of leaders, sometimes the *“missing below the waterline element”* is an effective organisational soul and spirit. Culture is what makes teams and organisations great. In organisations with clear, positive, and strong cultures, employees believe that what they do matters, and that they can make a difference. In organisations with dysfunctional cultures marked by chaos, combativeness, or indifference, employees spend more time thinking about why their co-workers should be fired rather than getting “fired up” themselves. If a culture works, then everything within an organisation works better.

As always, we also invite all our readers to engage in conversation with us about this article. Questions, comments, challenges – all will be welcomed as input that also shapes and enriches our own thinking.

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