

How is the culture in your company?

Every organization, from the smallest family business to the biggest global corporation, has its own unique culture. This culture reflects the accumulated wisdom of the organization's people over its entire history, and is central to its identity in the present — even though it is unavoidably rooted in lessons learnt in the past.

The challenge for today's organizational leaders, then, is to decide how much of the past should be preserved for the future. How should these principles be adapted to address the problems of the future? How should they go about the delicate task of placing the obsolete practices of the past in the corporate museum so that they don't become obstacles holding back their best practices — and their best customers?

Some leaders try to ignore the question entirely, and concentrate instead on expense ratios, analyst reports, discounted cash flows and their next acquisition. Bad idea. As



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former IBM chairman Lou Gerstner says, "Culture isn't just one aspect of the game — it IS the game. In the end, an organization is no more than the collective capacity of its people to create value." It can be easy for senior executives to focus so single-mindedly on strategy that they forget that it's people who implement plans, who create the organization's technology, and who develop its markets. Without people, all you have is an idea. Wells Fargo CEO John Stumpf puts it well: "It's about the culture. I could leave our strategy on an airplane seat and have a competitor read it and it would not

make any difference."

One of the most powerful things that companies can do is to create a unique character or personality that is well-suited to the business environment, and distinct from the competition. But where do you start? Research shows that an organization's culture affects its business performance in four main ways: through its sense of mission; through its level of adaptability; through the involvement of its people; and through the consistency provided by the foundation of beliefs and core values.

These are the areas that most clearly impact business performance, so this is where the journey must begin.

Mission. Successful organizations have a clear sense of purpose that allows them to define their goals and strategies and to create a persuasive vision of their future. A clear mission provides purpose and meaning by defining a compelling social role and a set of goals for the organization. Leaders play a critical

role in defining mission, but a mission can only succeed if it is well understood top to bottom.

Adaptability. A strong sense of purpose and direction must be complemented by a high degree of flexibility and responsiveness to the business environment. Adaptable organizations quickly translate the demands of the organizational environment into action. However, organizations with a strong sense of purpose and direction are often the least adaptive and the most difficult to change.

Involvement. Effective organizations empower and engage their people, build their organization around teams, and develop human capability at all levels. Organizational members are highly committed to their work, and feel a strong sense of engagement and ownership. People at all levels feel that they have input into the decisions that affect their work and feel that their work is directly connected to the goals of the organization.

Consistency. Organizations are most effective when they are consistent and well integrated. Behavior must be rooted in a set of core values, and people must be skilled at putting these values into action by reaching agreement while incorporating diverse points of view.

Consistent organizations have highly committed employees, a distinct method of doing business, a tendency to promote from within, and clear behavioral guidelines. This type of consistency is a powerful source of stability and internal integration.

This model provides an effective and useful approach for considering and shaping organizational culture. However, as is often the case, it also contains tensions and contradictions that executives must understand and manage if they are to be successful.

Effective cultures always need to solve two problems at the same time: external adaptation and internal integration. This means that there is

an underlying trade-off between stability and flexibility, and between internal and external focus. In addition, there will be tension between internal consistency and external adaptability, as well as between mission and involvement.

For each of these dynamic contradictions it is relatively easy to do thing one or the other, but very difficult to do both. For example, organizations that are market-focused and aggressive in pursuing every opportunity often have a difficult time with internal integration, while those that are extremely well integrated often have the hardest time focusing on the customer. Effective organizations find a way to resolve these dynamics contradictions without relying on a simple trade-off.

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