Cutting through the noise:
What is Culture? | Whitepaper

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Introduction

Everyone's talking about organisational culture but many don't really understand what it is.

It's not about foosball tables in the staff café. It's not about groovy office spaces and it certainly isn't about funky furniture.

When banking regulators talk about banks needing a 'risk culture' – they already have one – the question is how the culture within a particular bank causes people to manage risk.

Whilst it's very 'on trend' to talk about culture right now, it's not a new idea. Researchers have been studying culture for 40 years. Human Synergistics has been measuring organisational culture for 30 years. We know what it is. We know how it works. We know it can be changed.

It's not just another word for organisational climate. It's different than organisational climate. It's not just about engagement. It's not just about teamwork.

It is about behaviour.
It is about behavioural norms.
It is about the messages people take from their work context about how they should do their jobs and interact with each other.

It is about behaviour. It is about behavioural norms. It is about the messages people take from their work context about how they should do their jobs and interact with each other. It is about the expectations for behaviour established through organisational structures, systems, technologies, communication processes and leadership practices.
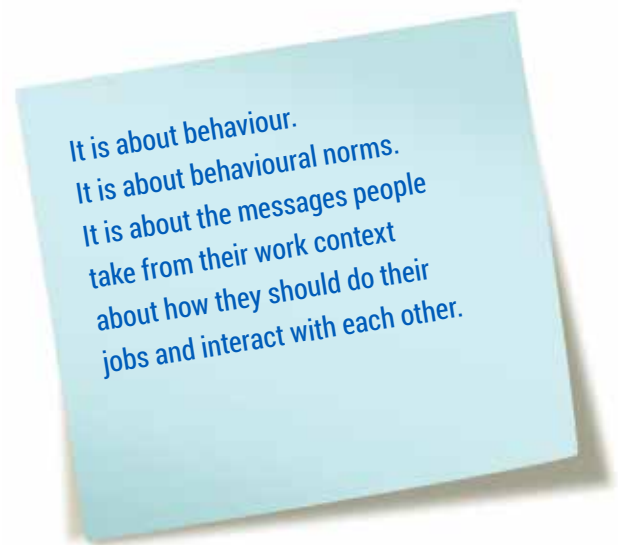
What is Culture?

"The shared values, norms and expectations that govern the way people approach their work and interact with each other."

There are several parts of this definition – each highlighting an important aspect of organisational culture:

Values	Values dictate what is important in any group. What has 'value' gets done. Whilst most organisations have a set of stated values, these are often not reflected in what is really 'valued' in the organisation.
Norms	Norms are the written and unwritten rules about how people should behave. Every group has norms – at the societal level, at the family level, at the organisational level and at the team level.
Expectations	Expectations reflect what messages people get about how they should behave. From these messages they make conclusions about how they should behave from observing how their managers behave and seeing what gets rewarded and punished.
Governs	These values, norms and expectations do not lead to a conscious choice that people make. They 'govern' the way people behave – exercising a guiding and restricting influence over how people should behave. Often individuals will not want to behave that way, but the culture dictates that they must, so they feel that they have no choice.
Approach their work	How people go about solving problems, making decisions, achieving goals, responding to deadlines, processing ideas and information, meeting compliance, safety and quality requirements etc.
Interact with each other	For example when people need to work in teams, build relationships, work cross-functionally, share ideas and information, lead, follow and communicate etc.

How does this play out?

- What happens when someone deals with a customer?
- What happens when mistakes are made?
- What happens when problems arise?
- What happens when priorities need to change?
- How does information flow around the organisation?
- What happens when decisions need to be made?
- What happens when unsafe work practices are 'easier' than the safe approach?
- How do we handle people who are 'different'?
- What do I have to do to get noticed?
- How do we treat our suppliers?
- How do we treat each other?

As someone once said.

"Culture is what happens when no-one is looking!"

Whilst this is true, it also happens when someone is looking.

Research shows that culture has a significant role to play in:
- Strategy execution
- Profitability
- Productivity
- Safety
- Innovation
- Risk management
- Sustainability
- Customer service
- Quality of product/service
- Long term growth
- Employee engagement
- Teamwork and coordination

Culture can also be defined as:

How people believe they are expected to behave in order to fit, get ahead and at times simply survive in the organisation.

Do we need a separate culture for customer service, safety, risk management, quality etc?

Culture certainly seems to be 'flavour of the month' right now.

- Regulatory authorities are demanding that financial organisations need a 'risk culture'.

- Workplace Health and Safety authorities are urging organisations to have a 'safety culture'.

- Right now everyone is talking about having a 'culture for innovation'.

- For years we have talked about the need for a 'customer service culture'.

- And of course from a quality perspective, people talk about a 'culture for quality'.

So does an organisation need a different culture to manage risk, to manage safety, to be innovative, to provide great customer service and ensure consistent quality of product or service?

No.

All of the above can be thought of as a culture for excellence. Excellence in the way in which an organisation goes about achieving its mission, vision and overarching strategy.

Whether it is a bank striving to achieve excellence in financial management, a mining company ensuring excellence in safety, an organisation seeking to deal with digital disruption in its marketplace, or a business striving to achieve excellence in customer service and quality of product, it all comes down to how the organisation is structured, how the organisation implements a variety of systems to guide and direct people in their work, how jobs are designed, how the communication systems work and how leaders lead and manage people.

These structures and systems, explored in pages 10-12 of this paper, cause people to make conclusions about how they need to behave in order to 'fit in' and 'get ahead' - what behaviours get rewarded and what behaviours get punished, in other words, the operating culture that guides the way people approach their work and interact with each other.

Attempting to 'create' different cultures for different business outcomes would only lead to confusion for everyone, with the various initiatives competing for peoples' attention and a lack of focus on the core of how to build a strong, resilient culture that will help the organisation grow and achieve all of its goals.
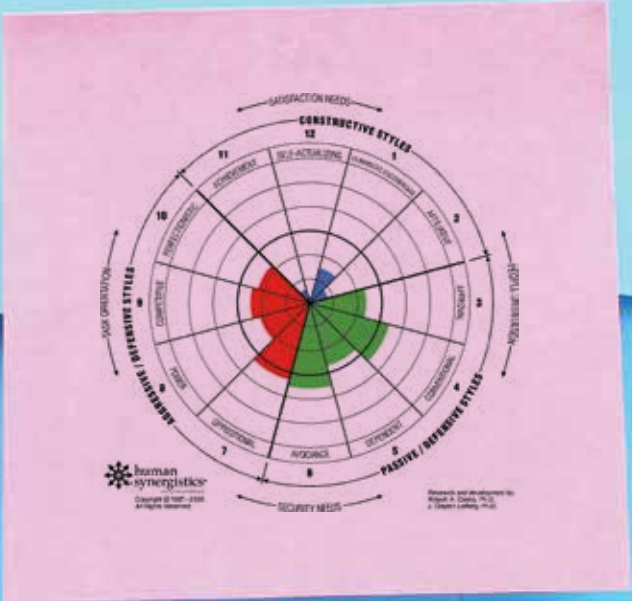
What does a Culture that needs work look like?

- Employee engagement is low
- Departments work in silos – so-called 'silo mentality'
- Conflicts between departments
- Senior executives comment that people will not 'take accountability'
- People do not seem to 'want to use their initiative'
- There's lots of 'office politics' going on in the organisation
- Management wonders if they only hear what people think they want to hear
- Staff turnover is high
- Individual stress is high
- Absenteeism is high
- Conflicts are ignored and 'swept under the carpet'
- Various change programs have not worked
- Poor safety/risk management
- Inability to adapt to change and innovate
- Inability to match competitors' performance no matter how hard you try
- The organisation or team works best in a 'crisis' situation
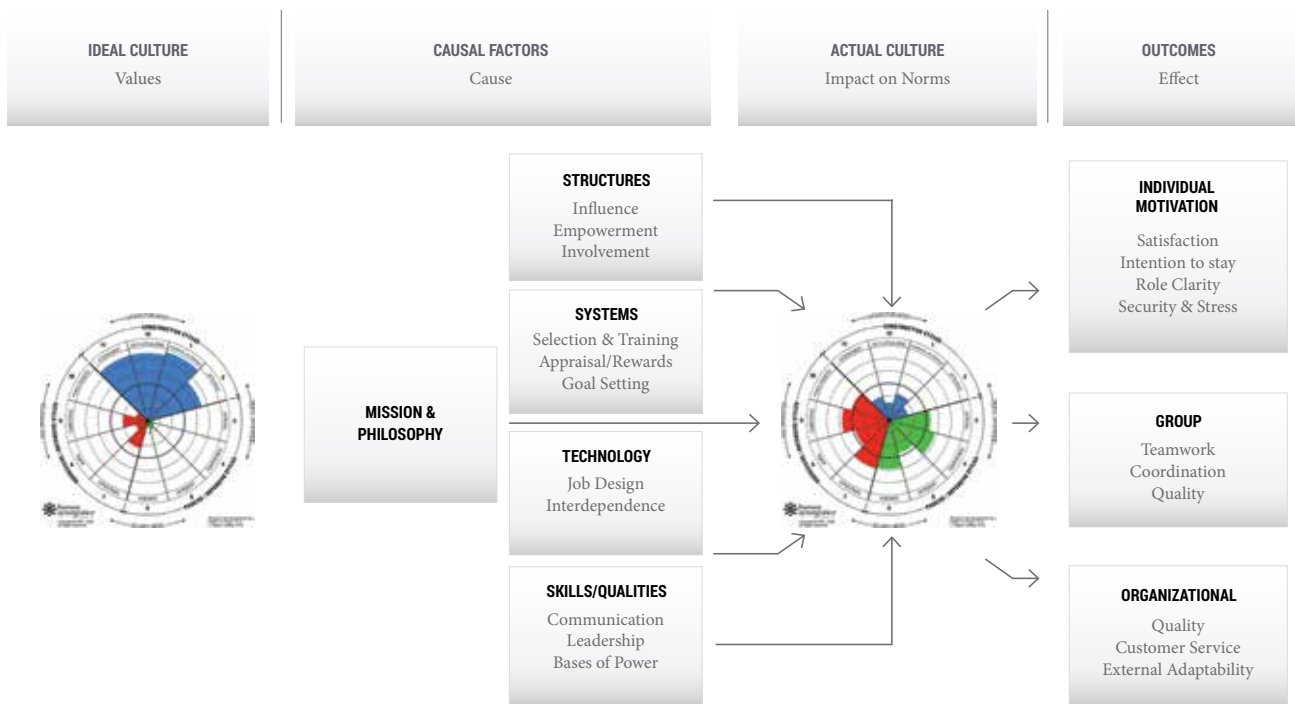- Customer service issues
- Employees talk about 'just doing my job'
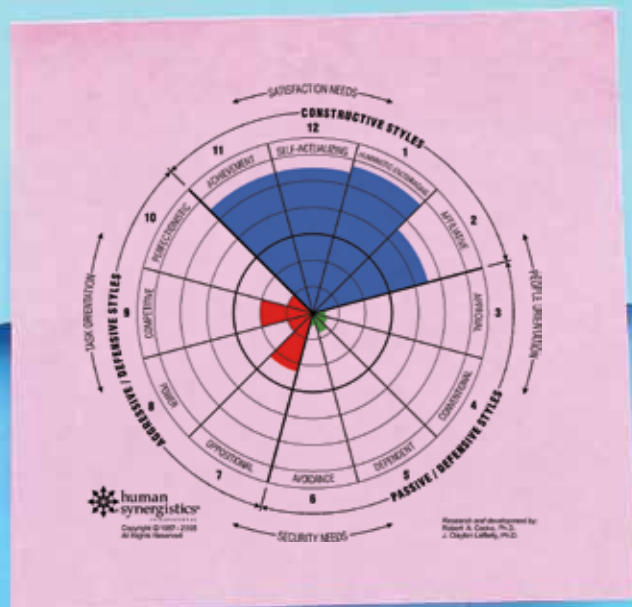
What does a high performance Culture look like?

- High employee engagement
- Great communication and information sharing across functions and groups
- Information flows freely around the organisation
- Upwards communication is forthright and helpful
- People 'step up' and 'take responsibility'
- Lots of creativity and use of individual and group initiative
- Everything just 'ticks along'
- Conflicts are resolved constructively
- Adherence to safety requirements is through commitment rather than control
- There is a sense of 'one organisation' rather than 'my patch'
- Staff are fully involved in helping the organisation improve its performance
- Employees feel they have a 'personal stake' in the organisation's outcomes
- Employees report a high personal sense of accomplishment from doing their jobs
- Great customer service
- A real emphasis on quality not quantity
- Employees will 'go out of their way' to make sure a good result happens
- Employees talk about being supported, challenged and stretched

How does Culture work?

Given that an organisation's culture represents the shared behavioural norms regarding how people believe they are expected to behave, we now need to shed some light on how organisations create such expectations.

IDEAL CULTURE	CAUSAL FACTORS	ACTUAL CULTURE	OUTCOMES
Values	Cause	Impact on Norms	Effect

STRUCTURES
Influence
Empowerment
Involvement

SYSTEMS
Selection & Training
Appraisal/Rewards
Goal Setting

MISSION & PHILOSOPHY

TECHNOLOGY
Job Design
Interdependence

SKILLS/QUALITIES
Communication
Leadership
Bases of Power

INDIVIDUAL MOTIVATION
Satisfaction
Intention to stay
Role Clarity
Security & Stress

GROUP
Teamwork
Coordination
Quality

ORGANIZATIONAL
Quality
Customer Service
External Adaptability

How Culture Works Model from Robert A. Cooke, Ph.D., and Janet L. Szumal, Ph.D., Organisational Effectiveness Inventory ™ (OCI/OEI) Feedback Report, Human Synergistics International, Plymouth MI. Copyright © 1987 - 2016. All rights reserved. Used by permission.

The research work of Dr Robert A. Cooke has led to the 'How Culture Works' Model:

As the model illustrates, understanding how culture works means looking at 4 separate but interrelated components:

1. Ideal or Preferred Culture

Most organisations have established a statement of 'core values'. These represent a set of desired behaviours – they describe the way senior executives want people to behave. These set the 'baseline' for behavioural expectations.

2. Causal Factors

These are the antecedents of culture – they 'come before' and determine what the culture will look like – how people believe they are expected to behave in order to fit in, get ahead and at times simply survive. Dr Cooke's research has identified these to be:

Articulation of Mission: Simply having a set of values is not enough. They must be real, they must be alive, they must be visible and they must be meaningful. How effectively these are articulated throughout the organisation influences the organisation's culture. Alongside this is the organisation's mission and/or vision statements.

Why does the organisation exist, who is it there to serve and what is its role in the wider society? How these are expressed influence the organisation's culture.

For example: the organisation reflects its true preference through the ways they emphasise shareholders, customers and/or staff in their mission statements. If such statements are all oriented towards shareholder wealth, no matter how much management talks about customer service, people will believe that it's all about profitability. Perhaps the organisation has printed 'core values' everywhere for everyone to see, but when asked, top executives can't even remember what they are.

Structures: How the organisation's structure allows people to have influence, get involved, be empowered and contribute to how the organisation functions. Can people influence what goes in the organisation? Are their ideas listened to? Are their opinions asked? Is authority very centralised or decentralised? How much influence at various levels of the organisation do people have? All of these send a message regarding how people should behave.

For example: An organisation reaps the benefits of economic efficiencies from a highly centralised structure, but then expects people at lower levels to use their initiative and take accountability, when the structure actually reinforces the notion that they are not trusted to make decisions.

Systems: What messages do people take from what gets reinforced throughout the organisation? What gets rewarded? What gets punished?

Human Resource systems are powerful reinforcement mechanisms for giving people messages about what gets rewarded and what gets punished. Who gets promoted? How do people get promoted? How are opportunities made available? Do people receive the training they need to do their jobs and how does the organisation deal with diversity?

Appraisal and reinforcement systems – how the organisation monitors and reinforces performance sends a very powerful message regarding what is important. Are measures based on objective criteria? Is there a clear line of sight between effort and outcome? Are people being held accountable for performance outcomes they can actually influence? Can people rely on good performance being recognised and rewarded, or are mistakes emphasised and blame prevails?

Goal Setting systems – how the organisation goes about motivating people to achieve results also sends important messages – are goals clear and challenging? Are people involved in the process? Are goals fully accepted?

For example: a forced choice performance appraisal system reinforces the belief that performance is based more on comparisons than actual performance, resulting in minimal sharing of information and competition rather than co-operation.

How does Culture work? (cont.)

Job design:

How jobs are designed has enormous impact on the organisation's culture. The key question here is – how motivating is the job itself? Is the job designed and structured to allow people to realise their full potential or is it designed to maximise efficiency through standardisation, compartmentalisation and specialisation? How much autonomy, variety, identity and significance is built into the design of jobs? Are jobs designed in ways that allow the people performing them to see how well they are performing or do they need feedback from supervisors in order to know how well they are performing?

For example: Jobs are designed in ways that limit autonomy but then management is surprised when their requests for innovative thinking and performance accountability fall on deaf ears.

Communication and Leadership:

How effectively an organisation communicates up and down the organisation impacts on culture. Downwards communication needs to be timely, complete, credible and consistent. Upwards communication needs to be forthright, uncensored, provided voluntarily and acted upon. The content of such communication is also important. It should be more than simply facts and figures. It should be to promote discussion and how to solve problems.

Leadership needs to show a balance of task and people orientation, with leaders facilitating work achievement and interpersonal connectedness. It is also about how much the leaders communicate expectations for excellence. How leaders lead and how managers manage is at the very heart of organisational culture. Do managers and leaders role model excellence, do they facilitate peoples' ability to achieve and do they work together to illustrate collective effort?

For example: Top management want to build a sense of 'one organisation', but downwards communication is all about how each division or business unit is performing, reinforcing the siloed business. Leaders and managers talk about the importance of culture, but their own behaviour doesn't genuinely role model the values and desired behaviours they espouse.

3. Actual operating culture

The behaviours that are reinforced by the Causal Factors referred to above. These become the behaviours that people believe they should use in order to fit in and get ahead. Such behaviours could be:

Constructive behaviours – expectations for organisational members to strive for excellence, to learn and grow, to support each other, build relationships and work collaboratively. Operating cultures with these expectations motivate people to perform at a high level, producing sustainable results over time.

Passive/Defensive behaviours – expectations for organisational members to be cautious, to push decision upwards, be tentative about ideas and ensure they please their managers. Operating cultures with these expectations motivate people to seek security by hiding behind rules and regulations and rigidly adhering to procedures, making the organisation vulnerable to change and unsustainable over time.

Aggressive/Defensive behaviours – expectations for organisational members to be forceful, critical, competitive (against each other) and to put work before anything else. Operating cultures with these expectations motivate people to seek short-term solutions that provide a 'quick fix' but create issues over the longer term. Whilst short-term performance may, under certain conditions, be strong, longer term performance is unsustainable.

4. Outcomes

Outcomes of culture occur at the individual, group and organisational levels. Individual level outcomes include such factors as employee engagement, motivation, role clarity and stress. Group level outcomes include teamwork and inter-unit coordination. Organisational level outcomes include quality, customer service, organisational adaptability, safety and many other industry specific outcomes such as shrink rate in the retail industry.

ORGANISATIONAL CLIMATE (E.G. ENGAGEMENT)

Easier to see & easier to change

Short-term implications for performance

What most organisations act upon

Outcomes of culture/symptoms of culture

ORGANISATIONAL CULTURE

Harder to see & harder to change

Long-term implications for performance

Better predictor of performance over the long term

Can be measured and developed

Why does Culture matter?

Because it influences everything that goes on in the organisation. It comes into play when people are solving problems and making decisions; when people are working together in meetings or as a team; when people are having to respond to a crisis; when people are planning and setting targets for performance; when conflicts occur; when managers manage and when leaders lead.

As a consequence of this, culture is the best predictor of your organisation's ability to execute its strategy. Your culture will either work for you or work against you.

As Edgar Schein Professor Emeritus at MIT Sloan School of Management once said:

"If you do not manage culture, it manages you, and you may not even be aware of the extent to which this is happening."

Our analysis of over 2,000 organisations in Australia and New Zealand shows:

Organisations with more Constructive cultures have;
At the individual level, staff who are:

26% more satisfied

32% more motivated

19% clearer on what is expected of them

26% less stressed

25% more likely to stay with the organisation

At the group level, staff who report:

28% more effective teamwork

30% better inter-unit coordination (less silos)

25% greater commitment to producing a quality result

At the organisational level, staff who report that the organisation:

Is 32% more adaptable to changes in its external environment

Produces 32% higher quality performance
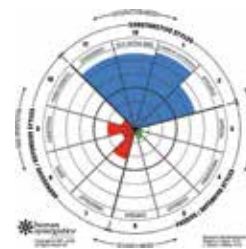
How do we identify our Organisation's Culture?

"We have seen a large number of organisations 'change' their culture and a total of 47 organisations have achieved what we would call a 'total transformation' of their organisational cultures."

Culture need not be either 'airy fairy' or conceptual. It can be measured. It can be described. It can be quantified. It can be defined and it can be described.
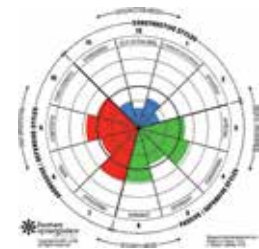
The Human Synergistics Circumplex provides a graphical representation based on survey data of the organisation's Ideal Culture and Actual Operating Culture. Using 12 behavioural styles positioned around the Circumplex to show the relationship between these styles, the profile clearly identifies where the stronger and weaker styles exist.

Using the Circumplex to graph the survey data, the organisation clearly sees it's Ideal and Actual cultures, along with the gaps between the two:

IDEAL CULTURE   **ACTUAL CULTURE**

Human Synergistics Circumplex by Robert A. Cooke, Ph.D., and J. Clayton Lafferty, Ph.D., Copyright © 1973 - 2016. All rights reserved. Used by permission.

Can Culture be changed?

Research clearly shows that culture can be changed. What's more, experience here in Australia and New Zealand shows it can be changed. We have seen a large number of organisations 'change' their culture and a total of 47 organisations have achieved what we would call a 'total transformation' of their organisational cultures. These organisations have worked hard to move from a culture that reinforces Passive/Defensive and Aggressive/Defensive cultures to ones that are genuinely Constructive.

But it's not easy – it takes time and it takes concentrated effort to identify the relevant causes of current culture (see pages 13 & 14), turn these into levers for change and make the level of improvement needed to significantly impact culture in a way that people are saying that the organisation has not just changed, but has genuinely transformed the way people approach their work and interact with each other.

For such transformation to take place our research shows there are certain key principles that need to be in place:

Principle #1: It starts at the top – for culture change to become a reality it requires exemplary modelling by the CEO and the Executive team.

Principle #2: It requires a 'burning passion' more than a 'burning platform'. It needs someone at the top of the organisation who is passionate about making the organisation perform at a higher level. This could be the CEO but at times it has been the head of HR.

Principle #3: The case for change needs to be made. Survey data identifies where specific effort needs to be directed. Without this it's a bit like shooting in the dark. You might get lucky, but you probably won't.

Principle #4: People need to be engaged in the process. Widespread 'listening' lays the foundation for constructive dialogue and increased personal involvement on the part of the critical mass of those in the organisation – increasing the volume of upward and downward communication.

Principle #5: Create a vocabulary around change and what it means for people. Storytelling, the use of metaphors, scenarios, ideal future state all form part of this.

Principle #6: There is no one 'magic solution'. Every organisation must learn for itself what will work for that organisation. Simply copying what so-called 'excellent' organisations do does not work. Each organisation must address its own causes of culture and design a program to tackle these. That's where survey data is vital. And involve the people to help design these programs.

Principle #7: Build self-awareness through feedback. Awareness is the key – how people at all levels behave, the impact leaders and managers have on those they lead and manage, how people work together in groups and how people interact with each other across functions within the organisation.

Principle #8: Build in reality checks. Monitor what's working and adapt what is not.

Principle #9: There is significant science behind the process of culture change. Don't ignore it and 'go it alone'. Find expertise and challenge assumptions. Remember that lack of acceptance of change is the single biggest reason that change programs fail. Research shows that more than 66% of major change initiatives fail to realise their intended gains, yet more than 95% of these had good solutions.

Principle #10: Remember culture is about the systems, structures and processes that have led people to believe they should behave in certain ways. Whilst it's seductive to focus on the behaviour, the focus in the early stages needs to be on the reinforcement systems that drive that behaviour.

Does changing Culture make any difference?

Improved performance indicators we have seen in Australia and New Zealand achieved as a result of building more Constructive cultures include improved:

Financial Services Organisations:	Risk management Customer service Revenue Cost to revenue control Employee engagement
Fast Moving Consumer Goods:	Revenue Profitability Employee engagement Staff retention and associated costs
Hospitality:	Operating cost management Staff retention and associated costs Brand reputation
Resources:	Safety Commercialisation of research projects Staff retention
Storage Services:	Customer satisfaction
Publishing:	Revenue Profitability Customer service Employee engagement
Water Utilities:	Efficiency Customer service Staff retention
Local Government:	Operating costs management Customer service Staff retention

Central Government:	Processing times Operating costs management Customer service
Retail:	Revenue Profitability Shrink rate Market share Staff retention
Telecommunications:	Customer satisfaction Customer base Revenue Employee engagement
Construction/Project Alliances:	Revenue Profitability Safety Project delivery Collaboration (between Alliance partners)
Professional Sports Clubs:	Stakeholder satisfaction Revenue On-field performance
IT Services:	Revenue Profitability Customer satisfaction
Professional Services:	Revenue Brand Customer service
Advertising:	Revenue Profitability Staff satisfaction

Tools to help you

Human Synergistics aim to make the intangible tangible. To take concepts such as organisational culture and make them visible, tangible and real. Our survey measurement and feedback tools are designed to help you:

Identify your ideal culture	Identify your current culture	Identify what causes your current culture	The impact your culture has on individuals, groups and your organisation
What behaviours will help your organisation achieve its goals and excel at what you do?	What behaviours are currently being reinforced and how do people believe they are expected to behave? Is it helping or hindering?	How effective are your current organisational practices and how do they impact your culture?	What impact is your current culture having on your organisations ability to achieve excellence.

A research based process of change management – scientifically proven steps in the change process – applying knowledge expertise and support for senior leadership and change agents

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