

Sharpening Your Corporate Edge

*Aligning Culture and Leadership to Drive Your
Business Strategy*

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Table of Contents

	Page
The Living Organism	4
Organizational Culture	6
Using Culture to Create Extraordinary Companies	7
The Dimensions of Culture	9
Well Defined vs. Fuzzy Cultures	13
Aligning Culture with Your Core Business Strategy	14
Leadership	16
The Psychological Origins of Culture	16
Developing the Leadership That Supports Your Culture	18
Institutionalizing Culture: Making It Endure	20
Using Organizational Practices to Institutionalize Culture	20
The Folly of Mixing Styles	21
Making Teamwork Actually Work	23
Does Size Matter?	26
Creating a Quality of Work Life	29
References	30
About the Author	32

The Living Organism

For over a century the machine has been used as the model for organizations, and as we have heard the best business runs like a “well-oiled machine.” But organizations are biological in nature, not mechanical. They are complex ecosystems that have life within them, not Erector Set constructions. There is a reason that the root for the word “organization” is “organism,” not “machine.” While machines are inanimate objects that require external agents to turn them on, biological systems are alive and purposeful. Looking at the living world it is easy to see that animals have drives - primal biological forces from within that direct their behavior. Higher-order biological systems, like humans, not only have drives, but even more importantly, they have motivations—psychological needs that define who we are. Like individuals, organizations are driven by internal psychological forces that define their character and shape the way they relate to the world around them.

For an enterprise to really succeed, it must understand and develop these psychological forces. It is just as important to have a plan for developing the organization itself, as it is to have a marketing plan or a product development plan. The continual flood of books on leadership, best business practices, and promising human resource approaches shows that there is a demand for a better understanding of how to run organizations. With such a wealth of good ideas, how do you sort through them all to find the ideas that will work for you? All too often executives are faced with either having no real plan for developing their organizations or with having to rely on a loose collection of leadership ideas that lack any real glue to hold them together. But there is another way to tackle the challenge of creating the type of organization that can best help you succeed. We will take a systematic approach to understanding how to align your organization’s culture, leadership, and business strategy to give you a blueprint for creating an organization by design, not by default.

Sharpening Your Corporate Edge

A comprehensive approach to sharpening your corporate edge has four essential components: (1) creating a corporate culture by design, (2) aligning your culture with your business strategy, (3) defining leadership practices within your organization that support the culture and keep it aligned with the your business strategy, and (4) identifying ways to institutionalize your practices to drive results. In this paper, we will look at each of these components along with the results of numerous research studies that demonstrate the power of taking a comprehensive, focused approach to developing the psychology of the organization.

Developing your organization – shaping its psychological life – may be the “soft stuff” of business, but it is this soft stuff that creates truly successful organizations. After all, this soft stuff it is often the hardest part of managing an enterprise, but the benefits of devoting as much attention to the human side of your business as you do to the technical and financial aspects are just too compelling. Companies that know how to develop their cultures and their people build more productive organizations and create a better quality of work life for employees. Companies that know how to develop their cultures and also align their cultures with their business strategies can not only do a better job of harnessing the energy of their people, they can actually unleash that human potential to do more than anyone imagined.

Organizational Culture

Anyone who has traveled to another country has probably been very aware that “culture” is real. In fact, all social organizations that have been around for any length of time develop cultures. Not only does this include the obvious groups, such as countries and tribes, but it also includes smaller social organizations, such as companies, cooperatives, religious institutions, and associations. Culture is important because it provides continuity, structure, common meaning or beliefs, and order. Culture makes it possible for people to know just how to act to support the organization or group they are in. These social actions – “the way we do things around here” – develop into patterns that become stable over long periods of times, even decades. When dysfunctional, these patterns may seem more like bad habits, which prove to be very annoying, but somehow seem to persist in spite of being dysfunctional. When positive and effective, these patterns make the organization function better.

Companies or business units with strong cultures quickly assimilate new members into the organization and help them understand “how we do things around here.” By making norms, values, and expectations very clear, people are able to know what to do to fit in and be part of the group. Strong cultures also create strong identification with the organization and can foster increased loyalty among members. When cultures foster high morale and are also able to elicit strong loyalty, the whole organization becomes energized by an *esprit de corps* - the sense that people feel special and are excited to be part of this group.

Though all companies have cultures, most end up with their culture by default, not by design. Most organizations simply do not take the time needed to fully understand and build the culture that will drive success. Failing to consciously shape and cultivate the culture of an organization can be as limiting to a business as not paying attention to thoughtfully managing its financial resources. In over two decades of professional experience consulting to organizations of all sizes, from small non-profit agencies to global information technology businesses, I have found that few organizations pay real attention to the very thing that makes them who they are:

Sharpening Your Corporate Edge

their culture. In giving short attention to culture and the appropriate leadership practices that best fit a particular culture, businesses actually end up failing to fully utilize the talents of their people, the most important resource of all.

Culture is to organizations what personality is to individuals; it defines who we are. The hallmark of a person with a well-developed personality is maturity. To achieve maturity as individuals requires that we be willing to question, reflect on, and learn from the challenges in our lives. It is only through this personal, very *psychological*, exploration that we come to fully realize our own values, beliefs, and primary motivations. From this personal exploration we are then able to make conscious, thoughtful choices about who we will be and create our character. Likewise, for organizations to develop maturity—that is, to be able to tap the best that is within them—they must also pursue conscious self-exploration and chart a course based upon the values and core beliefs about who they are. The difference between organizations that understand and develop their cultures and those that do not—the difference between culture by design and culture by default—is staggering.

Using Culture to Create Extraordinary Companies

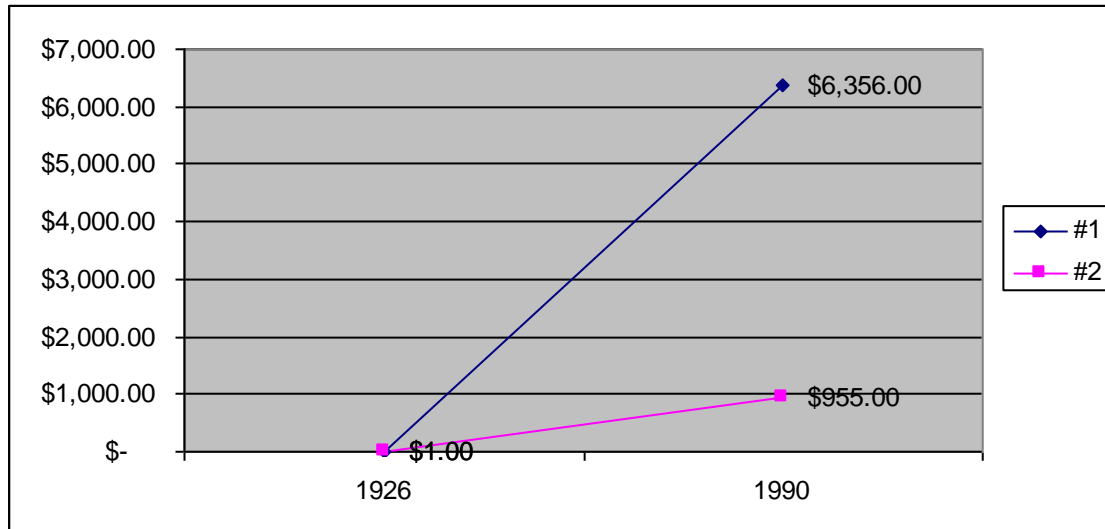
Stanford Graduate School of Business Professors Jim Collins and Jerry Porras set out to discover the secret of the world's most successful companies, embarking on an exhaustive six-year study. They selected the Number One and Number Two dominant companies in each of 18 key industries and thoroughly analyzed the founding, growth, and development of these companies. Their basic question was, “How do these highly successful companies get to be so successful? What makes them different?”

Over the course of 65 years, from 1926 through 1990, the stocks of the companies that remained Number One in their industry outperformed the stock market by 15 times. As the companies all experienced the same business and economic cycles, there clearly was something enduring about these companies that made them different. Collins and Porras' research exploded several myths commonly held about what it takes to make great companies. Contrary to their expectations, they found that it took neither a great product nor invention to differentiate these extraordinary companies nor a charismatic captain of industry to start them. These companies did not achieve greatness by taking the conservative approaches that we often associate with the phrase “blue chip company.” And while bold in the marketplace and much more successful than other companies, they did not dwell on beating the competition.

Sharpening Your Corporate Edge

What distinguished these extraordinary companies, the Number Ones, from everyone else, even the Number Twos, were their cultures—their core ideology and sense of purpose for existing. To be an employee of one of these great companies means sharing in a powerful vision and being driven by a set of clear values. In fact, for these great companies embracing a defined vision and a set of core values is every bit as important as technical performance. Creating clarity and a vision of the company's culture drives success in several ways. *First*, people in these companies have an exceptionally strong focus on the purpose of the company and how it is to be run. Working here is not just a job, it's a mission. *Second*, there is almost a religious quality to these cultures. Their cultural strength attracts people who fit in and repels those who do not match. Misfits leave quickly because they know they do not belong. The people who stay are there because they share the vision. *Third*, the emphasis on purpose and vision—the heart of the culture—clearly elevates the importance of people. It is the people who are the company, not products or capital assets. And through this genuine valuation of people as the real assets of the company, leadership emerges from all ranks throughout these companies. Leadership is no longer defined by a position on an organizational chart but by the way committed people assume responsibility for all aspects of making the company work.

One might think that being Number Two in a major industry, such as pharmaceuticals or airlines, is not a bad achievement. And we might expect that the Number Ones and Number Twos would be fairly similar with the Number Ones being just a little bit better, but that is not what Collins and Porras found. The exceptional companies are extraordinary because their *achievements* were extraordinary, even compared with the second-best in the industry. Over the 65-year period of 1926-1990, the extraordinary companies not only beat the market as a whole, but they created almost seven times as much wealth as the Number Twos! If one had invested one dollar in each of the Number Twos in 1926—the first year that all of these companies were publicly traded—the investment in the Number Two companies would have grown, on average, to \$955 by 1990. That increase from \$1 to \$955 represents a compounded annual growth rate of just over 12%. Not bad. But if you had invested one dollar in each of the extraordinary companies over the same period of time, your investment would have mushroomed to \$6356, a growth rate of 15.7%!



No. 1 vs. No. 2

The Dimensions of Culture

Dissatisfied with the often vague and slippery use of the concept of culture, organizational psychologist and management consultant Bill Schneider set out to develop a theory of organizational culture that would clearly distinguish among types of culture and that could predict the types of organizational actions that would either support the culture or conflict with it. Through the use of survey research techniques he was able to identify four types of core company cultures. All business organizations can be described using this four-culture framework. His work also identified the leadership style that best supports each culture, enabling companies to develop leadership practices that align with and support their specific culture.

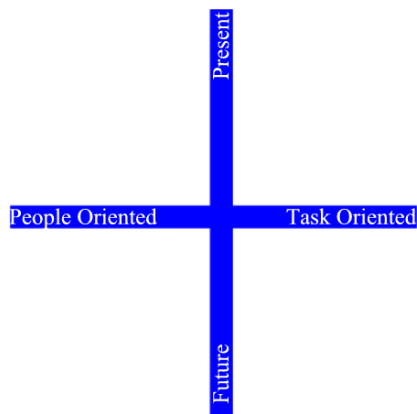
Through his research on organizations, Dr. Schneider identified two key characteristics that consistently and reliably classified a company's culture. The first dimension was whether the organization was primarily *task oriented* or *people oriented*. Task oriented organizations tend to be impersonal, more interested in things and ideas than in people. These organizations are analytical and rational – they value logic over emotion. People oriented organizations, on the other hand, are primarily concerned with how people feel and what they experience as part of the company or when dealing with the organization. Human experience outweighs logic.

With task vs. people orientation as the first identifiable characteristic, Dr. Schneider grasped that there was another characteristic that occurred independently of the people vs. task orientation. This second characteristic related to how organizations dealt with time. While all

Sharpening Your Corporate Edge

organizations have a past, live in the present, and have some expectation about the future, they do tend to have a primary focus on either the way things are (i.e., *the present*) or the possibilities for how they could be (i.e., *the future*). We can see how this time orientation influences how companies deal with creating quality in their products or services. Present oriented companies tend to focus on refining tried-and-true methods with the pursuit of eliminating defects. Future oriented companies tend to focus on innovation, cutting edge ideas, and the pursuit of the undiscovered.

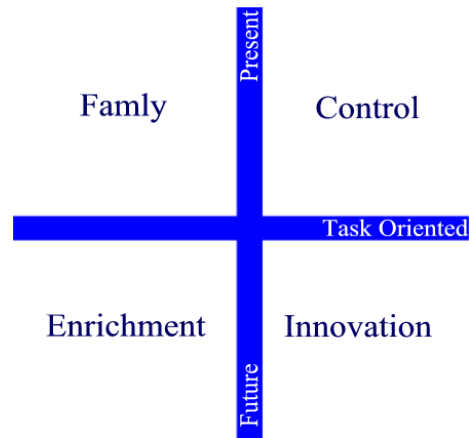
By taking these two separate dimensions of corporate culture, *task vs. people* and *present vs. future*, Dr. Schneider was able to identify a model of organizational culture that was based upon four distinct types of culture. The model then looks like this:



The two dimensions bisect each other to form four quadrants, each quadrant representing a unique type of culture. For our purposes we can name these four cultures *Control*, *Family*, *Innovation*, and *Enrichment*. Starting in the upper right-hand corner we have the Control Culture, a culture that combines task orientation with being focused on the present. These organizations are essentially impersonal, analytical, driven to maintain their power, and above all else they want order and predictability. Moving to the upper left-hand quadrant you will find the Family Culture, organizations that are focused on the present, but oriented towards people rather than tasks. These organizations want everyone to be included and to feel part of the family. These are the organizations that thrive on consensus building. In the lower right-hand corner is an organization whose culture is characterized by being task focused, but oriented to the future; this is the Innovation Culture. These organizations are driven by innovation and the desire to create the next great new idea. They value technical creativity and cutting edge thinking over everything. And in the lower left-hand corner are the Enrichment Cultures, organizations that are focused on the future, but oriented toward people rather than tasks. Their purpose in life is to

Sharpening Your Corporate Edge

uplift the human spirit and make people better human beings. Now, filling in the grid with the culture types we have:



Bear in mind that no type of culture is inherently better than another. All four types can be quite effective, if three requirements are met. *First*, the type of culture must fit the market. It is not surprising that many successful high tech companies are, at their heart, Innovation Cultures. With their emphasis on innovation, inventing revolutionary products or processes, and fast development cycles, Innovation Cultures are well suited to the fast pace and rapid obsolescence of technology. In contrast, organizations that embody Control Cultures often have a tough time in the high tech world, at least if they are in an area that experiences rapid innovation. The need for keeping control of the organization, i.e., having predictability and order, impedes the creative, sometimes chaotic, processes that punctuate innovative environments. *Second*, the culture must fit with the business strategy of the organization. Control Cultures fit best when competing on price or where predictability is crucial, such as most retail and commodity businesses and many transportation businesses. Family Cultures fit best when competing on service and individual attention. Innovation Cultures fit best with market strategies that focus on innovation – being cutting edge or innovative. And Enrichment Cultures fit best when the business sells an intangible that people value, such as, life style in the for-profit arena and the betterment of humanity in the non-profit world.

Finally, there is the matter of execution. Declaring that your company will “be” a particular culture will not make it a reality. Making a particular culture effective requires implementing and executing leadership and management practices that actually make the culture real. Take decision making as one example. In Control Cultures decisions are determined by power, usually position power. Whoever has the highest rank decides. Control Cultures want everyone to know who is the boss. In Family Cultures decisions are derived largely through

Sharpening Your Corporate Edge

group discussion and, whenever possible, by consensus. Family Cultures want everyone to be happy with the decision. Innovation Cultures are meritocracies, whoever has the best argument or best thinking should have the most influence on a decision, regardless of his or her position in the organization. Innovation Cultures want an environment that promotes the competition of ideas so that the best ideas rise to the top. Enrichment Cultures base their decisions on what will make people better, individually or as groups. Enrichment Cultures place profits, productivity, and performance secondary to how the experience may make people better human beings.

Types of Organizational Cultures

From years of researching the cultures of companies, Dr. William Schneider identified four fundamental types of organizational cultures, which he named *Control*, *Collaboration*, *Competence*, and *Cultivation*. (I have found that the labels *Cultivation*, *Competence* and *Collaboration* often create confusion. In an attempt to more clearly convey the essence of these four cultures I have relabeled them from his original names to *Control*, *Family*, *Innovation*, and *Enrichment*.) These four cultures can be identified by their distinctly differing approaches to *strategy*, *leadership*, and *organizational behavior*. *Control Cultures* drive for predictability and order. Leadership is authoritative and conservative, with a high regard for “proper channels.” The strategy for success is to create and enforce order throughout the organization and with customers. (Examples are Wal-Mart and Proctor & Gamble.) *Collaboration Cultures* (Family Cultures) pursue close relationships with customers. Mirroring this emphasis on the quality of relationships, their leadership invites high participation and focuses on building highly cohesive teams. Success comes from the quality of relationships, both within the organization and between the organization and its customers. (Examples are Southwest Airlines or Chas. Schwab.) *Competence cultures* (Innovation Cultures) pursue excellence, innovation, being the first with new ideas. Leadership in competence cultures is visionary, sets high standards and encourages people to achieve new heights. The strategy for success is to be exceptional, unique. (Intel or the old Bell Labs would fit here.) The strategy of *Cultivation Cultures* (Enrichment Cultures) is elevating the human spirit, leading people to their greatest potential as human beings. Leadership is charismatic and inspirational. (Examples include W.L. Gore and Habitat for Humanity.)

Well-defined Cultures vs. Fuzzy Cultures

In subsequent research with over 70 companies, Dr. Schneider has identified a phenomenon that is consistent with Collins and Porras' findings. Companies that have a core culture that is distinctly one of the four (Control, Family, Innovation, or Enrichment) are more successful than companies that have "fuzzy" core cultures. By fuzzy, I mean that they have a blend of traits from two or more of the four basic cultures rather than having a unified core culture that is distinctly one of the four. By mixing traits of different cultures these fuzzy companies have great difficulty deciding what they want to be.

Schneider found that companies with clear, focused cultures—companies that were distinctly either a Control, a Family, a Innovation, or a Enrichment Culture—were much more successful than those companies that were blends of two or more of the cultures. The focused cultures produced better financial returns including higher return on assets, higher return on equity and higher return on invested capital. These results are similar to those found by Harvard Business School Professors John Kotter and James Heskett. Analyzing the performance of two hundred companies, Kotter and Heskett found that companies with strong, adaptive corporate cultures enjoyed revenue growth that was three times that of companies with weak cultures. And, like Schneider, they also found that companies with strong cultures had a higher return on capital. If culture is "the way we do things around here," then culture in very effective organizations is "the way we do things around here *to succeed.*"

Aligning Culture and Business Strategy

As mentioned earlier, having a strong culture, by itself, is not enough to create a successful organization. We have already shown that there is no one “best” type of culture, because for culture to be effective it must be compatible with and supportive of the core business strategy. Tracy and Wiersema in their best selling book *The Discipline of Market Leaders* identified three fundamental ways that businesses can successfully relate to markets and customers: focusing on *operational efficiency*, focusing on *customer relations*, or focusing on *innovation*. The most successful companies pick one single business strategy and pursue it relentlessly; they do not try to be all things to all people. This parallels perfectly with Schneider’s conclusion that successful organizations pick *one* culture type and make themselves good at being that kind of company.

While Tracy and Wiersema did not include corporate culture in their consideration, it is easy to see that the high degree of control required to achieve operational efficiency lines up with Control Cultures, the personalization and customizing that goes with making each customer special (i.e., focusing on customer relations) lines up with the Family Culture, and, clearly, emphasizing innovation fits Innovation Cultures.

You will notice that this list of three market strategies does not include a business strategy that matches with an Enrichment Culture. Where does the Enrichment Culture fit in as a possible course of development for businesses? Successful organizations that have true Enrichment Cultures either benefit from strong patronage, such as a charitable organization that consistently receives sizable donations, or sell very high gross margin products or services, such as luxury or “life style” items, that are fairly insensitive to price competition. Enrichment Culture organizations try to maximize the human experience, not maximize efficiency, and enriching the human experience requires resources, therefore, it is essential that these companies generate and maintain high margins in the business in order to support their enrichment activities. High margin businesses often fit niche markets or provide “luxury” goods or services. It is not surprising that some of the for-profit organizations that are Enrichment Cultures are associated

Sharpening Your Corporate Edge

with lifestyle themes that appeal to people with the discretionary income necessary to afford premium prices for products or services that reflect their life values. Companies that seem to fit this group include W. L. Gore (the inventors and manufacturers of Gore-Tex), Patagonia (an outdoor clothing and gear manufacturer started by a world-class rock climber), and Celestial Seasonings (a tea company with a distinctly New Age flavor.)

Leadership

The Psychological Origin of Culture

Cultures get defined and established through leadership practices. They become institutionalized, that is, become embedded throughout the organization, when the practices and procedures of the organization reinforce the cultural expectations. If culture is the “personality” of an organization, then leadership practices can be thought of as the pattern of behaviors that reflect the core motivation of that company’s particular personality. It is not surprising, then, that we find a core dominant psychological motive within the leader who first defines and establishes an organization’s culture. If the culture is established by the company’s founder, this dominant motive is likely to be a part of that person’s particular psychological makeup. If the company has undergone a change in culture, then the new culture is likely to be an extension of the dominant motive of the leader who introduced and lead this culture change. Looking at leadership and culture as being two sides of the same coin we will explore each of the four key types of culture and identify the psychological motives that produce each one.

The preeminent psychologist David McClelland devoted his professional career to researching the role of motivation as an underlying force that drives people to relate to the world in his or her own way. He identified three important motives that become established early in life, usually before the teenage years, and which dominate our behavior throughout our lives. These motives were the *need for achievement*, the *need for power*, and the *need for affiliation*. The need for achievement is a drive to accomplish things, to climb higher mountains. The need for power (which might be more accurately described as a need for influence) is a drive to influence others to do things. The need for affiliation is a deep-rooted desire to be involved with people, to be social.

Motivation can range from very low to very high on any of these needs. People who have a high motivation typically are high in one of these three needs, occasionally high on two, but not likely to exhibit very high drives for all three. More commonly when someone is highly motivated, we usually see that one need is much stronger than the others. For example, it is not unusual to find among successful managers and executives a pattern of high motivation on one

Sharpening Your Corporate Edge

need, medium drive on a second, and low motivation on the third need. Entrepreneurs are often very high in their need for achievement. Many high level executives, though certainly not all, are high in their need for power. And someone who is a very good “people person” will very often have a high need for affiliation. It is important to note that not everyone has a high motivation on any of these needs; quite simply, some people may have little or no desire to accomplish things, influence people, or be socially involved.

That gives us three deep psychological motives that can be used to explore the relationship between psychological makeup and the extension of a leader’s personal psychology into the organization as it shapes a corresponding culture. But what about a fourth motive to round this out? While McClelland’s work does not fit perfectly with Schneider’s, we can find a possible match in the work of Abraham Maslow. Maslow is credited with giving us an understanding of how people can develop an innate need for self-actualization, a drive to find their potential as human beings that emerges after they have met needs for security, material comfort, social approval, or ego gratification.

Combining McClelland’s three needs with Maslow’s theory of self-actualization, we can then see the four key cultures that Schneider identified as extensions of these four deep-rooted motives. Control Cultures can be seen as extensions of a personal need for control (to direct and influence people), Family Cultures can be seen as extensions of a personal need for affiliation (making everyone feel included), Innovation Cultures can be seen as an extension of the drive to achieve greater and greater accomplishments (always seeking higher mountains to climb), and the Enrichment Culture can be seen as an extension of wanting self-actualization (to discover your greatest human potential.)



Promoting the Leadership That Supports Your Culture

Effective leaders must master a wide range of behaviors, but the frequency of occurrence of these behaviors will differ depending upon the culture. Since each culture emerges from a different underlying psychological motive or need in a founder or leader, we can expect to see different leadership behaviors emphasized in each of the different cultures.

Control Culture. Recall that the Control Culture strives for predictability and order. Hierarchies and chain of command are important for knowing where you belong in the organization, who reports to whom, and who has control over what. Power (or influence) is derived primarily from one's position, that is, the higher you are in the organization the more control you have over the decisions and actions of others. The organization wants everyone to know his or her place and exactly what is expected of everyone. A classic example is the military where everyone is expected to salute officers of higher rank and to obey their orders.

Control Cultures compartmentalize functions so that everyone knows his or her role, and managers implement methodical processes for getting work done. Communication is primarily down and up, from managers to direct reports and back. The function of workers is primarily to know their specific jobs and to follow orders. If they contribute ideas, these ideas must still be approved and supported by managers. In the sports world, a good example would be a football team where everyone has a very well defined role, the coach and quarterback call the shots, and players do endless rote drills practicing the same steps over-and-over. The communication is mostly in the form of an order from the quarterback to the squad, after that each player is to do his job as practiced.

Family Culture. The Family Culture values close relationships. It can be a very warm, friendly atmosphere where success is measured primarily by the quality of those relationships. Power in a Family Culture goes to those who are the best "people people," that is, those who are most understanding and emotionally responsive to others.

Since power in Family Cultures is derived from the quality of relationships, it is not surprising that the role of managers is primarily to foster positive relationships among workers and foster close teams. Managers seek involvement from everyone and collaboration among all. "Teamwork" is the work that matters. There is a generalist emphasis with a high level of cross training so that team members can fill in for one another or "play" each other's position.

Sharpening Your Corporate Edge

Innovation Culture. The Innovation Culture strives for excellence, new knowledge, and innovation. Power derives from expertise and goes to those with the best ideas, and power shifts depending upon whose expertise is most valuable at any given time.

Workers are expected to be experts in their particular areas. Managers establish objective measures of success and support the best solution, regardless of who originates it. While workers in Control Cultures may be assigned specialized roles or tasks, in Innovation Cultures workers are expected to know more about their particular areas of expertise than anyone else and, therefore, must take the initiative in defining their own roles to best accomplish the mission. As working groups, these specialists often work in project teams or in matrix organizations where the assignment to a team or project is based upon who has the requisite skill, knowledge or experience needed for this specific assignment.

Enrichment Culture. The Enrichment Culture attempts to elevate the human spirit and make people better human beings. Power goes to those who are best able to articulate a vision that inspires others and enables them to discover new possibilities for themselves. The leadership in Enrichment Cultures is often charismatic, and the role of managers is to be spiritual leaders who individualize work tasks to foster the unique potential of each worker. Even when working in a team, the goal is the elevation or growth of the individual. The kind of team that might be found in an Enrichment organization would have tasks to perform, but would create opportunities for individuals to perform those tasks that provides them with personal growth. With this emphasis on inner growth, decision-making is often intuitive in these cultures.

Institutionalizing Culture: Making It Endure

Using Organizational Practices to Institutionalize Culture

Decision Making. If leadership drives culture, established practices and procedures structure it. Just as the four key cultures require different leadership styles, they also require different institutional practices. Two important practices that need to be considered are *decision-making* and *rewards and recognition*. In Control Cultures decision-making is hierarchical, methodical, and aimed at creating predictability and stability. Even when there is open debate or discussion, in the end the senior ranking person makes the final decision. Contrast this with Family Cultures where decision-making is consensual and made primarily by teams. Decision-making is very participative and everyone has an equal say. Decision-making within Innovation Cultures is based upon the merit of ideas, the best idea wins, regardless of whose idea it is. Open discussion is not really aimed at assuring that everyone has a say in the final decision but to make sure that the best ideas are brought forward. Innovation Cultures are true meritocracies where the quality of ideas wins the day. In Enrichment Cultures decision-making is intuitive and driven by a particular vision, whether it is one person making the decision or a group. The quality of a decision is determined by its adherence to or advancement of that fundamental vision. The closer an idea or proposal is to the core vision - the core dogma, if you will - the “purer” and nobler it is.

Rewards. In Control Cultures rewards (e.g., pay) and formal recognition (e.g., non-pay rewards) vary with one’s position within the organization’s hierarchy. In many ways, senior leaders do get to take credit for the work of juniors. Organizations that create clear Family Cultures allocate rewards to teams. Since teamwork is at the heart of Family Cultures, success is deemed to come, primarily, from the effort of groups of people and, generally, not from any single person’s effort. Thus, the entire team is rewarded since it takes the entire team to achieve the result, and each member within the team gets a part of that reward. Innovation Cultures, on the other hand, reward for individual performance based upon the value of someone’s contribution. As meritocracies Innovation Cultures reward individuals for stretching themselves in the pursuit of outstanding performance. Enrichment Cultures are less concerned with the

Sharpening Your Corporate Edge

actual results than with how people stay true to the vision of the culture. Therefore, these cultures base rewards upon each individual's commitment to and enthusiasm for the organization's vision. Efforts do matter, but whether or not the effort produces a "win" matters less than whether members grew in some personal way as a result of making the attempt.

Selection and Promotion Practices. Companies that deliberately use their cultures to achieve results select and promote people who can strengthen the culture and the organization. They go beyond hiring for skills by looking for people whose values, attitudes and personal motivations fit with the organization. No matter how technically proficient someone may be, if she is not compatible with the organization's culture, there is just not a good fit. It is important to populate the talent pool with people who will want to be part of the company's culture. As companies promote people into positions with greater influence, it becomes essential that opportunities be given to those who are capable, both organizationally as well as technically. By making cultural compatibility a consistent selection criterion, an organization creates a wide pool of talent who, as they rise to positions of greater influence, embed the cultural norms in day-to-day business activities.

Teaching Leadership. The best way to prepare people to take the initiative (i.e., be "empowered") and do it in a way that advances the organization's mission is to systematically prepare people to act as leaders. This requires having a planned way of teaching and developing your leadership talent. At its heart, a company's leadership development should focus on imparting the core management philosophy of its senior leadership – who we are, what we expect to accomplish, how we expect to get there, and how we conduct ourselves. To have power, this leadership teaching must be personal, it must convey the vision and intent of the CEO and the senior leadership group, and it should include the hands-on learning of tackling real business challenges of the company as part of the learning experience, not hypothetical cases or abstract material. It should also be a two-way teaching and learning experience, that is, senior executives and managers who participate in teaching the company's approach to leadership must also be open to learning as well as teaching as part of the process.

The Folly of Mixing Styles

In the last 20 years we have been flooded with management theories, books, articles, speeches, and ideas, all promising incredible results. Many are based upon actual success stories or very sound ideas. But trying to put these ideas into practice often yields very disappointing results. Millions of workers and thousands of companies have become disenchanted with this

Sharpening Your Corporate Edge

fashionable promenade of business fad *du jour*. If these ideas were so good and worked so well somewhere else, why do attempts to introduce them into other organizations so often end in failure and frustration?

There are three answers to this question, all of which can explain most failures to introduce leadership and cultural changes. The first is one that is frequently recognized and often cited, lack of real commitment by management. Time and again, executives and managers allow the introduction of innovative organizational management ideas into their companies without genuinely supporting the initiative and seeing it through to the end. One reason these efforts often fail is because senior executives relegate the implementation to others rather than leading the way themselves. Culture and leadership development are treated as programs rather than as a core part of doing business.

The second explanation for failed efforts lies in not understanding the importance of implementing ideas that are actually compatible with the culture of the organization. It should be clear by now that different types of cultures require different leadership styles and different institutional practices to make each culture distinct and focused. Very often, however, the “latest, greatest management guru idea” is one that may look good, especially if it really did work somewhere else, but turns out to be an idea that works well in only one type of culture, but not within the other three. Introduce it into the wrong culture and it not only does not work, but it actually creates internal conflicts and disrupts the organization’s functioning. A prime example is the misuse of some team initiatives. There are companies that have successfully developed teams as the organizational heart of their operations. And as they have grown the capacity of these teams, the teams have developed an ability to manage themselves with minimal direction creating the appearance of “leaderless” teams. Such teams can fit very well within an organization that has defined itself and develops itself as a Family Culture. Teams work well in this environment because the company fosters, supports, and promotes collaborative teamwork. Seeing the success of these teams that seem to manage themselves, other organizations may attempt to introduce self-directed teams. If this transplanting occurs in another company that also has a Family Culture, the effort may be very successful. But try the same approach in a Control Culture or an Innovation Culture and watch out, the ensuing culture clash now starts creating problems rather than solving them.

The third reason efforts fail is that organizations frequently take a fragmented approach. We see this when a company sets out to adopt “best of class” practices without evaluating what kind of environment actually suits each practice and whether these “best” practices are actually compatible with one another. So, introducing the latest ideas in performance management, team

Sharpening Your Corporate Edge

management, employee participation, leadership, and the like may lead to a patchwork of mismatched practices rather than a focused strategy that encompasses a set of aligned and mutually-supportive practices.

Making Teamwork Actually Work

There are few organizations that do not rely on teams, that is, people working collectively in groups where the output of the group is the important product. As mentioned previously, the style of the teams needs to match the culture of the organization. When we talk about teamwork what we often picture is the kind of teams that reflect a Family Culture. These teams promote a high level of involvement and participation from everyone. Implicit in the Family Culture team is the idea that everyone should have a say in the final result; the ideal in the Family Culture is consensus. The role of the leader in the team is to encourage communication, to make sure that everyone is heard, and to serve as a facilitator in bringing the team to consensus. While there are times when pursuing consensus is the right approach, it does not fit every situation or environment, especially in other cultures.

Contrast the Family Culture with the Innovation Culture. Innovation Cultures are by their nature meritocracies. People are considered “unequal” as more weight is given to the ideas of those with the greatest expertise. If an Innovation Culture organization has done a good job of selecting and developing talented people, everyone may have a “day in the sun” as the expert of the moment, but because people are usually expert in different areas their influence will vary with how pertinent their knowledge is to the problem at hand. Picture a skilled medical team composed of an internist, a surgeon, a pharmacologist, and a neurologist. Each embodies a different fund of knowledge and expertise. While they may collaborate in the sense of sharing their respective expertise and conclusions, we would normally expect each would have more say in her respective specialty. The role of the leader in these teams is to insure that the best ideas are brought out and thoroughly explored in order to get the best possible result.

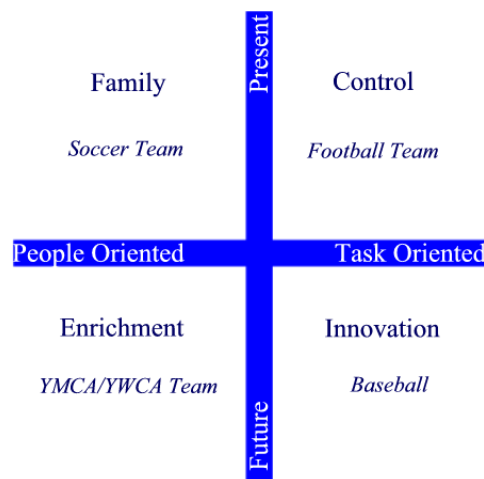
Control Cultures need predictability and order. Members in their teams need to know their roles and exactly what is expected of them. While decision-making is centralized in the team leader, supervisor, or manager, it does not mean that this senior person does not listen to advice from team members, but in the end the final decision is clearly the boss'. The leader is the decision maker.

Enrichment Cultures foster teams that focus on the growth and development of the members in the team. These teams will be less concerned with product than with process for it is

Sharpening You Corporate Edge

the journey that counts, not getting to the destination. After all, if the intent is to bring out everyone's potential, the destination is never reached anyway; there is always more room to grow.

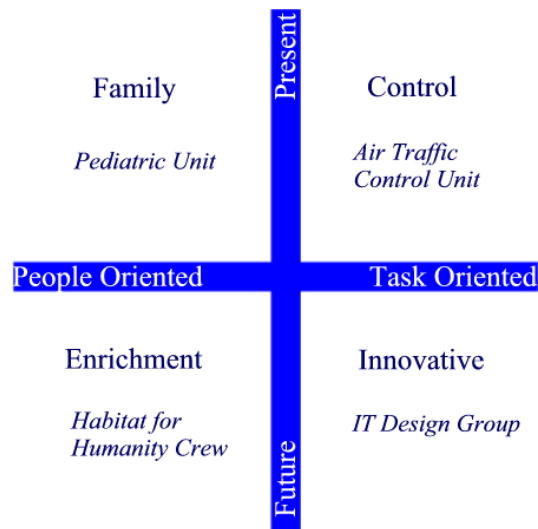
We can illustrate the differences of these teams with four types of sports teams: football teams, soccer teams (or basketball teams), baseball teams, and YMCA/YWCA teams. Football teams score by following well-established plays. Everyone has a particular role to play and is expected to act in that role as directed by the quarterback. Soccer teams operate much differently. While there is a team captain, the captain's role is primarily to be the communication contact between the team and the referee. Because of the fluid nature of the game, team members must engage in a higher degree of communication than in most other sports. Although there are different positions on a team, players are more like generalists as players may have to change positions and almost any player can be the one to score. In baseball, only one player bats at a time; racking up points comes primarily through individual effort. There is little that a player can do to assist another when on the offensive (i.e., when the team is at bat.) Finally, we have YMCA/YWCA leagues. Here the purpose of the game is not really to win, though striving to win is encouraged. The real purpose is build character, to help each young person to find an area where he or she can improve both as an athlete and as a person. Using our two-dimensional diagram we can place these four sports teams in each of our four quadrants as follows:



To illustrate with different work teams, consider the differences between an air traffic control unit, the treatment team on a pediatric ward, a design team in a high tech industry, and a non-profit that serves a greater social cause. In any environment where safety is paramount, organizations responsible for safety are usually Control Cultures; therefore, it is not surprising that an effective air traffic control team might strive for predictability, order, and control. Contrast this with a pediatric hospital team where the care is as much psychosocial as it is

Sharpening Your Corporate Edge

physical medicine. The attending physician may have primary responsibility for diagnosing and prescribing medical treatment, but TLC is so essential to treating children that the nurses, social workers, and others on the team all have a significant say in the treatment planning. In the fast-paced world of high tech where people are constantly pushing the envelope, rushing to discover the “next great idea,” expertise is everything. Teamwork means bringing out the best ideas and putting them together in the most effective way. Organizations that try to elevate the human spirit create teams that inspire and fulfill the soul. We can place each of these four types of work teams in a different quadrant of our culture model.



To foster teamwork that actually works, it is essential that teams be created and developed which are compatible with the core culture. When special operations or activities require that a team function in a manner that is more like a different culture, however, the requisite solution is to create “walls” around that team and its operation. If teams operate according to different organizational cultures and are not separated, there will often be friction between teams when they have to interface with each other, as the members of the different teams will be playing by different, and conflicting, norms. The separation may be physical, such as, locating the teams at different sites or creating a physical barrier that creates a clear boundary between the dominant culture and the team that must operate in an incompatible manner. Another way of separating teams is to have them work at different times, such as, on different shifts. To illustrate this problem consider a consumer products company that is a Control Culture that has an R&D function creating new products. The predictability and efficiency of the overall organization may be best for marketing, inventory control, and product distribution, but stifling for people who must be creative, i.e., researchers. The R&D function would probably be better

Sharpening Your Corporate Edge

suitable to operating like an Innovation Culture, if it is cutting edge, or like a Family Culture, if it requires a lot of brainstorming and high levels of interpersonal energy. To minimize conflicts between the R&D function and the rest of the company, the R&D group has to be insulated from the rest of the organization and treated as a unique team.

Creating teams that match the culture of the organization requires attention to how teams are formed and how they are led. As they are formed the members must be given a clear expectation of what results are expected from them, how the results will be measured, and how those results contribute to broader goals. Leading these teams involves both managerial ability and leadership skill. Managing involves goal setting, scheduling, resource allocation, and monitoring individual and team performance. Leadership involves maintain the team's focus on the goals, setting the ground rules for how the team will function, providing vision and encouragement, and making the most of each team member's talents.

In the earliest stages of team development, regardless of the organizational culture, team leaders (or supervisors or managers) have to give clear direction about the team's goals and the tasks that are to be executed. As the team forms and begins to work towards its goals, team leaders must begin orchestrating the interactions of the team to fit the cultural style of the organization. Granted, among any group of able managers we will find individual differences in how each is most effective as a manager and leader, but in an organization that has a well designed culture that matches and supports its business goals, managers must understand that they are given latitude to do what each does best, but that the overall orchestration of the organization must reflect the core culture. Latitude is allowed in order to give managers room to use their talents as best they can to support the organization's culture and goals; it is not intended to allow managers to do anything they want to do.

Does Size Matter?

The mainstream of books and articles on corporate culture, especially those that include research data to argue their point, all focus on large, publicly traded companies. One convenience about studying these large companies is that most everyone knows something about them. These illustrations, then, are easier to understand because so many of us have some idea of who these companies are and what they are like. Mention Wal-Mart or Johnson & Johnson, and people know what you are talking about; they have some image of what these companies represent and who they are. But if the research has been conducted mainly on large organizations, does it still apply to smaller companies? In my experience, the answer is yes. Whether we are dealing with a

Sharpening Your Corporate Edge

small company with 20 employees or an international enterprise with thousands, having a coherent, well-defined culture makes all the difference in the world in creating an internal guidance system within the organization. Quite simply, culture gives an organization its soul.

But size does matter when it comes to the question of how to implement or change an organization's culture. Obviously, it is much easier to change the culture in a small organization than within a very large one, especially one that may have tens or hundreds of thousands of employees. And when an organization is geographically dispersed, communication becomes more difficult. The larger the organization, the more removed executives are from first line work groups. Communicating the message of who we are and listening to people share how they make the culture come to life becomes a challenge. And the more dispersed it is, the harder it is to sustain continuous two-way dialog. Just as the lack of daily interaction can make it difficult to maintain a long distance romance, the lack of knowledge about the day-to-day events at remote sites can impede creating a critical mass for culture change.

It is not size per se that is the problem, but the amount of communication and interaction between the senior executives who are driving the culture change and the first tier of managers and employees who make up the company's front line. Keep in mind that communication is multi-dimensional. It is not just the messages coming down from on high, from the CEO to the troops; it is also the communication from lower levels to the leaders above them *and among people* as they create the energy to move change forward.

Creating culture change is much like creating a social or political movement. Not only must people be shown the direction you plan to take, but they must also grasp how they, as individuals and as teams of people, can take the initiative to make the culture real. It is not enough for people to follow marching orders and comply with directives on how to act in this culture; after all, this is essentially an emotional process. They must feel committed to the underlying values and vision in a way that compels them to take charge of aligning day-to-day activities with the expectations of the culture and the strategy of the business plan.

The first step in this process is to align the core of senior executives who are responsible for implementing the strategy of the company into an executive team that acts from a common set of values and whose executive members act in a similar way. Like a choir, each member of the executive team may have a different role to play, but everyone must always sing his or her part in a way that blends with the other voices. It is the group's pursuit of harmony with a common purpose that leads to organizational success. It is essential that those who interact with and observe these executives experience that as individuals and as a group they are committed to the core values, vision, and culture of the organization. With this common commitment, their

Sharpening Your Corporate Edge

leadership practices, then, should be seen as similar and aligned with the core values, vision, and culture.

If this nucleus of senior executives is not accountable for defining and implementing the organization's culture, the chance of creating a clear, focused culture that supports the company's business strategy is doomed. After all, if this group is not committed to the cultural vision and held accountable for breathing life into that vision, why should anyone lower in the organization become a true believer?

Once the CEO and the core executive team have learned to sing together, then comes the task of designing an implementation plan for embedding the culture throughout the organization. This plan of action must be tailored to each company or organization - there is no "one size fits all." To be effective, it must be viewed as a central, continuous, ongoing aspect of running the business that is taken as seriously as adhering to sound financial principles and practices.

Creating a Quality of Work Life

A very strong business case can be made for the economic value of building the right culture for your organization and implementing the leadership practices that support that culture. For many, this objective, analytical argument will not be enough to convince them to take on the really heavy lifting that goes with leading culture change in an organization. Creating and developing a truly effective culture takes hard work, and it is continuous work. It never stops anymore than responsibly managing the financial resources of a business ever stops. And this endeavor does require enough emotional intelligence on the part of leaders for them to understand the psychological impact that culture has on people in shaping their beliefs and behaviors.

Beyond the economic benefit of using culture to drive organizational performance, there is also a human benefit. We are above all else social animals. We want to be a part of something greater than ourselves that matters, whether it is our community, our religious and civic institutions, or the places where we work. Organizations with distinct cultures have clear personalities; we can tell what they stand for and whether we belong there. Organizations with distinct cultures attract people who share their values and beliefs about work. Organizations with distinct cultures that are also successful energize people to be part of something great; they nourish the soul and make people feel more complete. The benefit of creating powerful, healthy corporate cultures is real. It makes organizations more effective. Even more important, those organizations can bring greater meaning and satisfaction to the people who make the organization alive. And, as the commercial says, that is priceless.

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