# MANAGING YOUR CORPORATE CULTURE FOR HIGH-PERFORMANCE


## Cass Bettinger

## Cass Bettinger & Associates


Our thesis, based on many years of research and experience, is simple and straight-forward; leaders who are serious about creating consistently superior value for their shareholders should explicitly manage their corporate cultures for high-performance using annual corporate culture surveys. The purpose of this article is to answer two questions. Why? And, how?

**FORTUNE**, in a recent issue honoring America's top-performing companies, declared that the one thing that set those companies apart was their strong, positive corporate cultures – and the fact that those cultures were being explicitly managed for high-performance. We now have an abundance of published research confirming what enlightened leaders have known all along; ***the key to consistently superior financial performance and shareholder value creation is a strong, high-performance corporate culture that attracts, develops, and retains high-performance employees.***

**Cass Bettinger & Associates** pioneered the use of corporate culture assessment and management as an integral component of the strategic planning process over 20 years ago. Today, we work with many of America's top-performing banks to help create, and continuously strengthen high-performance corporate cultures.

We define corporate culture as:

> *"Corporate Culture is "a company's values and behavioral and performance expectations, and how they are encouraged and reinforced."*

Actual values and expectations may, or may not, be consistent with official pronouncements.

An organization's culture has a powerful and pervasive impact on the daily attitudes, behaviors, and performance of every individual and team within an organization. The irony is that culture is fully manageable – yet rarely managed strategically. For many banks, this represents the single greatest opportunity for performance optimization.

The reality is that every company has a corporate culture – and every culture has strengths and weaknesses. Each weakness represents an impediment to superior performance - and a tremendous opportunity if identified and managed strategically. Unfortunately, corporate culture weaknesses are rarely – if ever – self-correcting. Each strength, on the other hand, is a powerful source of competitive advantage if managed strategically. The bottom-line is that high-performance companies manage their cultures; average companies don't. Your corporate culture will impact significantly your financial performance, whether or not it is being consciously managed. Enlightened leaders know this and are using their cultures to drive high performance.

Several years ago, **Cass Bettinger & Associates** collaborated with Western Independent Bankers (WIB) an innovative and dynamic bank trade group headquartered in San Francisco, to study the relationship, if any, between corporate culture and consistently superior financial performance. Two control groups were studied, one consisting of banks with superior five-year ROE performance and the other of banks which under- performed over the same period. Corporate culture surveys were then conducted in each institution. The results were dramatic; the corporate cultures in the high-performance peer group were ***significantly*** stronger and more positive than those in the under-performing peer group.

More recently, John Kotter and James Heskett of Harvard University published, in **CORPORATE CULTURE AND PERFORMANCE**, the results of four studies conducted over an 11 year period investigating the same relationship. Their conclusion?

*"Corporate culture can have a significant impact on a firm's long-term economic performance. We found that firms with cultures that emphasized all the key managerial constituencies (customers, stockholders, and employees) and leadership from managers at all levels outperformed firms that did not have those cultural traits by a huge margin. Over an eleven-year period, the former increased revenues by an average of 682 percent versus 166 percent for the latter, expanded their work forces by 282 percent versus 36 percent, grew their stock prices by 901 percent versus 74 percent, and improved their net incomes by 756 percent versus 1 percent."*

Firms with strong, positive cultures, in other words, *substantially* outperformed their counterparts over the 11 years in revenue growth, net income growth, and increased stock price.

The lesson for business leaders from these and other similar studies is clear; since it is culture that drives the attitudes, behaviors, and performance of individuals and teams, no leadership responsibility is more impactful on financial performance than explicitly managing culture. In fact, when asked by USA Today what causes so many CEOs to fail, Steven Covey replied: "They don't know how to bring about a change in culture."

## HOW ENLIGHTENED LEADERS MANAGE CULTURE

For a company to manage its' corporate culture for high-performance, five key steps are required.

**First**, someone in a position of influential leadership must become enlightened regarding the strong, direct relationship between corporate culture and financial performance and make a commitment to manage the culture strategically. The truth is that the major impediment to regular corporate culture assessment and management is not complexity or cost but simply the lack of leadership awareness and commitment.

**Second,** a corporate culture survey or audit is conducted. The instrument developed and utilized by **Cass Bettinger & Associates** asks each employee to respond anonymously to 92 statements covering 20 components of corporate culture, as shown in Exhibit I.. Each of these 20 components has been validated as a driver of financial performance.

Clearly, the quantification of strengths and weaknesses in these 20 areas can be invaluable to the leaders of any organization. Companies that consciously manage all 20 components strategically will outperform those that do not.

**Third**, once the results are tabulated, the corporate culture survey is delivered to the client. Scores are provided for each statement and for each component. In addition, scores can be presented by subgroup, such as officer and non-officer; geographic area; functional area; length of service, etc.

At this point, the "cultural gap" (the difference between the actual culture and the desired culture) can be quantified and specific opportunities for improvement identified and prioritized. Specific objectives can also be quantified for the next survey. (Most of our clients conduct corporate cultures surveys annually).

**Fourth**, detailed strategies and action plans are developed to address the opportunities and achieve the objectives identified in step three. Each strategy will be designed to make the culture stronger, more positive, and more supportive of high-performance.

Action plans are the discrete steps/actions that must be taken in order to effectively implement a given strategy. Each action plan has a designated team leader and specific due date.

Our report includes detailed instructions on how to use and interpret the data. In addition, unlimited telephone consultation is provided for 60 days and, upon request, our consultants are available to facilitate on-site strategy development workshops.

**Fifth,** the execution of all corporate culture strategies and action plans is monitored and managed on an ongoing basis as an integral component of the strategic planning process.

**Summary:** It's pretty simple really; the leaders of every organization have a choice; they can leave their corporate cultures to chance and let them manage themselves or they can determine the type of culture they want; conduct regular corporate culture assessments; and develop, implement, and manage on an ongoing basis, strategies to make their cultures stronger, more positive, and more aligned with strategic priorities.

Enlightened leaders recognize that the most powerful lever they have for achieving consistently superior performance is the organization's corporate culture, and they manage it strategically.

## EXHIBIT I

## COMPONENTS OF CORPORATE CULTURE

| | |
|---|---|
| 1. Strategic Focus | 10. Discrimination & Favoritism |
| 2. Leadership | 11. Recognition and Rewards |
| 3. Commitment to High Performance | 12. Tolerance of Mediocrity |
| 4. Attitude Toward Change | 13. Policies & Procedures |
| 5. Philosophy, Standards & Values | 14. Teamwork |
| 6. Organization Structure | 15. Communication |
| 7. Sales Culture | 16. Marketing Orientation |
| 8. Orientation & Training | 17. Sales Culture |
| 9. Performance Review | 18. Quality of Supervision |
| 10. Discrimination & Favoritism | 20. Attitude Toward Profitability |

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