

Part IV

The Third Paradox Principle:

Focus Directly on Culture, Indirectly

*"A belief is not merely an idea the mind possesses;
it is an idea that possesses the mind."*

Robert Bolton

{Note: Suggested "call-outs" are duplicated in-line, bolded, and in brackets - [] }

Hanns Johst's sentiment on the prior page may find its echo in the hearts of many otherwise law-abiding executives. Although the concept of corporate culture is familiar to all, many of us still regard culture as something the NEA funds, essentially unrelated to management concerns even if some people insist on applying the term to business. There is good cause for this mostly unspoken mistrust. The word "culture" has built-in ambiguity, describing on the one hand the arts and education, and on the other hand the values and behaviors that typify collectives such as business organizations. This second usage has more to do with anthropology than art -- and the techniques for analyzing corporate culture owe something to anthropologists visiting tribes, interviewing elders, charting kinship patterns, picking up tools and asking "What's this for?" That today's tools are LAN-based PCs with a CD-ROM peripheral and Internet access doesn't nullify the question: "What's this for?" Since we know of no better word than culture for all this, we hope that you will holster your weapon and read on.

[Culture shapes an organization's decision patterns, guides its actions, and drives the individual behavior of all members.]

In this chapter we define corporate culture in two ways -- first analytically, then through observation and cases -- and we shed what light we can on the core paradox that faces managers who recognize a need to "change the culture." Culture shapes an organization's decision patterns, guides its actions, and drives the individual behavior of all members. Visibly, it is "the way we do things around here." Less visibly, it functions in depth as the beliefs, values, and attitudes that permeate an organization. The durability and embeddedness of corporate culture provide continuity -- an important asset -- but also make culture difficult to modify.

[The durability and embeddedness of corporate culture provide continuity -- an important value -- but also make culture difficult to modify.]

Clues to the prevailing culture are evident in revealing details. Just observe people. How do employees interact? Are customers the main topic of conversation? Are the tough issues openly debated in meetings? Or is everything already decided prior to meetings, so that the formal gathering is something like a play where people say their lines, act their parts, and then "the decision" is taken? Do people feel as if they're expected to show up for meetings even when the topic is such that they'll have little to contribute? Do staff members seem to know what to do without being told? Do they interact effortlessly with fellow employees in other offices, even if they have never met? Does the office feel empty or busy? Are the managers' doors open or closed? Do managers have offices at all?

Another place to look for signs of the prevailing culture of an organization is its performance measures and rewards. Performance measures codify culture -- or at least they should. When a select set of measures is established and their importance continually reinforced, strong messages are sent about what counts. Similarly, rewards are another indicator of culture. When carefully crafted, they shape and authenticate the company's values. Connecting these dots could not be more important: powerful execution of strategy is only possible when performance measures are reinforced by rewards and consistent with organizational values.

[Rewards are a strong indicator of culture. When carefully crafted, they shape and authenticate the company's values.]

Many organizations are beginning to recognize the need to reshape their culture. It is common for managers to complain that one or another change initiative didn't have the expected impact because "the culture" got in the way. These managers are aware of the leverage gained when the behavior and decisions of people at all levels are closely aligned with organizational objectives. And they are learning that the effort to change a culture must be as powerful and deep-seated as the culture itself.

[Beware of the premise that if you wish hard enough and talk long enough, the culture will change.]

Some companies attempt short-term solutions to change culture: set up a training program, reorganize the infrastructure, instruct people to care about customers. Such initiatives don't work. Managers we have interviewed complain of wasting time in meetings where everyone frets over developing list upon list of new and desirable cultural characteristics -- meetings where the premise seems to be that if you wish hard enough and talk long enough, the culture will change. No amount of wishful thinking will help. No amount of exhortation can actually transform the cultural fabric of an organization. One manager commented that such things add up to telling her 18-year-old son to ignore those 18-year-old girls!

[No amount of wishful thinking will help. No amount of exhortation can actually transform the cultural fabric of an organization.]

So what *is* needed to achieve culture change? In this chapter we look at examples from around the globe to understand how successful organizations have used common methods of culture transformation to achieve a wide variety of objectives. Inherent in the best culture change efforts is the following logic:

1. In any organization, high performance is largely a function of appropriate behaviors and appropriate decisions on the part of its people.
2. Culture is a strong determinant of behavior and decision patterns.
3. The characteristics of culture and the forces that shape it can be defined.
4. To reshape culture, managers must be aware of these characteristics and shaping forces, and work with them both directly and *indirectly*.

The key concept of indirection leads to the Sixth Paradox Principle:

**“If you want to create a new culture,
concentrate on something else.”**

It is true, of course, that you will need to assess the current culture and understand whether and how it undermines the fullest implementation of your organization's strategy. But having done so, don't make the mistake of obsessing about the values, beliefs or behaviors you would *like* to see. Transform your culture as other successful managers have -- by using the practical tools at your disposal such as measures, rewards, and people practices. Change the characteristics of a culture by changing the forces that influence it. Indirection.

What is culture?

An organization's culture can be defined by the following six characteristics:

Values - The principles or qualities considered worthwhile or desirable by the organization, such as client service or product innovation, candor or collegiality. Values can attach to any element of your business model: customers, employees, shareholders, products, service levels, and the like. Values tend to persist over time, even as the organization evolves.

Beliefs - The hypotheses, assumptions, and business model which the organization holds to be true. Implying a view of the world in general, beliefs can be functional or dysfunctional. Beliefs generate paradigms, i.e., compelling models of what is best for the business and how best to act. Paradigms also can be functional or dysfunctional, furthering or hindering organizational goals. Shared beliefs exercise a tremendous, sometimes unseen influence on decisions.

[Beliefs generate paradigms, i.e., compelling models of what is best for the business and how best to act.]

Norms - The standards and rules that evolve in the organization, such as how hard people work, when they come

to work, and when they leave. Norms embrace matters at all levels, from dress code and attitudes toward weekend work to whether or not a slow growth strategy is acceptable. Norms, often unwritten, affect the decisiveness of managers and employees. They determine how inclusive or exclusive people will be in making decisions and carrying out their jobs.

Climate - The feeling or atmosphere that typifies an organization, noticeable in the physical layout of work spaces and, far more acutely, in the interactions of organizational members with each other, with customers, and with other outsiders. What's it like to work inside this organization? Is it a formal or informal organization? Do people worry about who should receive an e-mail message, or do they copy as many people as they believe will be interested or helpful? Do people raise or avoid issues?

Symbols - The icons, lore, rituals, and traditions that embody strong messages regarding what is important. These can include positive events such as annual ceremonies and celebrations, and recognitions such as a special parking space for the employee-of-the-month. Symbols can also be negative -- corporate regalia such as wrist watches and rings available only to the Chosen, lavish corporate parties when annual increases for the rank and file have been cut back because of business results.

[Insert Figure 6.1 - Culture On Two Levels]

Philosophy - The espoused policies and ideologies that guide an organization's actions toward owners, employees, customers, and all other stakeholders -- epitomized by "the HP Way" at Hewlett-Packard. The employee handbook of Nordstrom, the successful retailer, conveys two axioms before all else. First: The customer is always right. Second: When in doubt, refer to rule number one.

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The HMS Vanguard:

A Cultural Beacon

If an organization's culture is strong enough, people don't need to speak to communicate. Take The Vanguard Group, the Valley Forge, PA mutual fund company headed by investment community legend John C. Bogle. Since its founding in 1975, the symbol of the ship HMS Vanguard has been the "beacon" that has typified all the elements and forces that shape its culture -- a symbolism so strong that it helps shape behaviors and decisions that have consistently achieved superior business results.

The Symbols

The symbolic history of Vanguard's name is a colorful one. The inside cover of a recent report to shareholders states, "the HMS Vanguard was the flagship of Lord Nelson during The Battle of the Nile in 1798, and was chosen as the name of The Vanguard Group for the significance of its traditional meaning, "the advance guard" or "leadership of a new trend."

In creating Vanguard, Bogle set out on a maiden voyage to do what no other investment firm had done before -- to "provide performance, price and service beyond all client expectations." With that, he used the battleship HMS Vanguard to symbolize all that he hoped to achieve by his vision and to establish a guiding philosophy. "The Vanguard Experiment' [is] a test to determine whether a mutual fund complex can succeed, operating independently, on an at-cost basis and solely in the interest of its shareholders....With HMS Vanguard as our symbol and our consistent strategy as 'a star to steer her by' we intend to do exactly that."

As the only mutual fund company where clients are also shareholders, Vanguard's consistent, clear four-pronged strategy is:

- to provide excellent investment performance
- to provide the highest quality service at the lowest possible cost,
- to innovate without opportunism
- to distribute shares directly to investors on a pure no-load basis.

The cost advantage is achieved by a unique organizational structure, and the shareholder ownership.

In addition to a symbol of the leader's vision, this battleship as a logo represents a host of analogies surrounding voyages, battles, victories and medals of honor that are used throughout the organization. In written materials, artifacts are pictured conveying themes of ships and winning battles (medals of honor, war uniforms, peace treaties, etc.). Language is used that discusses how client service is "the Vanguard battle cry" and how a consistent strategy is "the star to steer by." Investment funds are named after ships, following the naming of Wellington, Vanguard's first fund.

Expanding upon the battle metaphor, a videotape that profiles Vanguard's history and mission opens with a panoramic scene of an empty battlefield, and type scrolling down the screen which reads, "Valley Forge, PA...It has a way of testing beliefs....For this is where two revolutions proved their mettle...Both were based on little more than mettle....Both were waged against great odds...Yet, in both the greater good prevailed."

All this symbolism feeds the values and beliefs that pervade Vanguard's culture -- a sense of invincibility, a feeling of being a pioneer charting uncharted waters, and the determination to complete a successful voyage and win in an extremely competitive marketplace.

The Behaviors

Vanguard crewmembers -- never employees -- respect each other and work together to achieve the common goal of satisfying the client. This can be seen throughout Vanguard in their team-based approach including front line client service. Every crew member is available for the "all hands on deck" call to fortify the front line by working in the client service center. This periodic experience for all crewmembers keeps the focus on the client, and instills mutual respect for the importance of every crew member's role in the Vanguard voyage.

The common determination to complete a successful voyage and win in an extremely competitive marketplace also instills a bias for action amongst crew members. When issues surface and action is required there is not a lot of waiting and wondering. Meetings are equally likely to occur in a conference room as on the road or in the campus "galley" (e.g. cafeteria). During long, fast-paced, lunch time runs, crew members are able to "conduct meetings" without the constraints of meeting room walls. Additionally, numerous glass-walled meeting rooms surround the galley for quick, action-oriented meetings.

The Results

Do the above behaviors translate into results for the organization? Results can be viewed either externally or internally. From the external perspective, Vanguard has been awarded "Number One in Mutual Fund Customer Service" by *Financial World* magazine for four consecutive years. FW commented, "Vanguard's track record in this study is extraordinary, given the quality of its competition."

For a quick cultural assessment, you need only take one step into the headquarters building to meet the Vanguard receptionist. She will greet you with a smile, remember your name, and be more than willing to explain the rich tradition of

Vanguard ranging from Lord Nelson's Advanced Guard in the Battle of the Nile or Jack Bogle's Vanguard Voyage to "provide performance, price and service beyond all client expectations."

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What shapes culture?

An organization's culture is shaped by powerful forces:

Leadership Actions - The actions of the organization's leaders communicate their beliefs, values, and assumptions. When the CEO abandons the executive dining room to eat in the cafeteria, spends significant time with customers, and walks the shop floor to talk with line workers, he or she is communicating powerfully. Such actions outweigh in impact any number of memos and newsletters from headquarters.

[The CEO's actions far outweigh in impact any number of memos and newsletters from headquarters.]

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COMMUNICATIONS

Backing Up Words With Action

at

Chiat Day

When communication is buttressed by action -- particularly engaging action -- the messages are received loud and clear. Bob Kuperman, CEO of the West Coast operation at Chiat Day lives this principle -- accomplished with such small, but symbolic, actions such as his infamous "tree meetings." The tree

meeting is a vestige from the days of Chiat/Day as a young, growing agency when everyone could fit into one room. Whenever he had good news to announce, Bob would climb to the top of a ficus (sp?) tree in Chiat/Day's main lobby, and yell out "tree meeting!" Everyone knew that something important was about to be unveiled. While the actual tree is gone, replaced by a conference room, the tree meetings are still an important leadership tool and means of shaping culture at Chiat Day.

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Performance Measures - Performance measures play an enormous role in determining an organization's culture. What is measured? Are the measures clear? Are there so many measures that their overall effect is diffuse? Do they emphasize individual contributions? Or do they focus on group goals? Do they value short-term thinking, planning, and action, or decisions and behaviors linked to longer-term success? Do the measures reinforce or unknowingly undermine *today's* business strategy?

People Practices - People practices include many, many things. Staffing: Are the right people hired with the right skills? Training and development: Are opportunities provided, mentorships established, etc.? Promotions: Do the *best* people get promoted? Is promotion a function of time in job or merit? Disciplinary measures: Does the punishment fit the crime? Are the rules clear? Firings: Are they handled humanely? Are they preceded by constructive counseling? There are so many issue areas: How are people evaluated and rewarded for their performance? Are rewards based on professional contribution -- or on the symbols rather than the substance of performance? Does "face time" at work matter more than substantive contributions?

Vision, Purpose, Strategy - All organizations play out a strategy -- well conceived or not, well communicated or not. In organizations like Southwest Airlines, in which virtually every employee can rattle off the seven-point strategy espoused by its Chairman Herb Kelleher, vision, purpose, and strategy strongly influence culture. When an organization's vision and strategies are muddled, its culture will eventually become a muddle.

[When an organization's vision and strategies are muddled, its culture will eventually become a muddle.]

Structure - Organizational structures are not inert containers for culture; they affect it. Structures can be loose, flexible, and transitory to encourage collaboration and cross-functional problem solving, perhaps at the expense of some functional specialization. Structures can be rigid, formal, and control-oriented to promote functional efficiency at the expense of some collaborative innovation.

Competitive Context - "Who are we?" and "Who do we believe to be our competitors?" are key questions. Consider the reputation, financial muscle, market share, distribution, and technology of your own organization and its competitors. Is competition based on price, volume, geography, or product? Is the industry nascent, mature, or somewhere in between? Is there regulation governing the industry or product? Are barriers to entry high or low?

[Insert Figure 6.2 - Culture Model]

Culture Drives Behavior and Decisions

There is encouraging consensus about the importance of culture. In over 90 percent of surveys in which we poll managers or employee groups about what they believe *must* change in order to achieve their organization's objectives, culture gets the top nod. People know almost instinctively the paramount importance of culture in driving organizational performance. On the other hand, in the absence of a model, culture change exercises degenerate into woolly-headed, touchy-feely workshops full of exercises so unrelated to corporate performance as to be absurd. It may be hard to believe, but today some of the largest (not greatest) corporations in the world are gathering employees into small meetings to discuss "how acorns grow into large oaks" and the cycle of seasons. Feel good? So do we. Meanwhile, corporate performance declines perilously.

[There is encouraging consensus about the importance of culture.]

In developing a model of culture, we have looked so far at six characteristics of any culture and six forces that shape any culture. But culture, of course, has "outputs" or results. In our view, culture drives two powerful determinants of performance: *behavior* and *decisions*. These are the most important "outputs" of culture. Acting in harmony (or dissonantly) with other organizational fundamentals such as technology and financial strength, culture determines performance because it drives these two essentials: behavior and decisions.

[Culture drives two powerful determinants of performance: *behavior* and *decisions*.]

Behavior

Behavior has to do with the ways in which people interact -- with everything from general demeanor to patterns of language. Culture guides and reinforces behavior through its system of values, beliefs, unwritten rules, norms, and rituals that everyone understands. Are employees competitive or cooperative? Is constructive dialogue possible or is mayhem more likely during fact-finding sessions? Are people respectful of others above and below them in the organization, or do they focus only on those above them?

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Gyroscope Figure 6.3

Gyroscopic Behavior

The gyroscope in motion has a peculiar authority. Its smooth rotation and uncanny poise, its odd combination of motion with stillness endow it with unique fascination. The spectacle of substantial energy controlled and directed

is arresting. Let the gyroscope run down and it has no power to fascinate at all. It is inert. Not unlike people in all of these respects. The members of an organization are set in motion by its mission and culture. If the mission makes sense to them and the culture supports them, they too are fascinating to observe: they know what to do and how to do it, they know how to question, they know how to achieve. Like the gyroscope's rotation, their behavior is economical: no wasted motion, no extravagance, immense concentration. This is not an unattainable ideal. People in the best companies are like this.

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An important manifestation of behavior is *passion*, a high level of enthusiasm and energy focused on the concerns of the organization. Do people care about their jobs, their careers, the organization as a whole? In organizations that engender passion about the work at hand and the organization itself, employees (from housekeeping to top brass) feel a strong association with their roles in the organization. They care. The length to which Marriott Hotel staff will go to make your stay special illustrates the point. You may have heard that a front desk clerk offered up his personal cuff links to a guest who'd forgotten his. And there is another story about the staff person who drove a hotel guest to the airport in his own car. These people are committed. The impact of such commitment on overall organizational performance can be immense.

[An important manifestation of behavior is *passion*. ...its impact on overall organizational performance can be immense.]

Decisions, Decisiveness

Where a strong positive culture is lacking, there is typically an atmosphere of indecision. Individuals are less than secure in their understanding of what is expected, how much is expected, and how often it's expected. When boldness overcomes the pervasive indecision of a weak culture, chaos typically ensues. Sports all-star

contests are notorious in this respect. Not founded on a shared set of norms or style that bonds the team's actions, the play is nearly always unstructured and sloppy.

[Although the connection is too little recognized, an organization's culture has a direct bearing on the decisions and decisiveness of managers and employees.]

Although the connection is too little recognized, an organization's culture has a direct bearing on the decisions and decisiveness of managers and employees. Decisiveness is a very important behavioral characteristic: how decisions are taken, the time they require, who and how many people must be involved, and whether decisions are taken with or without fear -- all these things have an immense influence on business processes and results. A hospitality example again comes to mind: If you stay at a Ritz-Carlton Hotel and call housekeeping to help you solve a problem, you may be surprised to find a housekeeper at the other end of the line who is authorized to spend up to \$2,000 to satisfy your needs. No further authorization required. This is culture -- a culture in which the value of personal service to customers is a top priority. The Ritz-Carlton organization does not leave it to chance: its training programs encourage initiative and decisiveness, its policies give employees the means.

Think of the number of decisions made each day in your organization. Thousands of decisions: how to serve a given customer; how to streamline your supply chain; how to treat a group of employees; the development of new products and services. Thousands of decisions, each of which makes its own contribution toward organizational objectives -- or does not. While factors like the strategic alignment and clarity of organizational objectives play a major role in guiding employee decisions, so does culture.

Employees model the probable outcomes of their decisions by referring, sometimes deliberately, sometimes by second nature, to their organization's culture. The sales function of one of our clients provides an example. Senior management has long endured bitterly adversarial relationships among the product managers of its various divisions. The culture reinforces the belief that "Anyone outside my division is the enemy." The culture consequently encourages a most extraordinary set of decisions. Managers will quite consciously sell a smaller

volume or a less profitable mix from their own division instead of assisting a sister division to make a sale -- and have even referred customers to a local competitor. In all this we detect a failure of trust and a crippling legacy from an era when external competitors were tame enough that managements felt they had to fire up a competitive spirit by setting the left hand against the right hand.

[Trust is a critical determinant of decisiveness and of decision quality.]

Trust is a critical determinant of decisiveness and of decision quality. It is one of those elusive elements of relationship that enable people to optimize their collective performance. Trust, or distrust, has a far-reaching impact on productivity. A sense of comfort and psychological safety with one's peers, customers, subordinates, and superiors enables one to take action decisively to further the interests of the organization. Do people feel comfortable taking risks, speaking their minds, stating their needs? Does the walk match the talk? Do people agree publicly to one thing, but do something else later on?

[A sense of comfort and psychological safety with one's peers, customers, subordinates, and superiors enables one to take action decisively.]

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Step by Step

After undertaking a major effort to reengineer all of its core processes, management of The Queen's Medical Center in Honolulu realized that Queen's had not yet become the totally patient-centered and cost-effective organization they had in mind. While reengineering would clearly rearrange work tasks and focus people on activities which would make the patient's experience more comfortable, it would not effect the propensity for slow decision making or the bureaucratic management processes. Culture was widely identified as

standing in the way of quantum-leap progress. However, at the same time, it was also identified as being responsible for fueling Queen's success! Queen's has a rich heritage of patient service and this legacy continues to motivate employees to perform extraordinary service for patients when called upon to do so.

This paradox prompted senior management to begin looking at culture change issues. First, they decided to learn as much as possible about the current culture. To do so, Queen's surveyed nearly 3,500 employees (more than half of the workforce) and confirmed the perception that culture was impeding performance. The description of the impediments from an employee perspective was startlingly uniform and challenging. Employees quite generally agreed that there were "too many briefcase carriers in proportion to direct care givers." Further, many pointed to a stifling bureaucracy that inhibited team play, information sharing, and quick, cost-effective decision making. The survey also surfaced an inspiring level of pride in the organization and genuine concern for patients.

Senior management decided to act, first by discussing the findings frankly with large numbers of employee groups. These discussions led to a decision to craft a statement of the "Mission, Vision, and Core Values" of the organization -- a document ultimately reworked by many employee groups as well as the Board of Trustees and physicians.

However, the next steps were unclear. Culture is intangible. Many questioned, "How can we work on something if we cannot even see it?" Senior management responded to this paradox by creating what proved to be a thoughtful framework to guide future efforts. The framework identified two distinct dimensions of culture change: corporate change actions and personal change actions. Case studies of other organizations had convinced management that working on only one or the other dimension would achieve mediocre results.

They also decided to downplay "culture change" in and of itself and to focus instead

on highly specific corporate and personal initiatives which, in the aggregate, could be expected to impact culture. Great care is being taken to trace these impacts as they appear and to relate them to business results, so that all patients, staff, and other stakeholders share a sense of measurable progress.

Addressing the bureaucracy issue, senior management decided to widen spans of control and reduce management layers through an overhead reduction program. They also decided to reengineer the human resources function to better support a flexible, patient-centered organization. Finally, management undertook to evaluate their own behaviors relative to the new "Core Values": were they part of the problem, part of the solution, or somewhere between? This process led each senior manager to develop a "Personal Development Plan" that firmly supports the new organizational direction.

Queen's management realizes that their institution is at the beginning of what could be a four-to-seven-year process. They plan to phase in various initiatives over time in order to continue to transform the culture toward total alignment with the envisioned "Core Values." As they go down this path, management expects growing pains and temporary set backs. They also expect to attain the goal.

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Strength and Fit: What Makes a Culture Productive?

While many of the managers we interviewed acknowledge the importance of people, they tend to lean heavily on structural solutions to generate higher performance. Ghoshal and Bartlett get this just right in their *Harvard Business Review* article on the changing role of senior managers in the more process-driven, people-oriented enterprises of today. They write: "The structural element of the strategy-structure-systems doctrine that most managers rely on today is about allocating resources, assigning responsibilities, and controlling their effective

management. The purpose-process-people doctrine of management rests on a different premise: that the organizing task [of today's managers] is to shape the behaviors of people and create an environment that enables them to take initiative, to cooperate, and to learn."¹

[One CEO recently told us, "The only thing holding us back at this point is a decades-old culture."]

One CEO recently told us, "We have the technology; we have the infrastructure; we have the financial strength. The only thing holding us back at this point is a decades-old culture -- a mentality appropriate to the competitive environment of 1970." He recognizes that culture is potent; it can block his company's strategy or catalyze it. The determinants of the impact of a culture are *strength* and *fit*. As illustrated in Figure 6.4, a strong culture can be an enormous advantage if it is in synch with the organization's strategies. On the other hand, if the fit is flawed, the strengths of a culture are likely to be among its greatest weaknesses: all of that tradition, all of those beliefs and norms propelling the company toward mediocrity or worse.

[Inset Figure: 6.4 - Cultures Fit with Strategy]

[A strong culture can be an enormous advantage if it is in synch with the organization's strategies.]

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The Pragmatic Impact of Values Management

Developing an environment to forge new values is not just to create a nice place to work. It's all about achieving bottom line objectives. James Brian Quinn did about the best job we've seen in summarizing the

¹ Sumantra Ghoshal and Christopher Bartlett, "Changing the Role of Top Management," *Harvard Business Review*, January-February 1995, pp. 86-95

practical importance of culture, which he analyzes in terms of values²:

- Consistent values will attract the kind of people who genuinely want to work for the company, and mutually held values create the trust necessary for flexibility and effectiveness.
- Trust, created by common values, allows efficient delegation. People will work independently toward commonly held goals.
- People work harder to fulfill values they believe in, thus enhancing personal motivation and enterprise productivity.
- People who share common values will help each other, generating teamwork and adding value through shared solutions.
- Creative people can work efficiently on their own toward commonly held goals and can share the long time horizons needed for innovative success.
- Common values create group identity, improve morale, and eliminate needs for more detailed controls.
- High-morale organizations will band together, work intensively for short spurts to solve critical problems, and protect group secrets.
- People at distant points in the organization can be trusted to use their intuition to solve unique problems in ways consistent with organization

² James Brian Quinn, *The Intelligent Enterprise*, The Free Press (Macmillan, Inc.), NY; pg 318

purposes.

- Value-activated people will consciously seek new opportunities to fulfill these values and will not waste time on those that do not.
- Commonly held values tend to minimize squabbles, decrease internal friction, and reduce time needed to manage them.

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Strong cultures with a good fit to strategy -- and the business results or potential to prove it -- attract the best people. Many organizations draw most of their strength and competitiveness from a single source: their people. Even for product companies, as service becomes an ever more important part of the value they deliver, the strength of their people can only play a greater and greater role in determining success. The best people are attracted to organizations that actively support values such as integrity, quality, and care for the individual. This is not to suggest that the best people are attracted to organizations known to be "a nice place" to work. The men and women you want to attract are looking for something more like "a *good* place" to work -- one with norms reflecting hard work, intelligence, and fierce competitiveness (focused externally). Hence the increasing attention given by leading companies such as Pepsi, Merck, and Microsoft to reinforcing their values -- values that attract top people.

These companies have moved beyond the trite mantra that "people are our most important asset." They have come to recognize that:

1. People costs are the largest single element of operating costs.

2. The marginal revenue generated by switched-on people can make the difference between success and mediocrity.

These are not new insights. Acting on them is. In the chapter ahead, we will discuss the shaping of culture. In this, we will explore just how the best managers focus directly upon culture; and why they do so indirectly.

* * *

What are some illustrative values?

1. Product innovation
2. Bright people (intelligence)
3. Collegiality
4. High client-contact work
5. Trading (any instrument, anywhere, anyway, anyhow)
6. Teamwork
7. Balance of work and personal life
8. Money; just money
9. Big jobs for big clients
10. Long hours; late nights, and weekends

What are some illustrative organizational beliefs?

1. Our products are of the highest quality in the industry.
2. The quality of our people is our overriding source of differentiation.
3. Our industry is growing very slowly.
4. We are a beer company. *Period.*
5. Our customers want *services*. Product is secondary.
6. Creativity requires autonomy of the individual, division, etc..
7. Traders make all the profit here.
8. We must attack ideas to test their mettle.
9. Quality comes from care: we have the time.
10. We know better; we dominate this industry.

What about norms?

1. A marketing executive will be CEO
2. People are at work by 8 AM here.
3. Big Decisions are never made in a meeting (always negotiated carefully and quietly in advance)
4. People work a lot of Saturday mornings here
5. Commitment to work - as measured in part by "face time."
6. We don't question the boss's decisions.
7. Secretaries are part of the project team
8. You wait your turn here.
9. Until you've been here at least 8 years, few will listen to you
10. Debate; dispute, open contention; seemingly hostile deliberations

Climate?

1. Managers have big offices (with many doors closed).
2. Almost nobody has an office.
3. People look grim walking down the halls
4. Arrogance - everywhere.
5. Office Hotelling.
6. Lots of noise and activity in the office
7. The decor echoes the product (e.g. Disney)
8. Celebrations -- birthdays, bridal, baby -- nearly every week
9. Casual Dress..
10. Decor screams Big money being made here!

Symbols?

1. Annual promotion ceremony.
2. "Error embracing"
3. The CEO in the employee cafeteria
4. Individual rewards (vs. Team rewards)
5. Type of furnishings (pictures, rugs, etc.) differs by level
6. Employee fitness center in the building
7. Customer service awards
8. Lots of staff "war rooms" fostering collaboration
9. An efficient global electronic network.
10. Comprehensive employee support programs

And Philosophies?

1. Ladies and Gentleman serving ladies and gentleman. (Hotel Chain)
2. ...within an arm's length from desire (Food & Beverage)
3. Any color you want it, as long as it's black (Henry Ford)
4. Provide greater value (...and they will come) (Retailer)
5. We try harder. (Car Rental)
6. Employee handbook: (Retailer)
 - Rule No.1: The customer is always right.
 - Rule No. 2: see Rule No. 1
7. World class professionals serving world class clients
8. Absolutely, positively overnight (Overnight Package Delivery)
9. Quality is Job 1. (Automaker)
10. "All the news that's fit to print." (Newspaper Publisher)