

ALIGNING THE CULTURE AND STRATEGY FOR SUCCESS

Donald T. Tosti, CPT

One way to define culture is “the way a group of people prefer to behave.” The trick for organizational leaders is to find ways to ensure that the company culture, that is the way their people prefer to behave, is supportive of what is needed to successfully deliver the company strategy.

Using a criterion-referenced approach, we can first examine our strategy and mission to determine what results we want. Then working backward from results, we can define a set of practices that best support the attainment of those results. The organizational alignment model can then be used to establish the operational values that should make up the company culture.

Finally, using a series of systemic change applications, we can implement an HPT program of strategy and culture alignment. The key to this change is that the resulting culture is clearly aligned with the goals of the organization.

ORGANIZATIONS THAT START TO implement a new strategy must first translate it into a set of goals and objectives. From these goals and objectives they then either develop new or adapt old processes and tasks that when executed produce the desired results.

The resulting strategy or process alignment across levels looks something like this:



Then, when looking at how we can improve the results through the better alignment of processes, we can use a reengineering strategy that focuses on results and works backward to design a better-aligned innovative process.

When we are looking at how to improve organizational results or solve performance problems, a large part of our analysis and intervention occurs at the operational level—just as physicians focus much of their effort on the functions and systems of the patient’s body, rather than on the cell level of the body or on the person as a whole.

THE CULTURE FACTOR: ALIGNING PRACTICES

When we look more closely at performance at the operational level, it becomes clear that results depend not just on what people do (the processes they follow) but also on how people behave as they do things (the practices they demonstrate). Even in well-designed processes, the behavioral practices of groups and individuals can make the difference between merely adequate results and outstanding results. In the worst case, poor practices can destroy good processes. Thus, what people do can

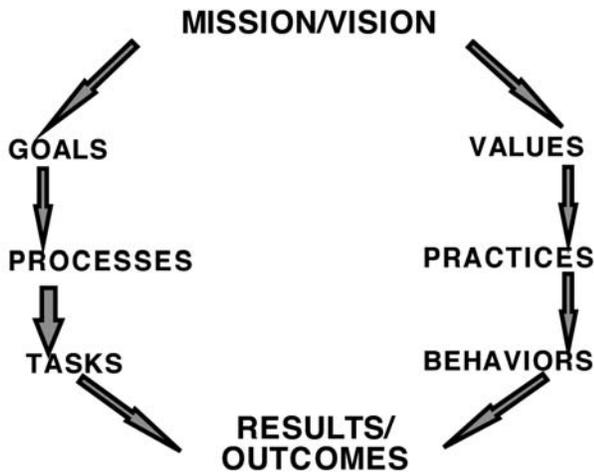


FIGURE 1. The Organizational Alignment Model.

sometimes be less important than how they do it, especially over the long term. Products, services, and technologies—even unique, first-class ones—often give organizations only a short-lived edge over their competition. Sustained success depends on how an organization’s people deliver those products and services.

When process improvement is first introduced as a performance intervention, many organizations spend a lot of time and money and yet achieve very little in the way of improved results. Follow-up studies find that in almost every case the reason was a failure to recognize that a realignment of the people and their practices was required for the new process to be maximally effective.

Cultural or practice alignment can be viewed in the context of a framework similar to that used earlier for strategy or process alignment:



Now, by putting these two forms of alignment together, we can create an organizational alignment model (Figure 1). That will allow us to analyze not only the process and practice path alignments but also the alignment between the two paths.

HOW TO GET THE CULTURE YOU NEED

Margaret Mead defined culture as “the way a group of people prefer to behave.” Others have defined it as “the way we do things around here.” This behavioral view, defines culture in terms of a set of practices that are common to some group. This definition works for any culture, including company cultures. The trick for organizational leaders is to find ways to ensure that the way people in the organization “prefer to behave” is compatible with what is needed to successfully deliver the business.

The historical business landscape is littered with groups and businesses that did not have the “right” culture to survive over time. They were unable to change as their environment changed. The practices that make up an organizational culture include such things as how people within the organization relate to each other, how they relate to outsiders (customers, vendors, allied organizations, and so on), how they relate to others at different levels in the hierarchy, and what they think is important about what they do.

We often use value labels to organize practices into coherent groupings, labels such as *trust*, *openness*, and *respect*. Although such labels are important and useful for communication and understanding, it is the practices that really matter. What makes the difference for an organization is what people *do*, not what they say they do or what they say they believe to be important. Although organizations are becoming more knowledgeable about the significance of their cultures, there still seem to be those who feel that culture can somehow be changed simply by declaring a changed set of values. Although that may be a useful start, it usually does little to change how people actually behave.

ORGANIZATIONAL VALUES: AS IS AND AS NEEDED

As is practices reflect the culture that has “built up” over the company’s lifetime. This culture is probably based on how the original founders behaved, modified over the years by the organization’s need to adapt. We can refer to these practices and values as the present values.

As needed practices are the cultural values and practices the organization needs to exhibit to support



FIGURE 2. Determining Processes and Practices.

the strategy and mission it has today. We can refer to these as *operational values*, because they are necessary to get results and accomplish the mission. Operational values should be seen in the day-to-day practices that support the delivery of the strategy. They are generally stated in fairly specific terms and are focused on organizational results.

The Strategy-Culture Gap

Senior management teams are often tasked with establishing priorities and generating new strategies. One question that is seldom asked at these strategy sessions is this: On a scale from 1 to 10, to what extent do we believe we have a culture that can support this new strategy? When it is asked, the scores usually range from 3 to 7. Then another question should arise: If the support in our culture for our new strategy is really this low, how can we go about changing the culture so that we have a better chance of successfully implementing this strategy?

This finding points to the existence, to a greater or lesser extent in practically every company, of a strategy-culture gap. This gap can be defined as the difference between present cultural practices and the operational practices necessary to produce desired results.

Managers may, if pressed, acknowledge the strategy-culture gap, but they seem helpless when it comes to knowing what to do to close it. Too often management avoids any direct responsibility for dealing with this important issue by delegating it to the human resource department, which lacks the operational power to make the change happen.

Some companies try to deal with cultural issues by developing a set of *aspirational values*. This process often takes place at a retreat where the managers contemplate their vision and core beliefs. The resulting values are then declared and presented to the rest of the organization. People are encouraged to follow them, and managers are supposed to use these values as broad guidelines for their actions and decisions. Such aspira-

tional values may not truly be *company-wide cultural values*, however, because they may not all be demonstrated by all the people in the organization. For example, the statement that “we will develop our people” can be an important and high-priority value for a manager, but a janitor will probably be hard pressed to demonstrate it in his or her daily worklife.

Operational Values

Operational values are derived quite differently from aspirational ones. They are based on a careful analysis of what the organization requires to be successful in terms of results. They must be clearly linked to the bottom line and to all other indicators of success, such as customer satisfaction and loyalty. They can easily be positioned as *company culture values* because they are anchored in behavioral practices that can be demonstrated in some form by all employees in their interactions with each other and with customers and in the priorities these employees establish.

Current Attempts at Dealing with Values

Today in many organizations aspirational values are increasingly being considered and formulized. At the same time, unfortunately, most organizations ignore the operational values that focus on results, leaving them with whatever values have evolved over time. They seldom identify what culture they need and even less frequently actively work to bring their organizational culture into line with the requirements for their organizational success. They fail to close the strategy-culture gap.

Both aspirational and operational values may be critical to the long-term health and success of an organization, and they should not be in conflict. That is, decisions and beliefs about organizational priorities must be supported by the way people actually work with each other and with the organization’s customers and suppliers. It may help us to differentiate these values if we think of aspirational values as being linked to vision and operational values as being linked to mission.

DETERMINING DESIRED CULTURAL PRACTICES

As I noted earlier, if we are going to create a desired process using a reengineering approach, we must first examine our strategy and mission to determine what results we want. Then, working *backward from results*, we can design the new set of processes that will best produce those results. The various processes can then be linked to form the operations.

A similar methodology can be used in determining the desired cultural and leadership practices. We first examine and get agreement on desired results. Then, working backward from results, we define the set of practices that will support the production of those results. These practices can then be grouped together under value labels (see Figure 2).

Let's see how that would work in practice. Suppose we defined a desired result as "increasing customer loyalty." Management feels that this result could make a huge bottom-line difference. We would then gather data from company employees and perhaps customers as well that suggests how we should behave to deliver this result. This information gathering could be done in many ways: surveys, card sorts, interviews, focus groups, observations, and so forth.

It is quite likely this research effort would indicate some practices like the following:

- Always be honest; never pass on inaccurate information
- Always meet your commitments
- Make sure your advice is based on fact, not just your personal agenda

These practices could easily be grouped under the value label *trustworthy* and then positioned as an operational value.

This method is often referred to as a *criterion-referenced* approach because it begins with a specific criterion—the desired business result—and uses it as a reference point to determine what actions we should take.

THE POWER OF OPERATIONAL VALUES AND PRACTICES

Operational values and practices are not just nice to have; they are *absolutely critical* if we are to deliver the desired results. This fact provides a strong motivation for change. The one thing we know from research on culture change is that it is most likely to occur when people see a clear advantage in that change, the most powerful advantage being to survive or to thrive as a community or, in this case, as a business.

Because they are directly linked to the results of the business, operational values can be appropriately described as those things a company *must* demonstrate to survive and thrive. What's more, operational values derived from data provided by a cross-section of employees at all levels are easier for all employees to buy into than are values generated by managers at some retreat.

Aspirational values generally come out of senior management deliberations and as such provide no *audit trail*, making them a somewhat harder sell. "Why should we change?" is the often unanswered question people have when confronted with aspirational values. People may also be asking, "Does that mean I have to change, or just the managers?"

Another important factor in culture change is the ability to measure it. In the process of creating operational values, we define the practices we want, creating the opportunity to measure the level to which our culture presently demonstrates these practices. Therefore, the extent to which the culture is aligned with the strategy can be objectively assessed and the strategy-culture gap determined. This is a powerful tool for culture change; it allows us to justifiably claim that our value alignment is being driven not by dictates of the management but by dictates of the business.

There are many cultural assessment instruments available in the marketplace. But almost all of them are *norm referenced* rather than *criterion referenced*. A criterion-referenced assessment is derived from an analysis of the business requirements consistent with the company's own strategy. A norm-referenced assessment is derived from a statistical analysis of some theory about cultural dimensions across a wide variety of organizations with widely different strategies. Furthermore, the dimensions derived from norm-referenced instruments are seldom congruent with either the aspirational or operational values of a specific organization, making it even harder for people to make the linkages. For these reasons we do *not* recommend any cultural dimensional or normative analysis. They tend to confuse rather than aid in aligning the culture with a specific strategy.

When we perform an operational value analysis, we often find an overlap between any previously generated aspirational values and the new operational values. Organizations should aspire to be more than what they are now, but the operational values are the ones that we should focus on for culture change because they are the most important for implementation of the strategy and for immediate and long-term success.

Some managers cling strongly to those aspirational values that they worked so hard to generate. They may also view operational values as less colorful and inspiring

than aspirational values. Conversely, to the average employee, aspirational values often seem more “motherhood” in tone and more vague than operational values. In addition aspirational values are too often seen as the executive managers’ values, not the organization’s values.

Community or cultural values, by definition, must be capable of being demonstrated by every member of the community. A company is a community, and therefore its values must be owned and demonstrated by every employee, not just managers. When operational values and practices are derived through a community consensus processes as described here, they are more easily accepted by the employees as “the way we *should* be doing things around here.”

A FINAL NOTE

Research indicates that less than 5% of all culture change programs work. However, my colleagues and I have successfully realigned cultures with company strategies in organizations with as many as 90,000 employees and as few as 60. It can be done following the guidelines discussed in this article.

The goal is organizational alignment. Just as we must be sure that our goals (processes) and our tasks are well aligned to produce results on the strategic side of management, we must be sure that the values (practices) and behaviors on the cultural side are aligned to achieve desired business results. Having a clear set of operational

values with a defined set of practices allowing the organization to measure its cultural alignment focused on results is as important as having process measures. We need a two-sided organizational alignment model to adequately address most organizational issues. Using the organizational alignment model, we can take a full systems view that allows us to identify the interdependency *between organizational levels* and the requirements for *alignment between practices and processes*.

Understanding that every organization at its most basic level is a *human performance system* is critical to the success of almost any attempt to improve or maintain performance results. An effective, operational human performance system requires that people perform tasks competently and also demonstrate the kind of practices that support the achievement of results. It is as important for every manager and every consultant to management to grasp this reality as it is for a medical doctor to recognize that the human body at its basic level is a biological system. Too many so-called solutions have either failed or been short lived precisely because they failed to adequately address their *people* issues with this understanding.

The organizational alignment model provides a foundation for a wide variety of organizational improvement applications. It has been used successfully in making significant and, perhaps just as important, robust improvements in organizational productivity. We have only just begun to view the organization as an integrated human performance system. The future is unlimited. 🏔️

DONALD T. TOSTI, CPT, PhD, is a consistent contributor to *Performance Improvement*. He is the managing partner of Vanguard Consulting, which specializes in the alignment of organizational processes and people with the stated strategy of the organization, and an expert in organizational systems. His pioneering work on contingency management began in the 1960s. As the principle investigator for the multimedia leadership-management course conducted at the U.S. Naval Academy, he adapted the methods of performance analysis to the study of leadership and management behavior. His subsequent work on modifying behavioral norms and leadership has demonstrated the power of human performance technology in such organizations as British Airways and General Motors. He may be reached at Change111@aol.com.