

Culture Shapes Performance

Culture, although invisible, is a set of values, procedures, practices, and traditions that guide and shape the actions of an organization. Because it is invisible, we frequently refer to culture with a negative twist. Statements like, "Our culture prevents us from keeping pace with market changes," or "We did not achieve the objectives of our acquisition because our culture and their culture did not mix." More often than not, culture seems to be the "why it failed" demon. Although we cannot actually see it or touch it, we blame culture when strategies or plans are not flawlessly executed.

Although culture is often blamed when things do not go as planned...culture can also catapult performance. The question is what type of culture exists in your organization; does your culture promote higher performance, or does it pull your organization back from its potential?

The power of cultural alignment is underrated by most business leaders today!

The book Corporate Culture and Performance by John P. Kotter and James L. Heskett, details the impact of culture on performance. They researched over 200 companies spanning 11 years and report that companies aligning their strategies and cultures outperform companies that do not. At the end of the 11 years the performance increases for aligned companies compared to those who did not align were:

- Revenues were 516% greater
- Stock values were 827% higher
- Net incomes were 755% better

Other research projects (Denison, Denison & Neale, Pascale, Fisher) confirm similar improved results.

These differences are significant and the higher results cannot be ignored by responsible business leaders. With this being the case, why do so few organizations take action to analyze their culture? Do they not know how? Maybe they are afraid of what they will find!

The fact remains; with improved results many organizations could have prevented taking recent drastic actions as the result of the economic slowdown. Higher results strengthen business and the economy, and if all Indiana business generated improved results, Indiana would not have the distinction of leading the nation in lost jobs.

Cultural analysis programs are available, inexpensive, and take little time for organizations to complete; yet many companies never formally assess culture. Culture definitely impacts the ability to grow revenue, gain market share, improve quality, innovate, increase profitability, and attract and retain talent to name a few.

If your strategies contain any of these improvements, will your culture support or detract from executing your strategies? Wouldn't you like to know? Shouldn't you know? Only actual measurement will tell for sure. So why are you waiting? You can rationalize waiting for the economy to rebound or you can start your own rebound by getting a jump with the improved performance generated by aligning culture and strategy.

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