



Miracle Cure

THE AMAZING NEW ELIXIR OF CORPORATE CULTURE

CORPUS  OPTIMA



The body without the spirit is a corpse. James 2:26

When the spirit does not work with the hand there is no art. Michelangelo

If we ever lose the spirit of Southwest Airlines, we will have lost our most valuable competitive asset. Herb Kelleher

INTRODUCTION

As much as it is a process challenge, making the transformation to Superperformance is about unleashing a revolution in culture.

At last count, there are over 400 business management and improvement methods, models, and theories-in-use today. But when it comes to long-term, sustainable performance improvement, all of these combined can't compensate for a suppressed or untapped corporate culture. In a very real way, corporate culture determines the efficacy of every method, model or theory-in-use, and by extension, the performance of every individual, group, and organization that applies them.

Culture is the missing hemisphere, the organizational right-brain that must be liberated to satisfy the promise of Superperformance. It is co-equal with process as an optimization success factor, its twin super-partner (if you will), but process has dominated the partnership since the industrial revolution. No longer. The 21st century productivity revolution will be about unleashing this imprisoned twin so that the full potential of individuals, teams, projects and entire organizations can emerge. In short, *culture* is the new strategic imperative, while process clearly remains its operational complement.

THE NATURE OF CORPORATE CULTURE

Corporate culture has been defined as "...shared beliefs and values that lead to norms and expectations for members of a given group. In organizations, the philosophy of management, its mission, and the strategic choices it makes determine the organization's culture."¹ It has been further defined as: "The basic underlying assumptions, shared values and beliefs that guide the way organizational members interact with each other and approach their work."² In a nutshell, "culture" determines whether behaviors support or detract from corporate health and reveals opportunities for change that nurture and sustain improvements over time.

In practical terms, culture includes the following:

- the degree of collaboration that exists in the organization.
- what it takes to fit into the organization,
- the way things get done in the organization,
- how people in the organization behave under pressure, and
- the leadership pattern that holds the organization together.



HOW CORPORATE CULTURE IS CREATED

Corporate culture is created through human interactions, or conversations. These are influenced by shared assumptions, beliefs, and values of organizational members. Together they produce patterns of work-related behaviors. The stronger the underlying base of shared values, beliefs and behavioral assumptions, the more pervasive and consistent the behavioral norms will be. Typically these patterns are established by founders and are subsequently refined and tempered by leaders and environmental circumstances. These assumptions, beliefs and values—concerning the organizational purpose, mission and the roles of people—are deep seated. They are largely subconscious convictions (Schein, 1985) or “theories-in-use” (Argyris, 1976) about relationships, the world, and how it works.

Values occur at a somewhat more conscious level. Values and assumptions may be linked in ways that establish a coherent foundation for desired behaviors. If the sets of assumptions and values are coherent, they provide a broad base for viewing, feeling, and approaching the world—a philosophy for subsequent generations of organizational stakeholders. If they are shared widely and strongly enough, they provide a powerful "force field" for behavioral norms.

Evolving mission, goals, strategies and policies, and the emergence of specific behaviors from these philosophical underpinnings are all part of the organization’s self-organizing culture. Over time, the ways that people relate to each other and that seem to work (i.e., organizational structures, human resources systems, functions, individual skills and capabilities) are collated into a comprehensive framework of an organization’s “way of doing things”—the operating culture.

Finally, these drive the operational behaviors that determine organizational effectiveness, financial performance, and stakeholder fulfillment for the company.

TWO TYPES OF CORPORATE CULTURE

The two ends of the corporate culture continuum are Defensive/Non-adaptive (Unhealthy) and Constructive/Adaptive (Healthy):

Unhealthy corporate cultures are inactive or reactive, characterized by the following:

- competition between the parts,
- the focus is on fixing the blame, not the system, and
- fear and preservation of the status quo.

Healthy corporate culture is proactive, characterized by the following:

- high levels of individual initiative and engagement,
- high levels of personal responsibility and accountability, and
- high levels of collaboration and cooperation.



CULTURE ASSOCIATED WITH ADVERSE OUTCOMES

Culture is always an influence and often the root cause of disappointing operational and economic performance. It is frequently the culprit in cases of catastrophic outcomes.

COLUMBIA TRAGEDY

After nearly seven months of looking into the cause of the loss of the space shuttle Columbia and its seven-member crew, a 13-member accident investigation board issued findings and recommendations in a stinging 248-page report. Without sweeping changes, the report warned that "the scene [was] set for another accident." According to the Columbia Accident Investigation Board report: "The accident was not a random event but rather a result of the spaceflight program's culture, which had as much to do with the accident as the foam did. The organizational causes of this accident are rooted in the space shuttle program's history and culture, including the original compromises that were required to gain approval for the shuttle, subsequent years of resource constraints, fluctuating priorities, schedule pressures, mischaracterization of the shuttle as operational rather than developmental, and lack of agreed national vision for human space flight."³

NASA's initial briefings to the Board on its safety program espoused a risk-adverse philosophy that empowered any employee to stop an operation at the mere glimmer of a problem. Unfortunately, NASA's understanding of its safety culture in those briefings did not reflect reality.

HEALTHCARE

At the end of the 20th century, the President's Advisory Commission called for a "national commitment to the measurement, improvement, and maintenance of high-quality care for all Americans." The commission identified several areas where the quality of healthcare was falling short, including underuse of services, overuse of services, and misuse of services. This translated into the need for a culture of safety in healthcare, and thanks to the Institute of Medicine (IOM) and the Agency for Healthcare Research and Quality (AHRQ), there is also a growing recognition of the importance in establishing this culture for safer patient care. The conclusion of one study project funded by AHRQ on "The Culture of Safety" at 15 California Hospitals (2001) was:

"...while short term efforts to work on specific interventions (such as computerized physician order entry implementation) are laudable, they may be insufficient if the managerial structures and cultures of institutions do not sufficiently favor patient safety. Long term progress may need to include interventions specifically aimed at improving safety culture and breaking down barriers between managers and front line workers."⁴

Moreover, in 2005, the Michigan State Commission on Patient Safety revealed its "Model of Safe Care in Michigan." At the heart of the change effort was transforming the culture of healthcare toward safety.



ENRON

High risk accounting, inappropriate conflicts of interest, extensive undisclosed off-the-books activity, excessive compensation – these are some of the headings of the report prepared by the U.S. Senate's Permanent Subcommittee on Investigations titled "The Role of the Board of Directors in Enron's Collapse." (Permanent Subcommittee on Investigations, 2002) In February, 2002, Enron's former Chief Executive Officer Jeffery Skilling had testified before members of the Senate Commerce, Science and Transportation Committee that Enron was a financially sound company the day he resigned in August 2001, just months before the company's financial implosion. But the Enron debacle has, as the Houston Chronicle put it, "all the earmarks of classic tragic drama in which hubris causes the fall of the mighty," (Ivanovich, 2002) and, Mr. Skilling's sworn testimony to the contrary, the decisive role that Skilling and the company's other top executives played in the bankruptcy of this \$63 billion company now seems incontrovertible. Indeed, from the point of view that the business culture at Enron contributed importantly to the company's demise, the blame for this financial tragedy can be pretty squarely placed on Skilling's shoulders, and the values he promoted among top and mid-level management during his five year stewardship of the company from 1996 to 2001.

What was it about the ethos Skilling created among Enron's employees, particularly upper management, that made, in hindsight, the demise of the company nearly inevitable? The culture of cleverness at Enron started as a pursuit of excellence that devolved into the appearance of excellence as executives worked to develop clever ways of preserving Enron's infallible facade of success. At some point in the bending of ethical guidelines for the good of the company, Enron's executives also began to bend the rules for personal gain. Once a culture's ethical boundaries are breached thresholds of more extreme ethical compromises become lower.

In the long run, Enron's executives could not "rob Peter to pay Paul". Even if the Enron culture permitted acts of insignificant rule bending, it was the sum of incremental ethical transgressions that produced the business catastrophe. Although Enron's executives had believed that everything would work successfully in the long run, the questionable partnerships left the company extremely vulnerable when financial troubles came to light. The partnerships that once boosted earnings and allowed Enron to prosper became the misplaced card that caused the Enron house to collapse. The stability of Enron's house of cards had been eroded by the very culture that had allowed it to be built. The very results Enron had sought to prevent - falling stock prices, lack of consumer and financial market confidence - came about as a direct result of decisions that had been driven by Enron's culture.⁵

Unhealthy corporate cultures systematically undermine long-term performance and prevent the organization from identifying and implementing strategies and tactics that are needed to compete in an increasingly competitive world. On the other hand, healthy corporate cultures create the positive expectation for everyone to provide initiative, diminish distortion in communication, and encourage people to be decisive, take risks, and be accountable.



CULTURE ASSOCIATED WITH SUPER OUTCOMES

A study of 200 blue-chip enterprises in 22 industries over an 11 year period by Kotter and Heskett of Harvard Business School found that organizations with strong cultures had significantly higher performance than firms with rigid or weak cultures. The organizations with the strongest “adaptive” cultures saw their revenue grow four times faster, experienced job creation seven times faster, enjoyed stock prices that increased twelve times faster, and had 750 percent higher profit performance.⁶ Values guru Richard Barrett found that the return on assets and return on equity in companies with the best cultures was higher than the S&P 500 from 1991 through 1997.⁷ NIST research on the comparative performance of Malcolm Baldrige award winners against benchmark industry performance over a five-year period showed a statistically significant level of out-performance of as much as 34 percent.⁸

Examining 950 businesses across sectors, Denison Consulting also found a correlation between strong culture and the bottom line. Such cultural traits as involvement, consistency, adaptability and mission were positively linked to operational performance measures, including return on investment, product development, sales growth, market share, quality and employee satisfaction. One Denison study found that the average return on equity for organizations with the lowest culture scores was six percent, while the average return on equity for organizations with the highest culture scores was 21 percent.⁹ Hospital Corporation of America (HCA) recently found that its 12 highest financially performing hospitals were also its 12 highest culturally performing hospitals, enjoying an employee engagement ratio of 5.68, as compared to an average of 2.44 for the entire system (173 hospitals) and 1.83 for its lowest performing hospitals. HCA also found a steadily decreasing employee turnover rate of 16.6 percent for the highest performers versus a steadily increasing turnover rate of 23.3 percent for the lowest performers.¹⁰

In a 2005 article, Eric J. Sanders and Robert A Cooke, Ph.D., from Human Synergistics/Center for Applied Research, Inc., revealed more convincing findings on how “culture change initiatives can lead to real financial returns.” They found:

- Strong correlations between constructive (as apposed to defensive) cultures and business success (i.e., higher earnings/sales ratios and lower volatility).
- Retail stores with more constructive cultures showed stronger growth in revenue and higher revenue than their defensive-culture sister stores.
- Newspapers with constructive cultures had higher satisfaction, more cooperation and teamwork, lower stress, better readership, and higher profit.
- A large university medical center, over a 4-year period, was able to move its culture from defensive to constructive through leadership development and an organization-wide emphasis on culture change resulting in improved research, education and patient care performance, a 50% increase in budget, and movement from \$40 million deficit to a \$7 million surplus.
- A large liquid manufacturing company gained strong financial returns on their investment to redirect culture (beginning in 1996) and for eight years has reported increases in revenues, earnings before interest, taxes and amortization (EBITA), and net profit after taxes (NPAT, before significant or abnormal items).¹¹



THE GOOD NEWS: CULTURE CAN BE MEASURED

For years, organizational culture has widely been held captive by the perception that because it is “intangible” it cannot be measured, and it should be best addressed in remote, academic settings. There was no place for serious conversations in business about culture. Today, after exhaustive research and extensive applications by numerous organizations, measuring and improving corporate culture and climate has become an operational imperative—one that is inextricably linked to survival during economic crisis and growth during economic prosperity. Organizational leaders, in a variety of industries, have successfully improved culture by understanding: (a) the link between internal causal factors that drive culture and performance, and (b) the direct impact that they, as leaders, have on corporate culture.

Today, there is a growing conversation about concepts like servant leadership, distribution of decision rights, intrinsic motivation, agility, employee empowerment and involvement, goal-setting, feedback, communication, and bases of power. Along with this new thinking comes a fresh look at the impact these concepts have on employee outcomes like self-motivation, individual performance and joy in work, as well as project and organization level outcomes like teamwork, cooperation and collaboration, quality, customer service, adaptability and ultimately . . . the “bottom-line.”

There is no question that corporate culture directly impacts the bottom-line performance of every organization. The paradox is, you can't improve culture by focusing on the financials. Most companies focus almost exclusively on financial measures as evidence of their existence, as an indicator of historical success, and as the single predictor of future success. This is a serious flaw.

EXAMPLES OF CULTURAL ASSESSMENT TOOLS

Employee Fulfillment and Climate Surveys: Employee Fulfillment and Climate Surveys measure the level of passion and engagement reflected in an organization, function, project, or work team. Results can track the aggregate level of commitment as well as be stratified to explore performance in component-areas such as teamwork and commitment, respect, and loyalty.

Cooperation Indexes: Cooperation Indexes measure the amount of interdependent cooperation present in the current culture. Results should describe the prevailing level of service, process performance, helpfulness, and collaboration.

Culture Maps: Tools like Social Network Analysis (SNA) Culture Maps depict the patterns of relationships in an organization or project. Culture Maps provide a new understanding and communication for this invisible territory, identifying patterns that can potentially impact organizational and project outcomes.

Values Alignment Assessment Tools: Values Alignment Assessment Tools are used to measure personal, prevailing, and desired values and their level of their alignment in the current culture.¹²



Values guru Barrett believes that anyone interested in understanding and affirming the values of an organization should focus on behavior, the outward manifestation of an organization's stated values. An organization needs to identify those behaviors related to its values. After all, when one looks at an organization, one looks at its actions, not the stated values it espouses. An organization should work to find the behaviors that represent desired values and to look for and avoid behaviors that undermine or limit desired values.

A NEW BALANCED SCORECARD

Long-time quality culture practitioner, Thomas A. Smith, is fond of saying: "Profit is like health...the more of it you have the better you feel, but it is not the reason for your existence." We might add: neither is it a reliable indicator of your current success or a good predictor of your future success.

Just as vital signs are global measures of an individual's health, system-level scorecards (consisting of approximately seven to ten system-level indicators) will reveal an organization's complete health picture. These measures should include both process and culture indicators, cascade down into an organization, and relate to work in every area. Everyone should be able to understand how the work of his/her function relates to one or more of the global measures. A system-level financial/nonfinancial scorecard creates a common language and focus, making it easy to communicate total performance so that everyone can understand the company's strategic plan and its relationship to key system processes and cultural behaviors.

In predicting tomorrow's measurement systems, intangibles measurement guru Brenda Rarey issues the clarion call for more effective intangibles measurement for every organization. "The current reality of business measurement does not match the current reality of the environment. Future measurement systems will have a direct impact on the success of business by integrating overall corporate strategy with system measures that include intangibles, such as employee fulfillment, customer satisfaction, knowledge and intellectual capital. The benefits will be enormous. An astonishing number of managers are still not aware of the difference a shift in culture can make. Cooperation, engagement, creativity, values alignment - all of these you can assess in a meaningful way."¹³

In a recent article, "When Balance Sheets Collide with the New Economy," Denise Caruso of the New York Times lamented, "Today's sophisticated knowledge economy is stuck with the equivalent of an abacus for measuring the actual financial value of corporate assets and liabilities. . .today's markets are being transformed by intangibles, and a growing number of companies are scrambling to find the methods that will help them better use, develop and communicate about them."¹⁴

Understanding and measuring corporate culture is a sure bet for any organization who wants to improve its performance in today's more urgent, uncertain times.



CONCLUSION

If your organization is typical, much time and money has been invested in modern process management methods such as TQM, TOC, Six Sigma, Lean, Balanced Scorecards, Quality/ISO Certification, and the like, as well as traditional performance management methods like pay-for-performance, workforce development, or performance appraisal to improve organizational effectiveness, yet results have not been substantial, much less sustainable. There continues to be disparity between the outcomes that are intended by these methods, models, and theories-in-use and what actually occurs. How can this be? The answer is this: applying these methods without a correlative cultural initiative is ignoring a fundamental truth. Without engaging and unleashing the intrinsic motivation of process owners any performance initiative will prove hollow. The disparity exists because of the two programs all companies have—the written one, which exists in the dusty procedure manual; and the unwritten one, which lives day-to-day in the minds and interactions of people...by far the most powerful and influential. Optimization (Superperformance) requires that we leverage what's in the conversations, not just the manuals. We must go beyond the process and focus on the *drivers* of the process—we must impact the culture; the unwritten rules that determine what's really important in an organization.

In summation, a revolutionary culture is a miracle cure, both entirely possible and eminently practical. It requires an understanding of the underlying assumptions, beliefs and values that determine what is important in an organization and what behaviors are desired in the way members interact with each other and their daily work. It also requires a commitment by senior executives to increase their awareness and acceptance of the current operating culture and its past history (causes), and then the courage to take action on the levers for revolutionary change that will drive a bona-fide transformation to Superperformance.



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ABOUT RICHARD DILLARD

Richard Dillard is a quality and project optimization expert and Corpus Optima Partner. He holds a Six-Sigma blackbelt and is a certified project management professional (PMP). A U.S. Marine, Richard has served in a variety of performance leadership roles with organizations ranging from Fortune 100, to small to medium-sized businesses, to entrepreneurial and consulting firms.

Over the past 25 years Richard has served in 37 professional and social leadership roles, including 27 positions with 13 companies spanning seven industries (Defense, Banking, Retail, Food and Beverage, Service, Manufacturing, Health Care), and in numerous volunteer positions with local government agencies (Wayne County Commissioners) and large non-profit organizations (GO! Network—Saint Louis). Richard's core competencies include Strategic Planning and Execution, Organizational Culture and Effectiveness, Development and Implementation of Performance and Learning Solutions, Product/ Service Development and Implementation, Quality Management/ Operating Systems, Team Building & Problem Solving, Change Optimization & Business Process Reengineering, and Customer/ Vendor Relationship Management.

Some of his achievements that relate directly to corporate culture include: (1) awarded federal earmark grant project for organizational culture and its impact on advanced manufacturing techniques through Schoolcraft College Business Development Center, (2) designed and delivered performance improvements through organizational culture change programs at three manufacturing clients that increased the efficacy of advanced manufacturing techniques, and (3) facilitated numerous two-day leadership development sessions that measurably improved both teamwork and problem-solving capabilities.

His awards include the Navy Commendation Medal from the Secretary of the Navy for meritorious service from 1992-1994, the Award of Commendation from the American Meat Institute and National Safety Council for excellence in Safety Performance in 1997, and numerous organizational citations for superior performance.

Richard is continually engaged in some facet of giving himself away and reinvesting in the community, and most recently served as Co-Chair, Strategic Planning Committee at GO! Network - Saint Louis. He continues to be involved in several additional community development initiatives.



ABOUT CORPUS OPTIMA

Corpus Optima is a consulting, coaching, and education firm specializing in organizational Superperformance. Dave Guerra, co-founder and managing partner, discovered these principles through a ten year study of the behavior of real Superperformers across a variety of industries, including airlines, automobiles, capital investment, healthcare products, retailing, and others. Based on this discovery, Corpus Optima leverages the best of improvement and complexity science to help organizations amplify the merger of process and culture, the nuclear reactor of organizational Superperformance.

Corpus Optima offers a special consulting practice and set of capability development tools designed to help organizations move from management to optimization.

As one of the firm's premier offerings, Corpus Optima has created a flexible process to bring about the transformation of corporate culture. These include a Cultural Advisory Practice and a robust portfolio of Cultural Assessment Tools. These tools are powerful instruments because they provide a way to see and understand patterns of culture in an organization that are invisible and too complex to be otherwise recognized. Uncovering this hidden world helps organizations create new possibilities from previously hidden knowledge.

Corpus Optima's Cultural Transformation Services can enter the project process at any point in the project life cycle to help discover, equip and deploy performance optimization strategies that integrate seamlessly into existing goals, initiatives and operating environments.

The Corpus Optima Superperforming Management & Leadership Capabilities Seminar, another core component, includes the Superperformance Habit Strength Instrument, Superperformance Coaching Model, and Corpus Optima's signature portfolio of Superperformance-based practice fields, designed for easy replication internally.

