

# Organizational Culture

HR PLAYS A KEY ROLE  
IN ESTABLISHING AND  
REINFORCING A COMPANY'S  
OVERARCHING CULTURE

By Melissa Campeau





**P**lug “organizational culture” into Google and you get more than 32 million results. Clearly, culture is a topic on many people’s minds. Forward-thinking business leaders, in particular, have embraced the link between culture and performance, which is good news for human resources professionals – the natural owners of culture. You might say there’s somewhat of a tipping point happening at the moment, setting the stage for HR to positively influence, impact and steer corporate culture like never before.

From the front-line worker to the off-site accountant, from the CEO to the front-desk receptionist, culture permeates every nook and cranny of an organization.

“It really has to do with the values and the assumptions that guide day-to-day behaviour in the workplace,” said Kelowna-based Graham Lowe, president of workplace consulting firm The Graham Lowe Group and author of *Creating Healthy Organizations*. “It’s the unwritten rules people carry around in their heads that guide how they relate to each other, how they relate to customers and how they go about their work on a daily basis.”

### COMPETITIVE ADVANTAGE

Whether an organization has spent years developing an entrepreneurial and collaborative culture, or they’ve let things slide into disengaged and competitive mire – there’s still a culture.

It’s not surprising that organizations with a clear and compelling purpose, as well as a set of values that define how they work together, will attract and engage employees who have a similar purpose and set of values. And these organizations will outperform other businesses on both financial measures like productivity, share price returns, profitability and employee engagement and retention.

“Culture is the lifeblood of any company,” said Bonnie Flatt, a leadership coach in Toronto. “The clearer and more purposeful your culture is, the more you’ll differentiate yourself from your competition.”

### CULTURE IN CONFLICT

Management expert and author Peter Drucker famously asserted, “Culture eats strategy for breakfast.” Essentially, no matter how great your business plan is, it’s really the wellness of your culture that will determine whether or not your strategy takes hold.

When there’s no alignment between what an organization says it’s all about and how employees think and act on a daily basis, strategy doesn’t stand a chance. What’s more, an organization could be at risk for reduced performance, decreased engagement, retention difficulties – and worse.

When the space shuttle Columbia broke apart over Texas on February 1, 2003, news reports pointed to foam insulation that shed on liftoff and struck the left wing, allowing hot gases to penetrate and destroy the wing structure on reentry. The internal investigation, however, revealed a very different cause.

“When NASA conducted an inquiry, they said that the root cause had been a failed safety culture,” said Lowe. “NASA is an organization – at least on the surface – that had been known for rules and procedures, for safety and zero tolerance of any error.”

Engineers working on this particular shuttle, however, were subjected to a different set of pressures and incentives that steered them away from the formal commitment NASA had made to safety.

“They were focused on deadlines,” said Lowe. “The real corporate value that was placed on safety became secondary and that’s what resulted in the disaster.”



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## WEAKENED CULTURE

Actions in direct conflict with corporate values, as with the space shuttle disaster, are a clear indication of a problem with culture. More subtly, witnesses to those actions who choose to remain silent, rather than speak up, point to a culture’s failings as well.

Canadian engineering giant SNC Lavalin recently struggled through several troubled years, embroiled in headline-making scandals. While only a handful of employees may have been directly involved in illegal activity, there were plenty of silent witnesses who never spoke up about what they saw going on.

“A key way you can tell if culture is being reinforced is how employees react when they see behaviour that’s inconsistent with the prescribed values and beliefs put forward by the organization,” said Norm Sabapathy, executive VP, People at Cadillac Fairview.

At SNC Lavalin – a company that lists respect for its code of ethics among its core values – the employees who didn’t speak up were as indicative of a broken culture as the actions of the wayward employees.

## TOP-DOWN AND BOTTOM-UP

While a leader can’t single handedly develop a strong corporate culture, it’s nearly impossible for an organization to have one without a visionary leader at the helm. But culture isn’t simply a top-down exercise. Instead, it needs to be shared and made real from the bottom up as well.

“Followers give leaders permission to lead and they can take it away just as easily,” said Flatt.

In some cases, a CEO might engage employees to drive the change, as was the case at IBM just over two decades ago. In 1993, IBM was floundering as an organization and brought in a new CEO, Louis Gerstner. To help realign the culture, he

ran a company-wide grassroots consultation on values.

“He tapped into the views of all employees, and basically rebuilt the values based on bottom-up input across the organization,” said Lowe. “They followed through with good communication and took steps to engage the workforce. While it was a participatory process, none of it could have happened without the 100 per cent dedication of the leadership of that organization.”

Typically, the roots of change begin with questions. Flatt, for example, typically asks her clients, “Why is your organization here?” A compelling why is a necessary base for a strong culture. Southwest Airlines, for example, is here to democratize air travel. Apple is here to disrupt the status quo. Disney is here to create dreams. Your organization’s “why” provides an overarching statement that should resonate across the entire company.

Under that overarching umbrella, the executive team can begin to develop values.

“One of our clients hired us to work with the leadership team, get really clear on the culture and change it,” said Flatt. “So we spent two days with them in a workshop. After the team got clear on the company’s overarching reason for being, we asked each person to share stories and we helped them unpack their individual values.” Each person identified two or three important values of his or her own. From there, said Flatt, “We asked, okay, what are the collective values of the group? What do you really stand for as a leadership team and as a business? And they narrowed it down to four values.”

## DEVELOPING BLUEPRINTS

Before attempting to encourage staff to embrace those values, it’s critical to understand the current lay of the land. After all, it’s impossible to create a map to point B if you don’t know where point A is.

“Take time to measure baselines,” said Sabapathy. “What are the shared standards, attitudes and beliefs in your current organization, and what would you like them to be?”

When you’ve got a handle on those coordinates, you can understand what sort of gap you’re attempting to bridge in each area of the business and you can create a tailored map for each stakeholder group.

## KEEP IT REAL

Whether an organization is working with a set of values or an umbrella vision statement, it’s likely that each area of the business will understand these through a slightly different filter. HR can help each group establish what these sometimes lofty-sounding ideas and principles might look like in the real world.

“If you ask someone to share their values with you, they’ll give you a blank look,” said Flatt. “If you ask them to share a story they’re really proud of, when they were at their best or something they want to celebrate, you’ll hear the values in that story.”

## BEHAVIOURS AND POLICIES

Simply sharing values with team members, however, isn’t likely to have much impact on culture. Instead, each group within an organization needs to define what behaviours support the values, as they understand them.

At Disney, for example, the umbrella statement “We are here to create dreams” might be defined by different actions in the accounting department than in the marketing or customer service departments.

Teams can also influence policies that empower employees to take action in support of those values. Online shoe and clothing company, Zappos, for example, lists “Deliver ‘wow’ through service” as a core value. Company folklore tells of customer service reps arranging pizza delivery





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if an employee excels in certain areas but shows problematic behaviour in others.

“There’s the classic example of the employee who hits the ball out of the park every year when it comes to results, but who struggles with behaviour that drives engagement and sustained results,” said Sabapathy. “Does leadership then make the tough call to say, ‘This person is coming off the high potential list and if he doesn’t improve, he’s going to be fired?’” If an organization is committed to changing its culture, this is the kind of hard choice that needs to be made.

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for an unhappy customer on the phone at the dinner hour, and flowers delivered to a customer whose mother had recently died.

“These are customer services reps who are empowered to do whatever is required to give the customer a ‘wow’ experience,” said Flatt. “The culture is about the ‘wow’ and the policies support this.”

### GROWING PAINS

Smart recruiting has always been a key ingredient to an organization’s success and the interview process has become more sophisticated over the years to reflect our growing understanding of the process. But when the goal is to hire employees whose values align with the organization’s, the hiring process can require some ingenuity. Values, core beliefs and natural tendencies – these can be difficult things to uncover during a typical situational interview.

To counter this, some creative companies put together involved behavioural interviews to spot their future superstars. WestJet, a company that considers itself to be in the hospitality business (rather than the travel business), conducts lengthy behavioural interviews to zero-in on candidates who are natural hosts. WestJet co-founder and senior vice-president of customer service, Don Bell, has famously said, “People by nature are negative, but some are criminally enthusiastic.” WestJet tries to spot those optimists by putting potential employees into unconventional group situations that bring out natural instincts.

“These front-line people represent the manifestation of culture,” said Flatt. With that in mind, what may seem like an expensive exercise becomes a reasonable

and justifiable investment in culture, brand identity and retention.

Hiring isn’t foolproof, of course. Even great recruiting tactics can mean onboarding the wrong employee from time to time. To counter this, Zappos rather famously offers new hires a certain amount of cash to quit after the one-week mark and even more cash after the one-month mark. As Zappos sees it, if a new employee takes the cash, they don’t fit the culture.

As an organization attempts to shift its culture, there will inevitably be employees whose values no longer align with the organization’s. Sometimes, employees will identify this on their own and take the initiative to leave.

In other situations, leadership will need to make some difficult decisions, especially

### MULTIPLE CULTURES

Within even the most aligned and positive culture, there will still be room for personality differences and deviations in personal style. Teams, too, may develop their own healthy variations on a cultural theme.

This can be true on a global scale as well. Four Seasons founder Isadore Sharp managed to run a very successful organization with outposts around the world despite some obvious challenges to a singular culture. For example, a team working in a hotel in Tokyo would have a different set of values than one in Rome and another in Toronto. What Sharp managed to do – very successfully – was to connect a geographically spread-out team by way of one all-encompassing principle: treat others as you would want to be treated. It’s a trickle-down theory, spreading

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from manager to employee to guest and back into the brand.

"It's a virtuous circle," said Lowe. "Even though the company operates in so many countries with so many ethnic and religious backgrounds, this principle translates into every culture and every background, so everyone understands it."

Of course, there are challenges to maintaining a connected principle or vision across markedly different global cultures.

"In each geography, you might have a different interpretation of the corporate

culture," said Flatt. "As long as those interpretations are aligned, you're okay. When they're not, it's difficult to speak a common language and you might see internal strife."

### LINK BETWEEN INTERNAL AND EXTERNAL

While differing cultures within an organization can cause trouble, tensions can also arise when there's a disconnect between an internal and external culture or brand.

"There should be resonance," said Lowe. For example, a company that supports

community causes and encourages employees to be actively involved as volunteers is clearly putting value on community involvement. But, Lowe pointed out, "If internally, there's no work-life balance and people don't have the time to do externally what they're being urged to do internally, then there's a complete disconnect." Lowe also emphasizes the importance of spotting this connection – or disconnection – and helping C-suite decision makers see it, too.

"To establish and reinforce culture and values, an organization has to be completely consistent in the eyes of all stakeholders," he said. "Employees are big stakeholders."

Between CSR initiatives that put organizations in more direct contact with communities, the prevalence of social media and a business world that's less and less siloed, the line between an internal culture and an external brand is becoming so permeable, it's almost nonexistent. To keep both the internal and external cultures healthy and interconnected, "It's really important to link your culture with your employer brand, organization brand, community brand and consumer brand," said Sabapathy. "What I've seen is there's been an increasing partnership between HR and marketing."

### THE LONG GAME

"Developing a particular corporate culture is not a goal to set for next quarter. You have to be in it for the long haul," said Sabapathy. Experts estimate it takes between three and 10 years to develop a strong culture. That's a challenging prospect in a society with a love for short-term results and a generalized anxiety about change.

In spite of this, HR needs to approach culture with a long-term plan in mind and the understanding that an aligned culture will deliver superior results for an organization in nearly every measurable way.

"CEOs and other leaders get that culture makes a significant difference in performance," said Sabapathy. "It's such a critical business area and it's a place where HR can drive real value creation, demonstrate high-impact leadership and really shine." ■



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