

Culture is the bedrock of sustainable organizational performance. Changing the culture to embed socially responsible behaviors requires a planned approach and dedicated application of principles and practices in every aspect of work and decision making.



Creating a Vibrant, Thriving, Responsible Culture



Diana Rivenburgh

Have you ever been excited about starting work with a great company and had your hopes dashed once you became privy to what really happens inside? You did your research and asked all the right questions during the interviews. The company had a stellar brand image and had won many awards; yet all was not what it seemed from the outside. Suddenly you felt as though you were Dorothy in *The Wizard of Oz*, taking a peek behind the curtain to discover that the great and powerful Oz was just a man with gadgets. Going behind the scenes feels much like this as you become exposed to an organization's culture, which may differ greatly from your expectations.

Graduate students from top universities across the country recently visited the corporate office of a consumer products giant that is consistently recognized as a leader in sustainability and corporate responsibility. The students' MBA programs emphasized sustainable business growth, so the students were eager to learn from this highly recognized global organization. The company hoped to

entice many of these students to apply for positions upon graduation.

At first, the students listened to presentations on breakthrough "green" products, sustainable agricultural practices, and how the company was improving the health of people in developing nations. Afterward, the students took a break to tour the building and have lunch. The sustainability director hosting the event said the experience was a disaster. A day after the visit, the students bombarded her with emails expressing disappointment. Water bottles seemed to be everywhere and inefficient faucets and toilets wasted water. Many rooms lacked recycle bins, and where they did exist, the trash and recycling were combined and emptied into the same bags. The food in the cafeteria had limited healthy or organic options. Few employees carried reusable mugs, opting for disposable options instead. Vents blasted hot air into overheated rooms while lights glared and computers remained turned on in empty offices.

This company invests heavily in innovation, receives constant accolades for sustainable development, and its CEO is

lauded as a courageous leader striving to use capitalism as a force for good. Although this company does some great things, achieving its strategic goals and mission requires embedding its values into the fabric of its culture and every aspect of operations. In the words of Peter Drucker, "Culture eats strategy for breakfast." Thriving, vibrant cultures turn strategy into stellar results. Dysfunctional, misaligned cultures destroy strategy, frustrate people, disappoint customers, and hinder business success.

Scan the news and it's easy to find evidence of dysfunctional cultures. "Goldman Sachs Subsidiary Agrees to End Robo-Signing."¹ "BP's Profits-first Culture Prompts 11 Felony Guilty Pleas, \$4.5 Billion in Fines."² "JP Morgan Chase Will Pay \$13 Billion in Record Settlement."³ American "soldiers were 15 times more likely to be raped by a comrade than killed by an enemy."⁴

Cultures can raise a company to new heights or sink it to deep depths. Decades of research consistently show a substantial correlation between business results and culture. A study conducted by Denison Consulting measuring 127 public companies between 1995 and 2010, showed that those strong in key cultural traits such as core values, empowerment, and organizational learning had greater sales growth, profitability, and shareholder value than companies that were weak in these traits.⁵

Imagine culture as a tree. Its trunk, branches, and leaves represent visible elements such as behaviors, practices, decisions, policies, and workplace design. The roots represent invisible elements such as beliefs, mental models, values, and assumptions that bring the tree to life. Just as trees require sunlight, water, and the right soil, cultures also require constant care.

Walk into a Starbucks anywhere in the world and you experience the visible dimensions of its mission "to inspire and nurture the human spirit, one person, one cup and one neighborhood at a time," with each individual moment of connection.⁶ Well-trained baristas remember your "usual" beverage and serve it up with a smile. Simply purchase a drink or a scone and you can sit for hours chatting with a friend or working on your computer using the free Wi-Fi.

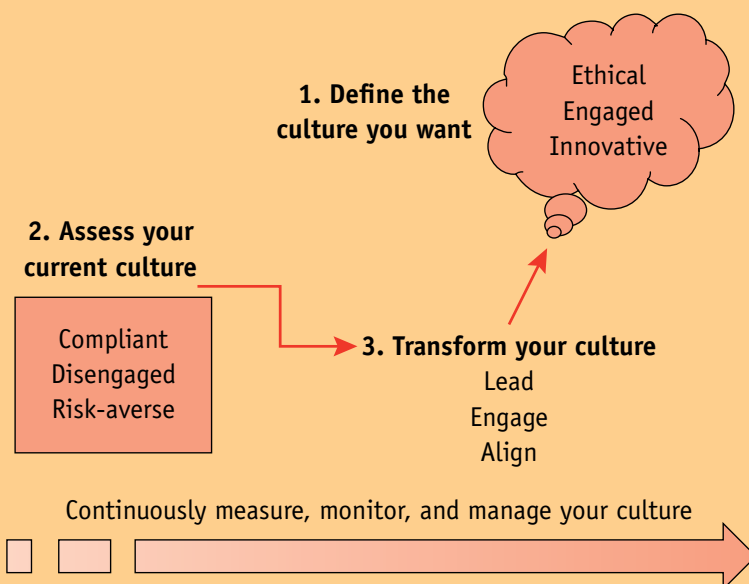
A quick look around reveals ways Starbucks connects to communities around the world with Fair Trade coffee, reusable mugs, Ethos Water, and signs about ethical sourcing and volunteering.

How do you create an ethical, vibrant, collaborative culture that fosters high performance and achieves profitable business results? First, define where you want to be. Second, understand your current culture. Third, transform your culture by leading change, engaging people, and aligning your business model. While this article uses for-profit companies as examples, the same principles and practices apply to not-for-profits, educational institutions, communities, and other organizations (see Figure 1).

Define the Culture You Want

In 1991 Patagonia was at a crossroads. The company had just hit \$100 million in sales, yet the recession forced it to lay off 120 workers, about 20 percent of the workforce. CEO Yvon Chouinard decided it was time to re-evaluate the company he had founded. He took a key group of employees into the mountains of Argentina to examine why it was in business and determine what kind of company it wanted to become. That trip was a turning point for Patagonia developing into a values-driven company. The group created a mission statement describing what they valued most. "Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis."⁷

Figure 1: Three Phases for Culture Transformation



The New Corporate Facts of Life: Rethink Your Business to Transform Today's Challenges Into Tomorrow's Profits



Author: Diana Rivenburgh

Abstract: Still myopically chasing quarterly profits, producing the same product the same way, issuing directives to increasingly disengaged employees? Too many organizations cling to outdated practices—to their detriment and almost certain

demise. In today's unpredictable, interconnected world, the old rules no longer apply. This book charts a clear path through the obstacles facing all companies—disruptive innovation, economic instability, environmental degradation, increasing stakeholder power, and other global forces—explaining exactly how

to transform each challenge into a competitive advantage. Based on interviews with more than 50 top executives and thought leaders, the book recounts how leading-edge companies have begun reshaping strategy, culture, vision, engagement, and leadership to succeed in this brave new world. Packed with inspiring stories and compelling examples, this book offers an overarching view of the shifting landscape and reveals how any organization can begin creating a profitable, sustainable future.

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In support of this mission, and despite the recession, Patagonia committed to giving one percent of its profits to environmental causes.⁸

Beginning from a vision of your desired culture sets you on the right path whether you are starting your business, seeking to change an existing culture, or growing a company through acquisitions and mergers. Merely trying to repair dysfunctional weaknesses leads to incremental improvement at best and often results in huge resistance to change.

To define your desired future-state culture, identify the traits you need to realize your vision and achieve your strategy successfully. Involve others to gain insights from multiple perspectives. Engage your employees to foster greater commitment and ownership. Talk with customers and suppliers for perspectives on how to best meet their needs. In addition to looking within, examine the research on cultural traits of high-performing companies in and out of your industry.

Assess Your Current Culture

As in medicine, prescription without diagnosis often results in malpractice. Before jumping into transformation mode, you should first assess the strengths and weaknesses of your current culture. Resist the urge to assess the culture you have today before defining the culture you want to have tomorrow. Starting with a picture of the future brings

greater alignment with your organization's vision and strategy and focuses your efforts on where you want to go. Beginning with where you are today puts you in problem-solving mode to fix or improve what exists, rather than create what's needed.

Organizations are made up of group cultures known as idiocultures. Surveys specifically designed to assess culture can bring a wealth of information on traits shared across the organization, while also showing idioculture variations among departments, locations, job levels, age, or tenure. Use survey data to dig deeper. Discover what differentiates high-performing departments from struggling units. Learn why innovation or customer service thrives in certain areas. Observe people in action, conduct focus groups, ask questions, and review your management practices to have a more complete analysis of your culture's strengths, weaknesses, and variations. Compare your desired future-state culture with your current one to identify and prioritize the gaps. Doing so helps ensure you focus on the most critical aspects to strengthen or change.

Lead, Engage, and Align to Transform Your Culture

Creating or transforming your culture requires simultaneously demonstrating leadership, engaging stakeholders, and aligning your management practices with your aspirational cultural traits, as follows:

- **Lead.** Vibrant leaders create vibrant cultures. Toxic leaders produce toxic cultures. Organizational culture starts with the company's founder and evolves constantly as new leaders come and make their mark. Every CEO should view his or her role as chief culture officer. If the CEO doesn't take culture seriously, no one else will.

Howard Schultz of Starbucks believes that making money and raising stock prices are shallow goals unless they are tied to creating value for people and society. Today, Starbucks celebrates record revenue and shareholder value while maintaining commitment to its values. In 2011, *Fortune* magazine named Schultz the top businessperson of the year, acknowledging his achievements as a corporate capitalist and a public activist. As with Patagonia's Chouinard, Schultz believes you can and must be both. In 2008, when Starbucks' stock price dropped 52 percent and its fourth quarter earnings were down 97 percent, Schultz adamantly refused to make changes that would go against the company's values, including eliminating health benefits for part-time employees. Starbucks regained its mojo without losing its soul, as it soared back to record earnings.⁹

Assessment results often reveal the stronger and weaker leaders in your organization. Leaders must reflect the desired cultural traits in all they say and do. Disconnects between the two foster cynicism, lower trust, increase employee turnover, and negatively impact financial results. Do your leaders embrace the company's values and code of conduct? Are they rewarding the right behaviors and results? Do they hold others accountable for promoting the desired cultural traits? Are they involving others and opening up lines of communication?

Leaders who struggle to build the desired culture may benefit from coaching. Those who cannot step up may need to be removed. Toxic leaders will poison your culture-changing efforts and derail the organization. Make every effort to hire and promote the right leaders. Fancy degrees from top schools aren't enough. Leaders must also fit and foster desired cultural traits. Train and reward them for achieving results

in ways that are ethical, transparent, innovative, and engaging.

- **Engage.** Engaged employees go above and beyond expectations to invest extra time, effort, and thinking into their work. Danish pharmaceutical firm Novo Nordisk, the world's leading provider of insulin for diabetes treatment, considers culture and engagement as critical elements for the company's success. Engaged employees continuously learn, seek innovative solutions, produce better quality work, identify opportunities, and recognize potential risks.¹⁰

The company clearly defines its cultural values, behaviors, and expectations in its Novo Nordisk Way of Management.¹¹ When it was time to update these tenets, CEO Lars Rebien Sørensen and other leaders obtained input around the world from employees, customers, healthcare providers, suppliers, and other stakeholders. In addition, every site conducts annual employee engagement surveys to identify strengths and areas for improvement. At the company's plant in Clayton, NC, one category in the survey, "The mission of my company makes me feel my job is important," consistently receives a nearly perfect rating.

Engage employees early and often to transform your culture and to maintain the strengths of the existing one. Ask for employee input in defining

Webinar

How to Create a Vibrant, Thriving Culture

Great cultures engage and connect employees to an organization's mission in ways that foster collaboration, innovation, quality, and excellence. Harnessing opportunities in a world of complex and accelerated change requires companies to replace outdated, dysfunctional cultures with ones imbued with pride, energy, creativity, and customer focus. Organizations with vibrant cultures attract and retain top talent, promote customer loyalty, achieve goals, and strive for excellence.

Join **Diana Rivenburgh**, author of *The New Corporate Facts of Life*, recipient of the 2014 Axiom Business Book Bronze Award, to discover how to create an ethical, vibrant, collaborative culture that fosters high performance profitability. This webinar will describe how to define the desired culture, assess the current one, and find ways to transform culture by leading change, engaging people, and aligning an organization's business model.

For more information on how to view the webinar after May 21, 2014, go to asq.org/pub/jqp.

the desired future-state culture, assessing the current traits, and in changing practices and behaviors. While the right leadership and highly engaged employees are critical, you also want to make sure your management practices support building the culture you seek to create.

- *Align.* It is often said that an organization is perfectly designed for the results it is achieving. Organizations operate with management systems consisting of all their practices and policies on areas such as education and training, recruitment and hiring, compensation, performance management, and decision making. All these systems along with the workplace design, reporting structure, and communication practices must align to support the culture.

Named as the number-one firm on the 2012 Corporate Knights Global Most Sustainable Corporations list, Novo Nordisk strives to integrate social and environmental responsibility into every fiber of its organization. The company doesn't publish a sustainability report. Instead it lists its social and environmental performance on areas such as waste reduction, water and energy consumption, employee turnover, management diversity, and philanthropic donations alongside financial results in its annual report. Every employee has triple bottom-line goals related to people, profit, and planet. The company met an aggressive target to reduce CO₂ emissions from global production by 68 percent per unit and five years ahead of schedule, despite simultaneously achieving 30 consecutive quarters of double-digit growth.

Novo Nordisk puts its money behind its commitments. The company began growing its presence in China in the mid-1990s including training approximately 55,000 doctors, footing the bill for diabetes prevention and management education, and opening a plant in Tianjin. Efforts to invest and build relationships have paid off handsomely, with the company boasting a 63 percent market share for insulin in China in 2012. In addition to the financial results, its efforts created tremendous value for people and communities in China by saving 140,000 "life years" as of 2010, and directly or indirectly creating 14,600 jobs.¹²

Your earlier culture assessment should reveal formal and informal management practices and which ones need to be changed, eliminated, or created. Formal practices such as education and training, compensation, performance management,

and decision making should all support hiring the right people and incenting desired behaviors and results. Informal practices are just as important. How do people collaborate and communicate? Are they making ethical decisions or looking for ways to game the system? Will they take risks to seek innovative solutions?

Bring It All Together to Shape Your Culture Continuously

While learning about the best practices of successful companies, be sure to adapt them to achieve the unique, vibrant culture you want. Resist the attraction to bright, shiny silver bullets. Simply tying environmental and social goals to incentive plans or establishing green teams can't change culture on their own. Think of this as a systemic effort, where all the elements need to come together and reinforce one another.

Remember to engage people along the way. Your employees, customers, suppliers, and other stakeholders can provide valuable suggestions, and involving them will foster the buy-in needed to create the culture you want.

As with the job of a parent, efforts to nurture culture never end. Manage it or it will manage you. Measure and monitor the results of your culture transformation. Are you hiring and promoting the right people? Do the performance management, recognition, and reward programs encourage desired behaviors and results? Has customer loyalty increased? Are your people really walking the talk? Operating as a responsible company also requires transparency. Regularly and openly share your results and progress—positive and negative—with all stakeholders.

Novo Nordisk understands the value of a socially responsible, engaged culture to its business success, and the company uses teams of facilitators to audit culture every one to three years in all locations around the world.¹³ Including critical environmental and social outcomes along with financial measures in the company's business measures and annual report keeps the organization focused on achieving responsible, sustainable growth. Highly successful companies move beyond compliance to commitment and creativity.

Vibrant, thriving, socially responsible cultures engage people's hearts and minds, motivating them to greater collaboration, innovation, excellence, pride, and profitability. Take steps now to define the

culture you want; assess the one you have; and then lead, engage, and align your organization to thrive today and well into the future.

More Online

To learn more about the companies mentioned in this article, go to asq.org/pub/jqp.

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