

Culture: last frontier of competitive advantage

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In a world in which products and services are increasingly hard to tell apart and business itself has become a contested institution, what a company stands for in relation to all its constituents - not just employees - is becoming as important as what it does.

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Sometimes when I'm asked to write or speak about culture and values, I'm reminded of a cartoon by Gary Larsen, that gifted artist who can so wonderfully capture the human predicament in a single image. It shows a man sitting on the end of his bed in the process of getting dressed. Pinned on the wall in front of him is a large notice that reads: Trousers First. Then Shoes.

The topic calls this to mind because, at one level, it seems to me we should instinctively know how to deal with culture and I don't understand why organisations have so much trouble getting their heads around it, or why so few even try. But on another level I appreciate that culture is complex and traditionally below the radar when it comes to corporate evaluation, and therefore easily sidelined.

However, given the extent to which the corporate culture touches everyone who

experiences the organisation in any way, one might expect a little more enthusiasm about attending to its health and well-being, especially in the context of the constant stream of financial scandals and ecological and social violations which have raised question-marks over corporate governance, responsibility and values in recent times.

Growth of intangible value

The mainstream business mind may still genuinely believe that the only real source of value is in tangible things, things you can count and measure easily, but the reality has moved on with *'intangibles'* growing in importance to the extent that some securities analysts believe anything upward of 35 percent of the value of stocks they follow is not shown on the balance sheet. It's in reputation, trust, relationships, knowledge, strategic alliances, sustainability, brand equity and other invisible assets.

Interface, the largest floor-covering manufacturer in the world, is a good case study. When in 1995, Chairman and CEO Ray Anderson set his company the ambitious goal

to be the first in the world to transform itself from being a hugely resource depleting and polluting business, to achieving environmental sustainability and then to become restorative - to restore to the planet more than it extracts - the spirit in the company changed so completely that it took on a whole new and deeper meaning for staff, clients and stakeholders alike. The result: within a short space of time, brand value increased by a massive 1000 percent.

The radical innovations that took place were technical, but they emerged from a deep cultural transformation which had first changed the company's values and its perception of its relationship with the wider system.

On the other hand, accounting giant Arthur Andersen is a classic example of how a cataclysmic loss in value can result, when corporate culture is neglected. When the Enron scandal broke, this highly respected ninety year old institution turned to dust in just nine weeks because of the underlying culture which had come to define its behavioural practices. Andersen's demise was not about numbers, it was entirely about the *values* that supported the kind of behaviours that ultimately demolished its reputation.

As intangible, non-financial assets continue to grow in importance as a contributor to the financial bottom-line, it seems to me there's a unique opportunity for HR, OD and Employee Communication professionals interested in securing the ongoing relevance of their work, to reframe the cultural territory in less ambiguous terms, and demonstrate how much it counts by joining the dots between culture and corporate value.

Discretionary behaviour

Another reason to start taking culture more seriously lies at the heart of the Chartered Institute of Personnel Development's submission to the NCPP Forum on the Workplace of the Future, which identifies "discretionary behaviour" as a key distinguishing feature of high performing workplaces of the future.

The dictionary tells us that 'discretionary' means the "*freedom to decide* what should be done in a particular situation". This freedom is not boundary-less of course, and in the CIPD case it is defined as behaviour that is "positive to the aims of the organisation".

The words 'freedom to decide' point to a deeper issue: discretionary behaviour by its very nature, can't be mandated. We can't 'train' for it. If we want our organisations to be flexible and responsive in a fluid and constantly shifting business world, we have to be able to trust people to do what's necessary in the moment, and the only way to stack the odds in favour of the desired behaviour is to work with the context in which behaviour is shaped - the culture.

Engaging with culture

Culture is intangible, yet everyone is touched by it. It is the organisation's distinctive character or personality, discernible in the outward expression of the shared ideas, beliefs and assumptions that underpin its purpose, and the values that guide its behaviour.

Culture is everywhere and in everything. It is communicated in language and behaviours, in buildings and artefacts, policies and procedures, in the choices and decisions about everything including the choice and quality of the products or services provided, and how they are provided. Every one of the countless interactions through which the organisation is experienced directly or indirectly, carries its cultural signature and has the potential to build or diminish trust and reputation.

We need to keep an important concept in mind in seeking to change or improve organisational culture: the organisation is in the people, not the other way around. Culture permeates the broad organisational consciousness but its roots reach deep into hearts and minds so what people individually consider important - the *values* that drive their behaviour and colour their perception of everything around them - is a key shaping influence on corporate 'personality'.

Critical role of values

Values make each of us what we are. Like a personal guidebook, they tell us what is important, what to prioritise, and how to relate and respond to each other and to the world around us. Because they are central to human behaviour, they are at the heart of corporate culture.

Values have a special significance in the workplace because the degree to which an enterprise can successfully access their employees' creativity, knowledge and productivity, depends to a large extent on the culture and the collective values that hold it together.

If the culture doesn't support people becoming all they can become, or if it doesn't reflect their own sense of what is important, they won't bring their full talents to work - indeed they can't. They will leave part of themselves outside the door every day and the paycheque will become work's dominant meaning.

When people feel the culture reflects their personal values, work acquires a meaning beyond the mundane and creativity and productivity can truly blossom, so the link between organisational values and personal performance is important and deserves attention.

Articulating core organisational values and the behaviours that express them is about identifying what we agree to hold in common: a vision to strive for, a mission to achieve, and values to guide our behaviour as we go. When a group of people agree to abide by a set of common values or principles in this way, they build community and a sense of harmony, like a choir singing from the same score. And trust grows.

This is the cultural 'soil' in which discretionary behaviour - behaviour that supports what we hold in common - can flourish.

Learning a new language

Exploring the relationship between organisational and personal values is a good

place to start the journey towards the workplace of the future. Cultural mapping tools are incredibly powerful aids, but if we attempt to address the human and cultural dimension of organisations from within the language and worldview of mainstream business, it can quickly lead down the wrong road, or set up false expectations.

A senior HR manager whose management had recently 'handed down' a set of core values to be adopted by all employees, asked me recently: "How do we *embed* these values in the staff?" She wanted to be *certain* the cultural change programme would work. Another wanted to know: "How do we make discretionary behaviour happen?"

Questions like these, though asked with sincerity, come from a mindset and language that has defined organisations as machines and drained our workplaces of purpose and meaning. People are arranged in easy-to-manage boxes and compartments with 'inputs' and 'predictable' outputs. They're 're-engineered', 'relocated', 'benchmarked', 'upskilled' and 'downsized'. And not surprisingly, they can be turned off.

The language of the quantitative, scientific mindset is problematic when applied to culture because it implies a false sense of control: we can't 'embed' values - they can only be willingly embraced. We can't 'make discretionary behaviour happen' - we can only create the conditions in which certain patterns of behaviour can evolve. And ultimately, we can't be certain of outcomes because we're not dealing with predictable machines. We are dealing with complex adaptive systems - living systems that come to life moment by moment, through the choices and decisions, actions and behaviour of many human beings.

Learning to work with the language and practices of complex living systems changes how we interpret cultural data, and approach the task of cultural evolution.

Opportunity

In a world in which products and services are

increasingly hard to tell apart and business itself has become a contested institution, what a company stands for in relation to all of its constituencies - not just employees - is becoming as important as what it does.

Culture happens whether you tend the garden or not. It's constantly 'in production' so you don't have much choice in the matter, except to consciously work with it or leave it to chance. And in the current climate, it seems to me that leaving this valuable intangible to serendipity, is walking away from an incredible opportunity for competitive advantage. To stand out by standing apart.

Engaging in the evolution of corporate culture to meet far more rigorous success criteria has the potential to both build corporate value and deepen organisational resilience, by putting the life and heart, and dare I say it, the *spirit* back into organisations. ||| **dya**

About the author

David Youell is a partner at **downey youell associates** and works with individuals and organisations to address issues of culture and change in the workplace and the community.

He is a qualified Cultural Assessment Practitioner and co-author of *Exploring the Communication Dynamic - 301 Building Blocks to Enrich your Working Relationships*, a desktop companion of practical communication tips and inspirational wisdom. [Oak Tree Press, 1998]

He helped create *Q5 - New Leadership at Work* to prompt a movement for personal and organisational change, in which each of us begins to see our working and professional life as an opportunity to address the critical issues of our generation.

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