

# Creating a Culture that Performs

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**Results from Our 2017 Study  
on Organizational Culture**

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**This is just our latest effort to strengthen our culture. We've invested in everything from external consultants to employee training. But when we look at where we were before these efforts and where our culture is now, it's as if nothing has happened, and we are back to square one.”**

**VP of HR  
Energy Organization**

## Organizational culture is not a new issue, but lately it has drawn an unprecedented level of attention and scrutiny.

An analysis of earnings calls since 2010 shows culture is by far the most discussed talent issue and that mentions of culture have increased by 12% annually. Frequent appearances of organizational cultures in headlines are also spurring more public discussions of culture's criticality to a firm's reputation and, ultimately, its success.

Heads of HR have responded to this scrutiny by investing more time and resources in managing culture. These efforts tend to be people focused: generating buy-in among current employees and bringing in new employees who are good fits for the culture. Over 80% of organizations currently use these two approaches and, by our conservative estimates, are devoting an average of over \$2,200 per employee per year to support their culture-management strategy.

### Identifying the Culture Challenge

Despite all this time and investment, only 31% of HR leaders agree their organizations have the necessary culture to drive future business performance. So what's holding us back? Our team spent the past 10 months investigating this question through a large study. The study comprised interviews with over 100 HR leaders, a benchmarking survey covering almost 200 organizations, and a workforce survey of over 7,500 employees around the world.

We found the key differentiator that underlies cultural performance is not choosing a particular culture but rather how to get employees to demonstrate the culture organizations need, whatever that might be. Our analysis revealed three key workforce gaps around culture:

- **Knowledge Gap**—Employees lack awareness of the culture the organization needs (69% of organizations).
- **Mind-Set Gap**—Employees do not believe in the culture the organization needs (87% of organizations).

- **Behavior Gap**—Employees do not engage in behaviors related to the culture the organization needs (90% of organizations).

In studying these gaps, we discovered two important facts that are fundamental to how heads of HR should approach culture management:

1. We must improve knowledge, mind-set, and behavior simultaneously. Organizations that have low scores on these factors and increase just one of them will see no improvement in financial performance.
2. Organizations must improve knowledge, mind-set, and behavior for all employees rather than focusing on particular segments. Organizations with higher levels of dispersion—that is, widely varying levels of knowledge, mind-set, and behavior across employees—have lower employee performance compared with those with low dispersion.

**Our Definition of Culture**  
**Culture is the set of behavioral norms and unwritten rules that shape the organizational environment and how individuals interact and get work done.**



## Modeling a Culture That Performs

We have termed the combination of knowledge, mind-set, and behavior as Workforce–Culture Alignment (WCA). Organizations with high WCA achieve higher performance against revenue goals and hiring/retention targets, increased employee performance, and more positive public reputations.

To determine the best way for organizations to increase WCA, we conducted an extensive root-cause analysis. This revealed three common challenges, each of which affects knowledge, mind-set, and behavior:

1. **Few organizations** really understand their culture.
2. **Leaders** aren't driving the culture.
3. **Employees** can't operationalize the culture.

Addressing these three challenges for the entire workforce requires us to take a broader approach focused on changing enterprise-wide systems and processes that differ from the more people-focused approach we have traditionally used. We worked with best-in-class organizations to identify specific steps HR leaders can take to tackle each challenge.



## Gain Actionable Culture Intelligence Through Employee-Led Diagnosis

To create a culture that performs, it's not enough for organizations to know what culture they need—they must also clearly understand the current culture and whether it needs to change to support future growth. However, only 10% of HR leaders are confident their organizations have this knowledge. Typical approaches to culture measurement—characterized by periodic gathering of data on culture satisfaction and HR or business leader interpretation—fail to provide organizations with the insight they need because of three limitations:

1. **Insufficient Data**—A narrow focus on satisfaction with the culture fails to capture important details of what the culture actually looks like.
2. **Outdated Data**—Eighty-five percent of organizations assess culture annually or less frequently, leaving many heads of HR with out-of-date information.
3. **Easy-to-Misinterpret Data**—Mechanisms like surveys leave little room for context, nuance, or clarification, so leaders who lack insight on lower levels or who feel pressured to craft particular culture narratives can easily misinterpret results.

To address these limitations, the best organizations are shifting to employee-led culture diagnosis by monitoring how employees experience the culture and involving employees directly in interpreting culture input. Unilever is a great example of an organization making this shift. Inspired by the Marketing team's consumer-listening success, Unilever's HR team is experimenting with ongoing "cultural listening"—tapping into publicly available data to get more rapid and ongoing feedback about the culture. The talent analytics team analyzes the data and projects it in real time to viewing screens in the office of the CHRO, Leena Nair. For more of Leena's perspective on HR in a digital world, see our interview with her on page 27.



# Expand Leader Role Modeling to Include Remodeling of Business Processes

Despite 78% of organizations relying on leader role modeling as a key component of their culture strategies, few are confident it is having the desired impact. Our research has identified three key elements of effective leader role modeling:

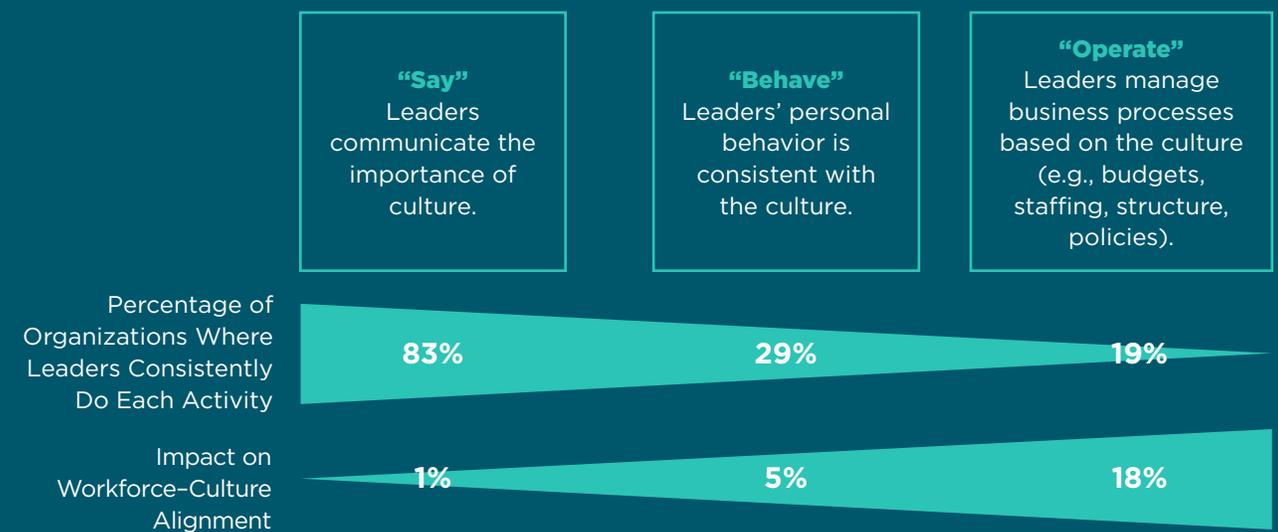
1. **Say**—What leaders communicate about culture
2. **Behave**—How leaders personally demonstrate the culture
3. **Operate**—How leaders manage business operations (e.g., budgets, processes, policies) in line with the culture

The addition of the “operate” element, which goes beyond simply focusing on what leaders say and do, reveals why so few organizations see desired results from their investments in leader role modeling. As shown in figure 1, organizations are most focused on the lowest-impact element.

It’s not enough for leaders to espouse the culture; they must also create an environment that enables everyone to live the culture. But more often than not, out-of-date processes create barriers that hinder the organization’s culture.

Beyond providing tools and creating accountability, organizations must provide leaders sufficient resources to address systemic barriers to desired cultural norms. RTI, for example, tackles the challenge through its “maximize impact” culture team. Tasked with removing process- and budget-related barriers to the culture, this team is equipped with dedicated time and money, including its own budget code. In addition, the team has the authority and expertise to make those changes happen: the VP of FP&A and SVP of HR chair the team, bringing their influence, credibility, and decision-making authority to the pursuit of necessary budgeting and policy changes.

**Figure 1: Leaders Aren’t Driving the Culture**  
What Does Good Role Modeling Look Like?



n = 7,502 employees; 190 HR leaders.  
Source: CEB 2017 Culture Workforce Survey; CEB 2017 Culture Benchmarking Survey.

## Equip Employees to Apply Culture in Their Day-to-Day Work

Finally, organizations must help employees operationalize the culture day to day. We know organizations invest in a high volume and variety of culture communication, but that investment has failed to remove two employee-cited barriers to living the culture day to day:

1. **Translation Barrier**—Employees struggle to translate the culture into the specific context of their day-to-day role.
2. **Tensions Barrier**—Employees frequently encounter cultural tensions they don't know how to address.

Unsurprisingly, the number of employees who struggle with each of these barriers increases significantly as you move deeper into lower levels of organizations. If communication efforts haven't addressed these challenges, what will?

The best organizations remove the translation barrier by moving ownership of context-specific translation to employees themselves. The Gates Foundation, for example, provides a framework individual teams use to customize dos and don'ts for each of its four firm-wide values. This process allows teams to create their own vision of how those values should manifest in their day to day while staying aligned to the organization's overarching cultural priorities. The framework also serves as a decision tool to guide behavior in high-stakes moments that are most likely to test employees' cultural alignment.

Removing the tensions barrier does not necessarily mean removing tensions but rather ensuring employees are equipped to manage tensions they encounter in their work. Organizations can ensure employees are equipped to do so by:

1. Gathering information on tensions as part of culture diagnosis,
2. Validating which tensions are intentional—that is, necessary to support the organization's strategy and not a result of misinterpretation or miscommunication, and
3. Providing training and project planning resources to help individuals and teams live both sides of cultural tensions in their work.

## Conclusion

Organizations can create a culture that performs by maximizing WCA. To reinforce knowledge, mind-set, and behavior together for all employees, leading heads of HR are moving from a people-focused culture playbook to a process-focused playbook. The process-focused playbook emphasizes pursuing entirely new ways of understanding the culture, maximizing leaders' impact on the culture, and helping employees operationalize the culture.



**The best organizations remove the translation barrier by moving ownership of context-specific translation to employees themselves.**

To learn more about creating a culture that performs please visit:  
[www.cebglobal.com/human-resources/culture.html](http://www.cebglobal.com/human-resources/culture.html)