



FROM THE DESK OF BOB WILSON

Maximizing Results Through People
A CEO to CEO Quarterly Newsletter -- 5-15-02
Corporate Culture – Where it Comes From and How to Influence It

Dear Fellow CEO:

Much has been written about company culture and most of it is way too soft and fuzzy for me. It's something that we think we know is there and each of us is pretty sure we have one in our business. But how do you define it? What specific things constitute a company's culture? How do you know if it's good or bad? What could make a culture bad? And, if it's a bad one, how do you go about changing it into a good one?

I've worked with hundreds of company's as a consultant. They each have unique qualities that differentiate themselves that are apparent – their specific business, industry, ownership and position in the market (from manufacturer to service provider). But these visible / tangible factors of differentiation have little to do with the culture of a company. Or, its success.

Rather, it is the intangible aspects of a company's business that seem to create and propagate a specific company culture. These include things like how the people in a business measure performance, treat each other, make decisions, communicate, place blame, take risks, deal with incompetence, reward success and address problems. Additionally, a company has a set of values that permeate it's culture and drive its operations – whether written or not – that determine how that company deals with customers, learning, ethical gray areas and family. I believe that it is these cultural attitudes that determine our ability to engage our people and as a result, generate profits (See "Focusing on the Value of Intangible Assets", 8-15-01)

It has always been apparent when dealing with small to medium sized businesses, that the company's culture is a direct reflection of the leader (who is typically also the owner). That person sets the standards of how to behave and the standards are generally mirrored in many ways by the organization created around him or her. The success or blame for this culture starts and stops with us as CEO's. The buck stops at the leader's desk. Our actions over time determine how good or bad our individual culture is.

Many of the organizations I have worked with have what are, obviously, excellent cultures. What does that mean? It likely means different things to different people, but from my perspective a good business culture has many of the following attributes (among others):

1. Employees know how to achieve success in their jobs in measurable terms.
2. Processes are in place to move or eliminate the misplaced or incompetent.
3. Every employee feels as though they are respected as a person, regardless of their station or competence.
4. Decisions are made quickly once information is gathered.
5. Employees are generally well informed about what they need to be informed about.
6. When mistakes are made, the answer to how to do it better next time is sought rather than seeking someone to blame.
7. Risk taking is encouraged and resultant failure isn't punished (obviously, repeated failure would mean incompetence and can't be tolerated from a risk taker, but, occasional failure is a natural result of risk).
8. Achievement is rewarded and / or celebrated.
9. Problems are attacked promptly.
10. Customers are treated with respect, courtesy, and speed. They must feel that you realize you are in business to serve their needs.

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11. Learning is encouraged at all levels—both related to improving the business and improving the person.
12. Ethical business guidelines are both preached and practiced.
13. Individual employees' relationships with their families are respected and encouraged.

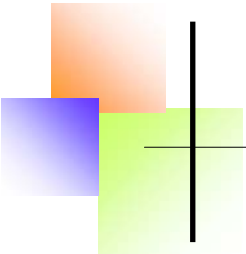
There have been many times when a company's culture is obviously bad. How can you tell? It's really pretty easy. Just read through the statements above and ask yourself, "What kinds of behavior would indicate that this attribute doesn't exist within a company?" For example, regarding attribute number 3 (relating to employee respect), I recall walking the plant with the CEO of a small company (now deservedly defunct), who caught an employee making a mistake and repeated a litany that, judging by the responses of those around him, had been heard all too frequently before. He said, "You poor, stupid, sorry #\$\$%^&*." I doubt that machine operator felt respected as a person. I doubt the people in that organization wanted to do anything positive for that particular leader. Ever.

The above example is obviously an egregious case. However, other transgressions can also lead the people doing the work to lose their commitment. Likely, when you go through the list you'll find a number of transgressions that you can recall having seen. Most common, I see situations where poor performers are tolerated. Or, where decisions don't get made. Frequently, people aren't informed. The list of offenses is clear and eventually punishing to the ultimate success of the specific business.

It doesn't have to be this way. I had thought that changing a corporate culture would be much more difficult than it is. Cultures can change. In fact, I've seen the following changes successfully executed in organizations, frequently within a year. Companies have:

1. Developed, instituted and regularly reviewed performance measures with all employees.
2. Used those performance measures to assure that people who were in jobs were doing them satisfactorily or separated from employment.
3. Set up systems to speed up decision-making, frequently by clarifying what decisions could be made and by whom.
4. Created communication mechanisms to assure that the information that was needed was provided to the people who needed it.
5. Built an environment where risk taking became more acceptable and the failures of risks were tolerated rather than punished.
6. Instituted programs to assure praise was provided for those who accomplished the tasks before them.
7. Developed processes to assure that problems that are important but not urgent are addressed before they become matters of urgency.
8. Re-organized to assure that customers felt like they were wanted rather than a burden.
9. Established Values Statements that precluded actions that had previously left people feeling compromised ethically.
10. Used those Values Statements to charter familial relationships that solidified the bonds between the company, the employee and the family of the employee.

Companies can change these aspects of their cultures for the better. It can happen quickly and with minimal upset (and, in fact, excitement) when a broad senior management team is involved. The team can together find the problems that have to be overcome and determine the solutions that have to be put in place to make the company operate better. It starts with a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis that points out operational and cultural problems and opportunities. The team addresses cultural issues because they are so obviously important to business success. The SWOT is followed by the development of a Mission Statement and a Values Statement that clarify what the company is in business to do and how it hopes to do it. It concludes with a 5-year plan and a series of near term (generally within 1 year) objectives that spell out in measurable ways what has to be done, when it must be done and who has to do it and be responsible for it. This is called the Strategic Planning Process. It is an excellent way to determine who we are and what we want to become in tangible ways (like sales, profits and inventory turns) but also in those harder to define, softer, fuzzier intangible ways – those that create our culture and truly determine how good we will be.



Bob Wilson & Associates, Inc.

If there are areas of your culture that you know need improvement, you should consider going through the Strategic Planning Process. And if you need help getting started, know that we're as close as the phone.

Thanks for reading.

Sincerely,



Bob Wilson, President
Bob Wilson & Associates, Inc.