

SODERQUIST CENTER WHITE PAPER

HOW

CULTURE

HAPPENS

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Every organization has a **culture**
and that culture **influences business**
outcomes.

THE BASICS

EVERY ORGANIZATION HAS A CULTURE AND THAT CULTURE INFLUENCES BUSINESS OUTCOMES. THE PRIMARY CHALLENGE FOR LEADERS IS TO ENGAGE CULTURE IN A WAY THAT BUILDS INTO THEIR BUSINESS. THIS WHITE PAPER SHOWS HOW THE SODERQUIST CENTER CULTURE PRODUCT CAN HELP CULTURAL ENGAGEMENT IN YOUR BUSINESS.

At the Soderquist Center, we define culture as “the way we do things around here.” We believe that culture is embedded in the patterns of social behavior that are learned and shared through thought, speech, actions and artifacts. In organizations, culture encompasses many things, including the norms, behaviors and expectations associated with achieving goals and carrying out missions. However, organizational culture also includes the environment (or context) in which employees engage with customers, the market, and one another. Culture is complex, dynamic and changes in response to the influence of people and the environment. At its most basic level, organizational culture forms around beliefs about work and life and is expressed through values. However, culture is directly observable in the expression of attitudes and behaviors by the people within organizations. As a result, how culture is communicated and lived out in an organization is crucial to its functioning and success.¹



CULTURE
THE WAY
WE DO THINGS
AROUND HERE

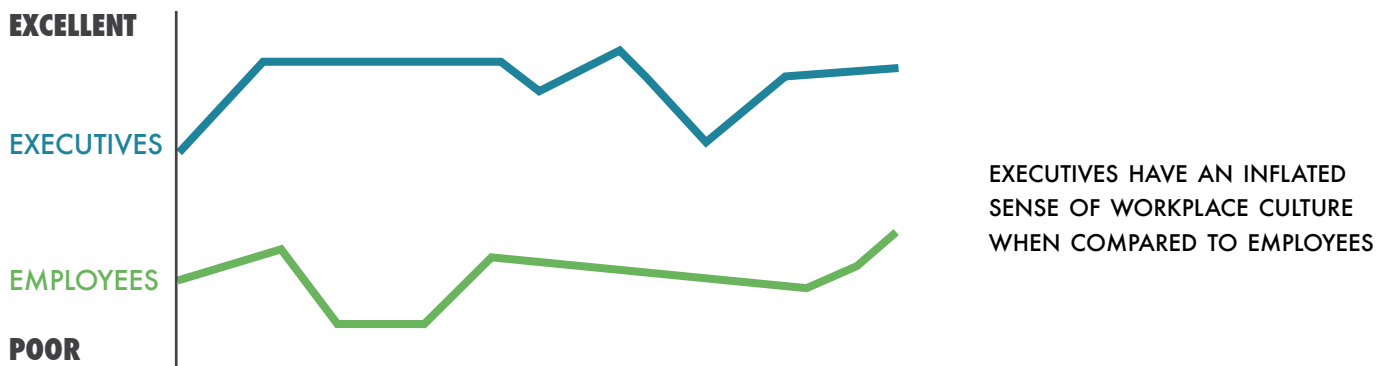
¹ Drucker, P (1992) “The New Society of Organizations.” Harvard Business Review. 154.

CULTURE CHALLENGES

IN THE NOT TOO DISTANT PAST, IT WAS QUITE COMMON FOR EMPLOYEES TO HOLD THE SAME POSITION WITHIN A COMPANY FOR 10 TO 15 YEARS.

Since then, not only has there been a decrease in organizational tenure (average worker tenure has decreased to 4.4 years ²), but general job satisfaction has dropped as well. ³ As a result of these and other trends, organizational leaders are increasingly concerned with cultivating work environments that attract and retain the talent to deliver business performance. Likewise, a recent study on worker needs found that 55 percent of respondents would take a 15 percent pay cut to work for an organization with values aligned with their own. In the same report, 88 percent of respondents said that a positive work culture is very important or essential when defining the ideal job. ⁴ It seems that organizations and employees tend to view the importance of organizational culture differently. Therefore, one of the greatest challenges facing organizations is how to address multiple perspectives on culture. In fact, research continues to highlight the significant gaps in the culture assessments held by executives and employees (Figure 1). ⁵

Culture Assessment Gap (Figure 1)



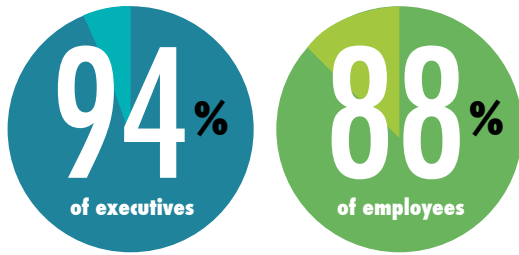
² Meister, Jeanne. (2012). "Job Hopping is the 'New Normal' for Millennials: Three Ways to Prevent a Human Resource Nightmare." Forbes Magazine.

³ Heskett, James. (2012). "Culture Cycle". FT Press.

⁴ Zukin, C. & Szeltner, M. (2012). "Talent Report: What Workers Want in 2012." Net Impact.

⁵ Core Beliefs and Culture, Deloitte © 2013. <http://deloitte.com>

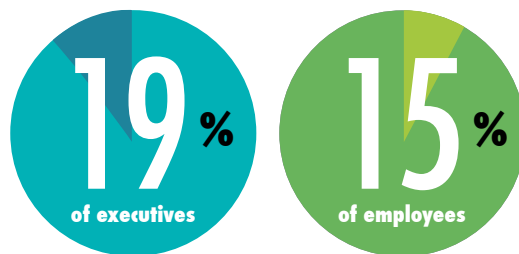
Culture and Business Success



believe a distinct workplace culture is important to business success

(Figure 2)

Upholding Culture



believe strongly that their culture is widely upheld within their organization

(Figure 3)

A VITAL ROLE

Regardless of perspective, most experts agree that culture has a vital role in an organization. Numerous studies have identified the link between culture, financial performance and business outcomes. A 2013 report by Deloitte Consulting revealed that 94% of executives and 88% of employees believe a distinct workplace culture is important to business success and long-term economic performance (defined as financial stability, employee engagement, values-based leadership, and other organizational factors) (figure 2).⁶ In fact, one study has argued that up to 46 percent of Walmart's earnings (before taxes and interest) are as a result of its unique organizational culture.⁷ While the claims of Walmart's performance are impressive, another study found that only 19 percent of executives and 15 percent of employees believe strongly that culture is widely upheld within their organization (figure 3).⁸

Owing to the significant potential of culture on business outcomes, organizations are paying greater attention to 'cultivating' their culture. Changes in the way organizations manage people and promote their culture enable employees to drive the business results positively.⁹ As a result, healthy cultures promote greater employee engagement, purpose in work, pride in the company, productivity and alignment to goals and strategies—all desirable business outcomes. Likewise, culture is hardly a static or stationary monolith, as it is often described. Culture travels with the people of an organization, into their networks and within the broader marketplace, effectively functioning as a "master brand" for the business.

THE BOTTOM LINE

Every organization has a culture and every culture will influence business outcomes, regardless of how leaders view their culture. The primary challenge for organizations is to engage organizational culture in a way that builds into their business. The Soderquist Center studied this important relationship with the primary assumption that culture is a valuable business asset. Through our research, we've concluded that to invest wisely in this asset, leaders must understand their culture, assess how it functions in their organization, and actively engage it as a part of their business strategy. The Soderquist Culture Product is an important way to begin cultural engagement in your business.

⁶ Core Beliefs and Culture, Deloitte © 2013. <http://deloitte.com>

⁷ Flamholtz, E. & Randle, Y. (2011). Corporate Culture: Ultimate Strategic Asset. Stanford Business Books

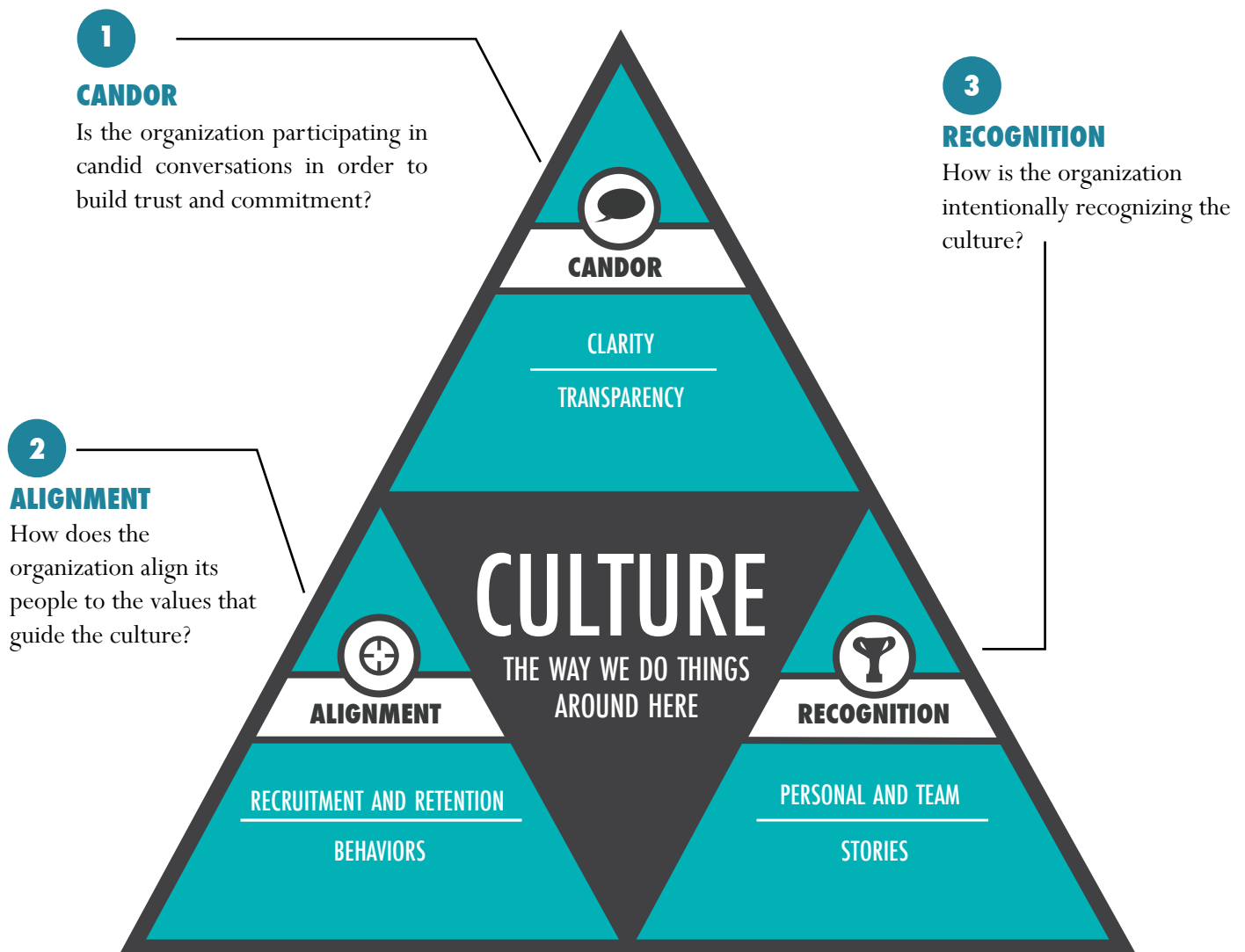
⁸ Core Beliefs and Culture, Deloitte © 2013. <http://deloitte.com>

⁹ Boatman, J. & Wellins, R. (2010). Global Leadership Forecast 2011. Talent Management Expert.

CULTURE MODEL

TO CREATE A MODEL THAT DESCRIBES “HOW CULTURE HAPPENS,” THE SODERQUIST CENTER CONDUCTED A COMPREHENSIVE REVIEW OF THE LITERATURE AND INTERVIEWED ORGANIZATIONAL LEADERS FROM AN ARRAY OF INDUSTRIES AND BACKGROUNDS ON THE BEST PRACTICES TO CREATE AND FOSTER EFFECTIVE ORGANIZATIONAL CULTURE.

This collection of research and executive insights provides a basis to understand and identify the indicators of an effectively functioning culture. The Soderquist Center model (figure 4) of “How Culture Happens” revolves around three main indicators: *Candor, Alignment, Recognition*.



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What we really mean by [culture] is the commitment throughout an enterprise to some common objectives and common values.

Peter Drucker



Peter Drucker, the Father of Modern Management, addressed the topic of “How Culture Happens” when he said, “What we really mean by [culture] is the commitment throughout an enterprise to some common objectives and common values.”¹⁰ In other words, “the way we do things around here” is the conceptual lens through which The Soderquist Center developed the three indicators of organizational culture. Drucker further advocated that companies must “(m)aintain clear articulation of and strong adherence to organizational values. This should be a constant across the business; it promotes the ability to personalize the values in day-to-day decision making.”¹¹ While Drucker didn’t specifically call out the importance of the three culture indicators, his words effectively described the role that a functional assessment of culture has in a business. The functional assessment begins with a basic description of the three culture indicators below (see figure 4).

CANDOR

The first culture indicator – **candor** – describes the **clarity** around the mission, vision and values of the organization. When strategy and mission are clearly defined, “employees can align themselves with the organization’s ideals.”¹² In addition to the need for employees to understand why their individual tasks are instrumental in the big picture, it is essential for them to understand exactly what the big picture entails.¹³ Effective and open communication is regularly ranked as one of the most important characteristics of a “Best-in-Class” organization.¹⁴

Candor also describes the level of **transparency** in communications throughout the organization. The importance of vulnerability-based leadership and transparency in decision-making throughout the organization is evidenced open and frequent communications, not only when things are good, but also when they are bad.¹⁵ Transparent communications include sharing where information in the organization is found and understanding how that information flows throughout the company. A lack of transparency is often evidenced by the misalignment of communication sources and flows.¹⁶ Transparency works two-ways through leaders who intentionally mine for dissent and debate and cultivate a safe environment where employee voices and information are listened to. Vulnerability-based leadership and the transparency that it brings to the feedback process is a powerful vehicle for organizational growth and change.¹⁷

¹⁰ Drucker, Peter. (1992). “The New Society of Organization.” Harvard Business Review.

¹¹ Drucker, Peter. (1992). “The New Society of Organization.” Harvard Business Review.

¹² Sheridan, Kevin. (2012). “Building a Magnetic Culture.” McGraw Hill. 69.

¹³ Sheridan, Kevin. (2012). “Building a Magnetic Culture.” McGraw Hill. 69.

¹⁴ Sheridan, Kevin. (2012). “Building a Magnetic Culture.” McGraw Hill. 15.

¹⁵ Brian Baldwin, interviewed by Wendy Soderquist-Togami, Rogers, AR, September 14, 2012

¹⁶ Sheridan, Kevin. (2012). “Building a Magnetic Culture.” McGraw Hill. Chapter 2.

¹⁷ Brown, Brene. (2012). “Daring Greatly.” Gotham Books. 179, 201.



ALIGNMENT

The second culture indicator – **alignment** – is evidenced through the values of the organization and the extent to which employees adhere to and embrace those values. The alignment within a culture is a measure of “fit”, or the importance placed on verbal commitments and **behaviors** throughout the organization (by leaders and workers).¹⁸ While leadership bears the ultimate responsibility for organizational culture, a strong, effective culture requires commitment and investment from everyone.¹⁹ Alignment starts at the top and flows throughout an organization but it also exists in the ways that “fit” is achieved by **recruiting and retaining** the right people. While it is impossible to manage all behavior in organizations, culture alignment is what attracts talent to an organization and promotes positive performance and results.²⁰



RECOGNITION

The final culture indicator – **recognition** – is exemplified in the way the organization celebrates and reinforces behaviors and achievements at the **personal and team** level. One clear window into the culture of an organization is what it pays attention to (e.g., what is rewarded or punished, supported and implemented, and ignored or challenged).²¹ The extent to which there is consistency in these patterns of organizational behavior impacts how effectively it shapes and reinforces the values, norms and expectations for goal and mission achievement. The most effective organizations understand how to recognize and leverage existing attitudes and behaviors within the business to build into their culture.²²

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The most effective organizations understand how to recognize and leverage existing attitudes and behaviors within the business to build into their culture.

Brian Baldwin

The organization’s **stories** are an equally important aspect of recognition that emphasizes the narrative past and hoped-for future of the culture. Businesses that effectively integrate and recognize the artifacts, history and heroes of yesterday, today and tomorrow build and maintain a strategic cultural advantage over organizations that do not. Inspiring narratives that capture the challenges and achievements of the past are essential to promoting forward movement.²³ The leader’s role in collecting, creating and communicating a sense of history about an organization is an important strategic capability that actually promotes growth, change and transformation in the business.²⁴

¹⁸ Brene Brown. “Daring Greatly.” Gotham Books, 2012. 181.

¹⁹ Heskett, James. (2012). “Culture Cycle”. FT Press. 40.

²⁰ Brown, Brene. (2012). “Daring Greatly.” Gotham Books. 196.

²¹ Harris, J. (1999). *Finding and Keeping Great Employees*, American Management and Association.

²² Katzenbach, J., Steffen, I. & Kronley, C. (2012). “Cultural Change that Sticks.” Harvard Business Review.

²³ Brian Baldwin, interviewed by Wendy Soderquist-Togami, Rogers, AR, September 14, 2012.

²⁴ Seaman, J. & Smith, G. D. (2012). “Your Company’s History as a Leadership Tool.” Harvard Business Review.

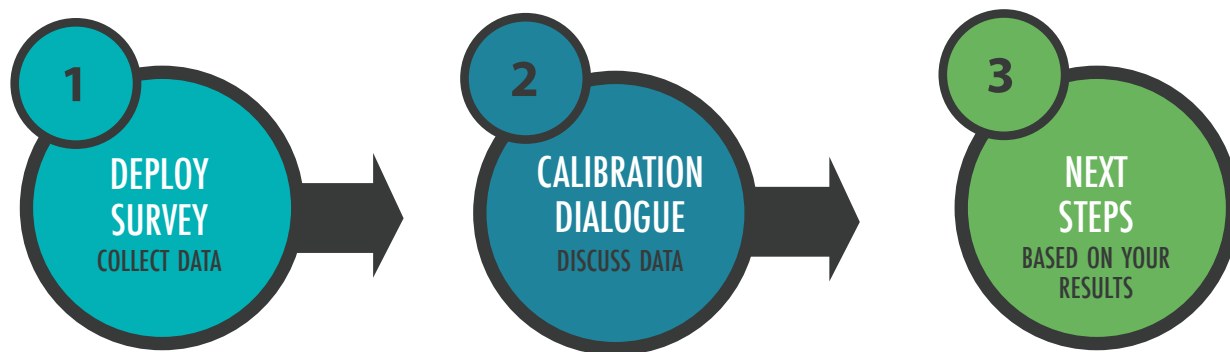
CULTURE PRODUCT

MANY CULTURE ASSESSMENTS AVAILABLE IN THE MARKETPLACE ARE MORE ANALYTIC OR PRESCRIPTIVE IN NATURE AND PROVIDE AN ASSESSMENT OF THE TYPE OF CULTURE IN THE ORGANIZATION.

Instead, The Soderquist Center culture product targets “How Culture Happens” so leaders gain the practical insights to directly shape and enhance organizational culture in ways that develop performance and business outcomes.²⁵ The Soderquist Center survey instrument assesses the health of a culture and was developed from the research, interviews, and practical experiences with different organizations.

The three culture indicators of the model (Candor, Alignment, and Recognition) and the sub-elements under each indicator are measured through six-item scaled sets of interview questions. Mean scores for indicators and sub-elements are provided in the organizational report along with general descriptions for interpreting each set of indicator and sub-element scores. Qualitative analysis of open-ended response questions provide organizations the depth and meaning necessary to understand what strengthens or detracts from the culture. Optional analysis of survey results by demographic and organizational factors is available. Using the data and analysis contained in the organization report, Soderquist Center facilitators work with leadership to deploy a viable and practical approach to engagement, conversation and action that build into the culture of the business. Typical program elements are depicted in Figure 5 and described below.

Soderquist Center Culture Process (Figure 5)



²⁵ Core Beliefs and Culture, Deloitte © 2013. <http://deloitte.com>

1

DEPLOY SURVEY

A survey is deployed electronically to the entire organization (or a selected subset) in order to take a snapshot of the culture through the lens of Candor, Alignment, and Recognition. The survey assesses “How Culture Happens” within the organization and serves as the basis for important dialogue within the business.

2

CALIBRATION DIALOGUE

From the survey results, a detailed culture report is delivered and debriefed with the organization’s leader. This step helps the leader gain clarity around the current culture.

3

NEXT STEPS

Depending on results and calibration meeting, there are a myriad of potential next steps a leader may decide to take. Follow up steps have and could include options such as:

- **Leadership Alignment Session around culture:** Leadership Team within the organization gather for a session that focuses on the results of the culture survey. The group addresses its role in creating, recognizing, and changing culture.
- **Senior Team Alignment:** The leader, after reviewing the results, may sense the need to address barriers to performance and desired culture in the areas of candor (interpersonal relationships), alignment (conflict management) and reinforcement (decision making).
- **Strategic Planning Session:** After reviewing the culture survey, leaders may decide they want to intentionally focus on advancing, changing, or promoting the culture. One way to do this is to integrate culture into an already existing strategic plan. If no strategic plan is in place, creating a plan may be the best place to start.
- **Custom:** Leaders, after reviewing the Culture Survey results, may sense the need for more information. Actions specific to the organization and its current cultural state may need to be addressed. The Soderquist Center will provide necessary guidance and create custom responses to the needs a leader addressed during the calibration dialogue.

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The Soderquist Center

CONTACT US

THE SODERQUIST CENTER FOR LEADERSHIP & ETHICS IS A PROVIDER OF LEADERSHIP DEVELOPMENT SERVICES FOR ORGANIZATIONS OF ALL SIZES. WE ARE DEDICATED TO DEVELOPING VALUES-BASED LEADERS AROUND THE WORLD.

Since our founding in 1998 by Don Soderquist, retired COO and Senior Vice Chairman of Walmart Stores, Inc., The Soderquist Center has worked with hundreds of organizations and impacted thousands of leaders who are making a difference in the marketplace today. The Soderquist Center is affiliated with John Brown University and operates two facilities in Northwest Arkansas.

We offer a variety of products and services designed to facilitate leadership development in person and digitally.

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