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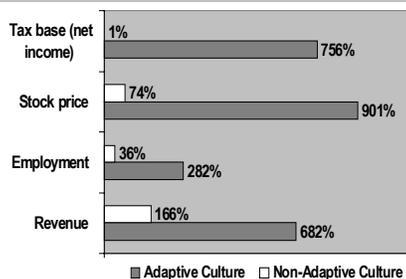
We Help You Focus Clearly,
Organize Effectively,
And Act With Courage

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Bottom Line Results

What follows is a portion of the Kotter and Heskett study that analyzed the costs of high and low performance cultures.*

11-Year Growth Average, Adaptive vs. Non



Firms with High Performance, Adaptive Cultures

Key Characteristics

- Maintaining a fit between the culture and the business context
- Members who actively support each other to identify problems and find workable solutions
- Feelings of confidence among all members of an organization
- Trust
- Risk taking
- Proactive

Firms without High Performance, Adaptive Cultures

Key Characteristics

- Focus on short-term results
- Emphasis on structure and systems
- Valuing one group (customers, stockholders, or employees) at the expense of others
- Biased perceptions of the competition (if competition is taken into account!)
- Discomfort over expressing negative thoughts
- Illusions of invulnerability
- Ignoring alternative strategies

*Reference: Kotter, J. P. & Heskett, J. L. (1992). *Corporate Culture and Performance*. New York: The Free Press.

Organizational Culture: What Every Leader Needs to Know

By Cathy Perme

Who owns the culture of a company? If you're a leader who thinks you do ... think again. There's more to the culture picture, and some surprising news about which cultures can be predictors of business success.

Culture is about Underlying Assumptions

According to Edgar Schein, who was the first person to coin the phrase in the mid-1960's, culture is framed by *what we assume to be true* (assumptions and beliefs) about our organization and our environment. It is also *unconscious*, it is *learned*, and it is *reinforced* when problems can be solved repeatedly with the same approach.

Let's take the example of high-tech companies that started in the boom times of the 1990's. What do you think were *their* assumptions about themselves and their environment back then? Didn't the future seem unlimited? Weren't they like the cowboys of the last great (albeit technological) frontier? Let's think about how culture was learned and reinforced during those years. Remember all those articles about pinball games in the break rooms, free lattes, and the fun and crazy company meetings? And what about when they needed more capital?

Culture Eventually Calcifies

In the early years of an organization, the entrepreneur or leader *does* influence the culture greatly – because it is that person's perspective on the environment and the business fit that is implemented. If the perspective is out of touch, the company probably goes out of business. However, if the company survives and even thrives as a result of this perspective, culture has begun to take root.

In the beginning, culture is passed on orally and with much passion, as in "this is how we do things around here." Eventually, however, organizations grow up and their perspectives about how to operate in their worlds become embedded through policies and procedures, processes, hiring, promotion and reward structures.

At some point, the organizational culture becomes bigger than its leaders and it molds leaders to fit *culture*, instead of vice-versa. Leaders who see problems in the culture and try to change it have an uphill battle, and many are caught in a death grip. (Think about our efforts to reform government and public schools -- when what we are really dealing with is 100+ years of assumptions based on outmoded models of civil service and education!)

Adaptability is Key

Cultures that facilitated the adoption of strategies and practices to continuously respond to changing markets and new competitive environments were the most likely to sustain high performance over time. These cultures supported the organization's immediate strategy and business context, and were *also* forward looking and guided positive change.

Organizations *without* adaptive cultures *could* be successful in the short-run, and some had been highly successful at one point in their histories. However, they were unable to continue that success when markets turned, because they could not respond quickly enough to changing business conditions. (See sidebar article.)

A Harvard Business School study* showed that it was not the strength of the culture that mattered most, it was its adaptability.

*John Kotter, 1992

Next Issue: March – Changing an Organization's Culture