



The Importance of Culture to Organizational Success

Due to the recent stock market bubble and its then decline, most CEOs and other executives have been almost forced to focus on what most refer to as “the bottom line,” the ongoing quarterly financial numbers. Organizations have gone from quarter to quarter, making projections about how well they would do and then comparing the reality to the projections.

To many, this would seem reasonable. The reality of the situation is that this might just be the worst thing that an organization can do. A focus on the numbers only tells the organization where it has been and how well it has done compared to the financial goals and projections made 3, 6, or even 12 months earlier. In essence, it tells the organization **where it has been, not where it is going!**

Research over the past few years is showing that this primary focus on financials might also be detrimental to the organization's overall future success. In their book, “Built to Last,” James Collins and Jerry Porras revealed that the organizations that they defined as “visionary” focused first on their “core ideology—their core values and sense of purpose” beyond just making a profit.

Yet, while focusing on creating a strong culture, these **visionary** companies outperformed the general market by over 1500%! They even out performed the comparison organizations, highly successful organizations in their own right, by over 600%!

In his follow-up research, “Good to Great,” Jim Collins then looked at how an organization can become a **visionary** organization. Again, the research revealed

By Gary Lear, President & CEO

that the organizations that were able to make the leap from good to great were able to do so because of their focus on building a strong culture around their organization, within which their employees could excel.

These companies built this culture and filled it with highly disciplined people who will take disciplined action. They shook off bureaucracies, as **“bureaucratic cultures only arise to compensate for incompetence and lack of discipline.”** When you have the right people in place in your organization, then there is no need for bureaucracy!

Shattered Myths

Myth 3: *The most successful companies exist first and foremost to maximize profits.*

Reality: *Visionary companies pursue a cluster of objectives, of which making money is only one—and not necessarily the primary one. Yes, they seek profits, but they're equally guided by a core ideology— core values and sense of purpose beyond just making money. Yet, paradoxically, the visionary companies make more money than the more purely profit-driven comparison companies.*

*From “Built to Last”
Jim Collins and Jerry Porras*

This research also found that by being disciplined, not only do the people within the culture tend to adhere to a “consistent system,” but that they are also highly responsible and have the freedom to work within the framework of that system. This results in highly motivated and innovative employees.

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Collins cautions, however, to be careful not to confuse a culture of discipline with “a tyrant who disciplines—they are very different concepts, one highly functional, the other highly dysfunctional. **“Savior CEOs who personally discipline through sheer force of personality usually fail to produce sustained results.”**

This isn’t the only research that supports the contention that culture is the driving factor in organizational success. Marcus Buckingham has revealed similar results in his books about some groundbreaking research from the Gallup Organization. As they looked at organizations that created a “great workplace” they found that paying attention to the cultural issues delivered the highest levels of **productivity, profitability, employee retention, and customer satisfaction.**

“You won’t find a CEO who doesn’t talk about a “powerful culture” as a source of competitive advantage. At the same time you’d be hard-pressed to find a CEO who has much of a clue about the strength of that culture.”

***From “Now, Discover Your Strengths”
Marcus Buckingham
& Donald O. Clifton***

This extensive research discovered that relationships, especially those created by supervisors, manager and executives, is what drove employee performance. It was those organizations that had created a culture where employees were allowed to be successful, and where managers provided support and trust, that were the most successful and financially profitable organizations.

In separate research, the Lebow Research Group looked at some amazing data gathered by the University of Chicago. This data asked 17 million workers in 40 countries

on six continents in a variety of industries and at all levels just one simple question: “What do you need to be successful at work?” Compiling this data, the Lebow Research Group discovered that people needed to have in their work environment the 8 Shared Values.

The 8 Shared Values

1. Treat others with uncompromising truth
2. Lavish trust on your associates
3. Mentor unselfishly
4. Be receptive to new ideas, regardless of their origin
5. Take personal risks for the organization's sake
6. Give credit where it's due
7. Do not touch dishonest dollars
8. Put the interests of others before your own

Continued research revealed that those organizations who offered an environment that highly supported these 8 Shared Values were far more successful financially than those that did not highly support or only moderately supported them.

Clearly, the research shows that those organizations that focus on their cultural issues not only are more productive, but are vastly financially more successful than those organizations that only focus on the financial “bottom line.”

Granted, focusing on the many aspects of culture and not just on the financials might seem contradictory to “modern” business school teachings, but the research is clear. It’s having a **Strong Culture** that will drive the **future of your organization!**

*Gary Lear is the President & CEO of **Resource Development Systems** LLC, an organizational performance research and consulting firm that helps organizations increase performance by more effectively **managing the human side of business**sm, resulting in the achievement of their goals.*

Contact Resource Development Systems, LLC for more information.