
Leading Through Culture

Our Pathway to Strategic Efficiency

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This is not working
The center is not holding
We need to rethink our way forward

For the past decade, I have been consulting to organizations on four broad themes:

- ❖ **Leadership:** How can we create the necessary leadership capacity in our “high potentials” to manage the necessary change?
- ❖ **Strategy:** How can we create the kind of differentiating strategy that will translate into competitive advantage in our market?
- ❖ **Learning:** How can we use education to build capability that will drive new levels of performance?
- ❖ **Lean:** How can we be “lean” like Toyota?

All good questions. *All off the mark.*

Here’s why. They all fail to leverage the most powerful lever at our disposal:

A strong and adaptive culture.

We need to reframe each of these questions (which I do later in the discussion) through the lens of **culture** – the most efficacious and unifying force at our disposal as leaders. But here’s the sobering reality. For most organizations – the level of chaos and complexity in their external world is now matched with the same level of confusion in their work culture. They are in total alignment – and that is not good.

What this usually means is that the culture – or **how we do things around here** – is held hostage by fragmenting forces that are unleashed when an organization reaches a certain size (somewhere around 300 people). There are exceptions – but they are usually found in relatively new industries and organizations where the formation of culture occurred in response to new-world-dynamics. In other words, complexity and the pace of change were the “givens.” Here are just a few of the dysfunctional forces at work:

One – We are vertically challenged: Power, influence and access to resources still flow vertically – creating politicized and dis-empowered environments that capture too much of the psychic energy of the organization. The notion of “boss” is alive and well – creating artificial ceilings and psychological distance between the different levels of the organization. We need less hierarchy and more collaboration.

A personal view: “I continue to be amazed at how disconnected the senior leadership teams are from the rest of the organization – creating cynicism at all levels. The “seniors” seem to get isolated in their “executive agendas” and strategy formulation worlds. Almost universally, they fail to spend the requisite time building the culture, energizing those on the front lines -- and fully aligning the organization to its core strategies.”

Two – We are function-driven: The specialization of departments and roles breaks up the “whole” in rational but equally diminishing ways. Functional excellence breeds an “us vs. them” mindset that allows job-driven loyalties to trump even modest efforts at collaboration. Invisible but formidable walls take the form of biases, preferences, and “expertise-driven” sub-cultures that no longer serve the overall business (and seem to create an arrogance that impedes a service mindset). It definitely impedes any kind of process orientation.

A personal view: “I can’t tell you how many people I run into that would be unemployable in a small-business economy. Their degrees and expertise earn them power in function-driven organizations that is way out of alignment with the results they achieve.”

Three – We are reductionist thinkers: Don't get intimidated by the word – reductionist. You need to learn it – grasp it wholly. We are “reduced and seduced” by the logic of breaking our problems down into their parts – hoping they will come back together neatly from our coordination efforts. Sorry – no banana. It works with fixing machines but not with creating change in complex organizations. Today, change is a complex and constantly evolving process that requires constantly evolving solutions. Our biggest challenges (e.g., poor morale, lack of customer focus, etc.) need to be addressed holistically at the culture-level. It's our only chance.

A personal view: “I see it happen over and over again. The cross-organizational challenge gets broken up into specific tasks assigned to the functional areas. The overall plan seems reasonable and early progress is often positive. A strong project manager at the top monitors progress and dutifully reports good news to senior leaders. But at the mid-point of the project, the wheels start to come off. Some savvy team members know the trend and have negotiated their way off the team before the impending disaster. The project never completes – but some face-saving victory is communicated. It is only a matter of days before even the small gains have been lost.”

Overall, forces like these create a fragmented culture that never fully develops into a strong center with enough gravitational pull to keep the organization “whole.” As a result, we live at the outer edges of our organization – pushing on well-intentioned programs to save the day.

Without connection to a unifying center, we play the smaller game. We live at the porous edge of organizational life – where vulnerability and anxiety rein. In a world of complexity, chaos, and challenge – culture represents our best chance to thrive as we execute our strategies with the full force of a totally aligned organization.

*This is not working
The center is not holding
We need to rethink our way forward*

10 Years and 10,000 Conversations

Here's a brief summary of what I have learned over the last ten years: Culture can have a powerful impact on performance but it must be framed and developed in a way that it can meet the diverse needs of our customers, employees – and the business itself. My journey, however, started with the wrong focus.

My first attempts – biased by my immersion into the world of “lean” – where heavily focused on process and continuous improvement strategies as the unifying force for transforming organizational cultures. The idea that the business could be transformed through operational efficiency was very appealing to leaders – and significant investments were made in “lean.”

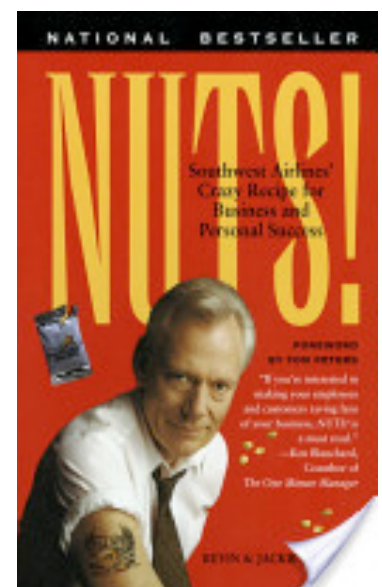
Not surprisingly, these efforts were too narrow and the changes were not sustained. To many things in the business system were out of alignment for the “process orientation” to carry the day. We also discovered that the operational efficiency focus was competing with our needs for innovation and new thinking.

We were making things work better – but we weren't seeing the overall business improve.

While we did make some gains in operational efficiency for our clients – they did not translate into strategic efficiency. **Strategic efficiency**, by its nature, produces improved business performance. It is the organization's cultural capability to translate its core strategies into differentiating results.

Probably the best example of strategic efficiency is **Southwest Airlines**. In fact, Southwest Airlines may be one of the best examples of how a culture can drive strategy (as opposed to eating it for lunch). Their strategy was clear and simple: Short flights, convenient schedules, standardized “fuel efficient” aircraft, no food or frills, and low-priced tickets. Their consistent profitability in an industry ravaged by inconsistent financial performance created dozens of copycats. They could copy the highly visible elements to some degree – but could not replicate the Southwest culture.

We watch in amazement as planes come and go – with the front liners bringing an enthusiasm and engagement we just

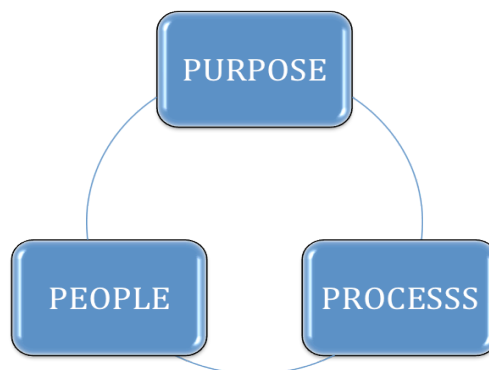


don't see in other service companies. No one can match the level of intensity, motivation, cooperation, coordination, teamwork, and empowerment that have been deeply embedded into the Southwest culture.

So, the first lesson learned was a critical one:

Operational efficiency does not equal strategic efficiency (improved business performance).

Our countermeasure was to leverage the simple **Purpose-Process-People** framework to keep us focused on the larger business system. The overall intent was to shift the focus from **operational efficiency to strategic efficiency**. This simple action opened up our view of the world significantly. With a range of organizations – we started to explore how to best define the elements of **Purpose-Process-People**, to create a comprehensive and actionable framework. We deeply researched and tested the supporting principles, practices, and tools that would more fully describe the kinds of capabilities we would need to create performance-driven and strategically efficient cultures. We validated these elements with the real needs of employees, customers and the business.



Ok, Ok, I Will Show It To You!

Below is the “culture” framework that has evolved over the last ten years. It includes the guiding principles that our learning process has revealed as “keepers” in building a culture’s capacity to be like Southwest Airlines – strategically efficient! I now use it as a **starting point** with organizations in assessing their own cultural capabilities – but also ask them to make changes and over time adapt it to their unique environment.

Take a few minutes to explore our “starter” **Leading Through Culture** framework – looking to see if it makes sense at face value.

	Purpose	Process	People
Customer Needs	<p>Create Value</p> <p><i>DEVELOPING A PRIMARY ORIENTATION IN SERVICE TO OTHERS</i></p>	<p>Deliver Value</p> <p><i>CREATING A STRATEGIC ORIENTATION TO PROCESS</i></p>	<p>Distribute the Leadership</p> <p><i>BUILDING ACCOUNTABILITY & EMPOWERMENT AT ALL LEVELS</i></p>
Employee Needs	<p>Create True North</p> <p><i>CULTIVATING A SHARED DIRECTION & VALUES</i></p>	<p>Collaborate Continuously</p> <p><i>PROACTIVELY DEVELOPING HIGH-TRUST RELATIONSHIPS</i></p>	<p>Engage the Workplace</p> <p><i>COMMITTING TO AN INTENSELY POSITIVE WORK CLIMATE</i></p>
Business Needs	<p>Think Strategically</p> <p><i>ALIGNING ON A CLEAR & COMPELLING STRATEGY</i></p>	<p>Execute Flawlessly</p> <p><i>EXERCISING DAILY MANAGEMENT ROUTINES THAT DRIVE RESULTS</i></p>	<p>Manage Talent</p> <p><i>INTEGRATING PEOPLE DEEPLY INTO THE BUSINESS SYSTEM</i></p>

Start with the “vertical logic” of **Purpose-Process-People**. Then move to the “horizontal logic” of **Customer-Employee-Business** needs. Take your time. When you are ready, I want to pose three questions.

- 1) Review the three purpose principles. To what degree have they been fully developed in your organization – and how have they come together to create an **intensely purposeful and strategic** culture?
- 2) Now review the process elements. To what degree have they been fully developed in your organization – and how have they come together to **efficiently, consistently and reliably execute** the organization’s core strategies?
- 3) Finally, lets look at the people principles. To what degree have they been fully developed – and how have they come together to produce **passionate brand ambassadors** that are accountable, committed, and fully engaged?

Over **3,000** people have evaluated their culture using this framework (or a similar but “adapted” version). Using a 1-5 scale (with “5” being excellent, “3” being average, and “1” being poor) the average rating for each of the nine elements is a . . .

2

Yikes! That puts the “overall culture” average at “**2**” (for a range of very successful organizations that participated in the survey). In other words, our organizations are not purposeful, not reliable in their execution, and not fully leveraging their people resources. They lack integrity as a whole. They are not achieving strategic efficiency.

As a culture, they are confused!

Moving Forward With A Culture Framework

Here’s the deal. Nobody wants to be a “**2**” – and our pilot studies have shown that very few stay there for long. It was not uncommon for groups (business units and departments) to achieve a one-point improvement in their “overall culture score” in a year (and sometimes less). 2’s become 3’s and 3’s become 4’s. **We can improve what we can measure.**

Here’s some better news. The framework is not designed for operational efficiency (even though it helps you achieve it). It is designed for strategic efficiency. The goal is to continually translate the **purpose-process-people** elements (all nine of them) into an integrated, business system approach that improves performance – while the car is going 60!

It gets better. Now that we view our culture as the central and unifying force – we can leverage it in our performance improvement efforts. For example, a “maverick” marketing department – once known for its ability to rapidly push new products into the market (albeit with a questionable batting average) – has learned to become strategically efficient. New product launches are now deeply aligned to the **purpose** elements, fully supported by **process** practices, and intensely integrated into the **people** management systems. **They didn’t lose their passion – it got channeled in a more productive way!**

*This is starting to work
The center is starting to hold
We can see our way forward*

Let's revisit the four questions framed earlier. This time we will reframe the questions to imbed the capability within the culture.

❖ **Leadership**

From – How can we create the necessary leadership capacity in our “high-potentials” to manage the necessary change?

To – How can we fully integrate our desired leadership capabilities *into our culture* so that we continue to adapt and change as a whole organization?

❖ **Strategy**

From – How can we create the kind of differentiating strategy that will translate into competitive advantage in our market?

To – How can we differentiate our entire organization through strategic efficiency?

❖ **Learning**

From – How can we use education to build capability that will drive new levels of performance?

To – How can we build learning capabilities within our culture that will fully leverage education, training, and development investments?

❖ **Lean**

From – How can we be “lean” like Toyota?

To – How can we achieve strategic efficiency like Southwest Airlines?

Getting up on the balcony

When we lead through culture, we gain the powerful vantage point of seeing the whole. We can now see how this “whole culture” is greater than the sum of its parts (departments, units, processes, etc.). We start to protect the whole – and don't allow others to sub-optimize it through their part of it. Of course marketing people will see and promote different solutions than product development people. But -- when we lead through culture (and the center holds) – we see more clearly our need to integrate our efforts (and the

shortsightedness of not doing so). We become systems thinkers – with the capacity to get up on the balcony and see more clearly what is going on below on the dance floor.

We start to build new thinking routines and habits that counter the dominant pull of reductionist thinking (“reduced and seduced” into just fixing the parts). We start to promote system-level change, work across boundaries, and make tangible investments into the larger culture. We feel empowered because instead of the culture leading us . . .

We are leading the culture.

After about six months of cultivating the “leading through culture” view, leaders start to experience a personal transformation. It feels like this:

*This is working
I feel centered as a leader
Collectively we are moving forward*

How to do it?

This question moves us into the “managing change” discussion – which is beyond the scope of this paper. But let’s be clear. There is lots of support (e.g., supporting management theory, recent research, and empirical evidence) for a **leading through culture** strategy. Lots of organizations – in some small and big ways – have advanced our collective knowledge and understanding of how to make it work. They have provided credible insight into: 1) how to create the necessary frameworks and supporting education; 2) how to measure progress and achieve sustainable results; and 3) how do I get started and lead the way?

The “how to do it” experience of others is also illuminated with change management and learning strategies – as well as a great range of best practices for developing the supporting principles, practices, and routines that translate the elements of culture into game-changing behaviors and beliefs.

We also know there are no short cuts in the journey. The process of defining and cultivating an adaptive culture – is a major strategic effort. The

leadership demands are enormous. But the payoffs are extraordinary. For those who can hold the course – they are rewarded with the most satisfying and paradoxical principle of organizational life:

Less is more.

Below is just a brief summary of some of the transformational benefits of leading through culture. When the culture is working – and the center is holding – we can collectively overcome the powerful forces of entropy that invade our organizational lives.

Less	More
Non-value activity in the name of operational efficiency	Business results due to strategic efficiency
Programs that sit outside the culture – creating complexity and confusion	Fully integrated “culture-driven” initiatives that make the whole system perform better
Reliance on hierarchy for control	Efficient peer and team-level accountabilities
Silos	Integrated value streams
Rule following	Values-centered behavior
Conformity	Risk taking
“Them”	“Us”
Prescriptive, over-burdened standards	Passionate and proactive problem-solving
Fear from boss-driven anxiety	Psychological safety from caring bosses
Fixing things	Solving issues & managing dilemmas
Remedial training	Learning
Passengers	Crew members
Position status	Relational status
Reliance on formal rewards	Intrinsic rewards

Let’s focus on the last entry in the chart. What we know for sure is that strong cultures produce the greatest and most abundant source of rewards – the intrinsic satisfaction that comes from purposeful, principled, and proactive engagement in enterprises that produce meaning for all stakeholders. Intrinsic rewards are inexhaustible and can come on a daily basis – bringing a special connection to our most significant time allocation in life – our work. The response produced by our best cultures is framed very simply:

I love this place.

*This is working
The center is holding
We are moving forward*

I am the culture

By Mike Morrison

It was just a job
A transition job
Waiting for a better job
I learned to hate that job

Taking coffee orders at the counter
Answering dumb questions
(Made me numb)
No one really saw me
Appreciated me

Nothing worked like it was supposed to
No one worked like they were supposed to
Made the boss anxious
Made me anxious
Unfulfilled
Bored
Like everyone else who worked there
We were without hope
We were lost in the system

Amazingly
Our shared vulnerability
Became our shared purpose
Became our reason for showing up

We started to see each other
Began to listen to each other
Started to see the good news in each other
We were in it together

Started to experience these fleeting
But extraordinary moments
Moments of synchronicity
Between us
Our work
And our customers

I got lost in these moments
Got absorbed into the flow
Lost track of time
(Stopped checking the time)
Became less self-aware
More aware of others

Developed a unique feel for my
role as the order person
Setting the pace for the team
Setting a tone for the customers
Discovered how small things
matter to a culture
Because everything is connected
To everything else
In a culture

I can see the culture
See how it works
I can feel the culture
It is a part of me

I am the culture