How organisation culture impacts business performance

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Defining culture

System of shared meaning held by members that distinguishes the organisation from other organisations

Ways of conducting a business
Core values
Philosophy
Expectations
Flow of power and Information

Commitment & Engagement
Extend to which freedom is allowed in:
Decision making
Developing new ideas
Personal expressions

Assumption: Culture has strong influence on customer satisfaction and financial performance
Three dominant models of culture

**Growth**
Drive and involvement as a source of growth and competitive advantage

**Risk**
Reinforcement of controls and governance throughout an organization that shape risk decisions

**Learning**
Acquiring knowledge and innovating fast enough to survive and thrive in a rapidly changing environment

**Corporate Culture**
Learning culture

Continuous learning and development
Attracting like minds
Alignment with external changes and requirements
Staying close to customers
Outdistancing the competition

‘Formalised Informal Learning’
Providing formal training while creating environment that supports on the job learning

Rewarding Expertise
Promoting and rewarding greater levels of expertise

Unleashing the Power of Experts
Supporting experts to share informations and making them available to others

Demonstrating Value of Formal Training
Promoting formal trainings available

Allowing Mistakes
The best organisational and individual learning occurs after making a mistake
Growth culture

Over a period of 5 years ‘ooredoo’ had growth rates averaging 57% a year

- One of largest public companies in Qatar
- Ten years ago 100% of revenues came from Qatar
- Today, 80% of revenues come from outside Qatar
- Grown to over 83 million customers
- Spread across 17 countries
- Name change!
Risk culture

1) AIG – “Hypocrite of the day”
   - Bailed out by US public to the tune of $185bn – now suing the Fed for $25bn
   - Post bail out excesses - bonuses, parties, rewards

2) Lehman – arrogance “too big too fail”
   - Considered themselves to be untouchable
   - Committed fraud
   - Created complex interconnected structure

3) BP – out-sourcing risk
   - Piper Alpha / Deepwater Horizon
Creation of a new mindset…or maybe

- Global financial crisis led to major firms to review and introduce risk management and “risk cultures”
- Little agreement on “what is a risk culture”, however it is assumed it should be measured and categorised.
- Focus has been on habits and routines which are relevant to risk taking and its mitigation
- Safety culture in oil and gas post BP Piper Alpha disaster…but clear gap between aspired and actual
- Failure to connect management practice and information leading to oversight committees and future focus – business continuity plans – not very glamorous

“…the leaders of industry must collectively procure a visible and substantive change in the culture of our institutions …to convince the world once again that are businesses which can be relied on” – Chairman of Barclays October 2010

“Banks must undergo a wholesale change in their culture and refocus behaviour on meeting the needs of customers to restore trust in the industry” – CEO, RBS October 2012

“the norms and traditions of behaviour of individuals and groups within an organisation that determine the way they identify, understand, discuss and act on the risks the organisation confronts and takes” – Towers Watson 2011
Potential human capital risks and opportunities

These include:

- Employee engagement
- Retention of talent
- Work team performance
  - Productivity
  - Work processes
  - Quality
- Organisational effectiveness
  - Group and inter-group relations
  - Innovation
  - Operational efficiency and quality
- Confidence in leadership and senior management
- Culture compatibility especially in M&A situations
Engagement
Culture has significant impact on job satisfaction and employee engagement to an organization, which both contribute to retention and productivity

Performance
Level of influence depends on how much main values and beliefs of organizations are accepted deeply and widely

Retention
Culture influences workforce planning, level of commitment, intention to stay
Culture should support retention initiatives

Organizational effectiveness
Overall culture, performance, retention and engagement significantly effects achievement of goals
How do we measure culture

Open ended questions
Drawing out how people really see their organization
Using frequency scale

Customized survey
Capturing characteristics unique about the organization
Underpinning organizations culture

Stories and scenarios
Drawing out employees personal experience and insights about behaviors and actions that add value to the organization

Pre-test
Pretesting of surveys and questions for anomalies and misinterpretations
Checking ambivalent terminology
Generation Y is bringing new expectations and values

Shaped by globalisation, two-career parents and technology

- Self-Reliant
- Team Oriented
- Dislike Rules
- Loyal to Self and Relationship
- Skeptical
- Less willing to make Personal Sacrifices
- High Expectations
- Seek Meaning at Work
- Want Fair and Direct Leaders
- Aiming for Financial Success and Social Responsibility
- Aims to Work Faster and Better
- Seek Creative Challenges
The benefits of leadership and culture alignment

- Leadership alignment ensures appropriate focus on strategic priorities
- Culture alignment enables more effective execution of strategy
- The right culture helps drive employee engagement
- Engaged employees produce better financial returns

Culture and employee engagement are most powerfully impacted by LEADERSHIP
7 behaviours for a great workplace

Satisfaction in meeting customer needs

Diversity is valued and cooperation is easy

Work in and shape an innovative workplace

Empowered to take decisions

Achievement and reward in a challenging work environment

A trusting and open workplace where each opinion is valued

Mutual respect and assurance to rely on promises made
So what is Sustainable Engagement?

Sustainable Engagement is…

- The intensity of employees’ connection to their organization, marked by committed effort to achieve work goals (being engaged) in environments that support productivity (being enabled) and maintain personal well-being (feeling energized).

Traditionally Engaged
- Belief in company goals and objectives
- Emotional connection (pride, recommendation)
- Willingness to give extra effort to support success

Enabled
- Freedom from obstacles to success at work
- Availability of resources to achieve excellent performance
- Ability to meet work challenges effectively

Energized
- Sustaining the energy needed at work
- Social supports in the work environment
- Feelings of enthusiasm/accomplishment at work

In a world where people are dispersed, sometimes isolated, working longer hours with fewer resources, engagement will not hold up over time without enablement and energy.
And a growing body of evidence — empirical and anecdotal — shows the clear value of achieving high Sustainable Engagement

Source: 2012 Global Workforce Study

Only 17% of employees with high engagement are high retention risks compared to 58% of disengaged employees

3x

operating margin

High sustainable engagement companies’ operating margins are 3x higher compared to those with the lowest levels of engagement

6.5

fewer days

Lower presenteeism: An average of 7.6 days lost per year for employees with high engagement vs. 14.1 days lost per year for the disengaged

41%

lower retention risk

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Culture alignment in M&A

Disney and Pixar collaborate without the barriers that come from two different companies with two different sets of shareholders.

Focus is on what is most important, creating innovative stories, characters and films that delight millions of people around the world.

Pixar has plans for twice-yearly films, unthinkable before the merger.

Companies collaborate freely and easily, producing very successful movies and cartoons.
Culture Clash in M&A

**American Online-AOL**
Mass media giant

**AOL/Time Warner,**
$162 Billion
- behavioral differences
- defending ‘our way’ of doing stuff
- hard resistance
- denigrating ‘ways’ of other organization

**Time Warner**
Internet and email provider

Two media merged together - revolutionary move to fuse the old with the new
It was considered as combination of the best of both worlds
Synergy of these two dynamically different companies never occurred
Stock dropped 80%
Loss of $99 billion
Finally…a Corus of disapproval

- Corus was created in 1999 from the merger of British Steel and the Dutch firm Hoogovens with a market value of GBP 4.1bn – four years later it was only 3% of the figure
- Joint CEOs resigned over disagreements re company direction
- Legal row over potential sale of aluminium arm
- Losses of GBP 458m
- No resolution re bargaining, policy-making, works council and union relationships
- Major issue was culture / management style..!