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Three Steps to a High-Performance Culture

by Carolyn Dewar and Scott Keller

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Senior executives tend to think about corporate culture as a topic that's hard to measure and hard to change. As a result, many choose not to invest in it despite all the evidence that, when skillfully managed, culture can be a powerful and enduring source of competitive advantage.

ANZ Bank offers an example: a decade ago, the bank embarked on an effort described as a "unique plan of eschewing traditional growth strategies and recasting the culture of the bank to lift efficiency and earnings." In the initial two years, the share of employees having the sense that ANZ "lived its values" went from 20 to 80 percent, and the share seeing "productivity in meetings" from 61 to 91 percent, with similar rises in the shares seeing "openness and honesty" and a "can-do culture." In parallel, revenue per employee increased 89 percent and the bank overtook its peers in total returns to shareholders and customer satisfaction. A full ten years after those initial efforts, ANZ has sustained its results: its profit after tax has grown at a cumulative average growth rate of 15 percent, putting it well ahead of its industry.

What does it take to get results like these? In the work described in *Beyond Performance* we found a reliable formula leaders can use to create a distinctive performance culture in their organizations.

Step 1: Establish a common understanding of culture and metrics for it. Ask the top team of any company what their highest priority business goals are and you will likely hear answers like "increase market share by 10 percent" or "reduce costs by 15 percent." Ask the same question about their highest priority cultural goals and you're likely to hear a broad range of platitudes with few, if any, numbers. Our research indicates that high-performing cultures are characterized by an ability to align (gain clarity on vision, strategy, and shared employee behaviors), execute (move in the agreed-upon direction with minimal friction), and renew (continuously improve at a pace that exceeds competitors) three factors we also refer to as 'organizational health.' Companies that use this

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definition of culture to find the specifics that matter to them, and the right tools to measure those specifics, find — much the way ANZ did — that culture is no longer something that is hard to measure and manage just as rigorously as business performance.

Step 2: Focus on the few changes that matter most. We have found that it's possible to meaningfully change no more than five aspects of an organization's culture in a 12- to 18-month period. Concentrating on a short list has the additional value of forcing everyone to focus on the changes most important to reaching the desired end state. ANZ's senior team, for example, started with establishing the basics: agreeing on a shared direction, creating a baseline of openness and honesty, and developing a "can do" sense of personal accountability. After 18 months, leaders felt that these cultural elements were sufficiently improved, and moved on to creating a culture of innovation, people development, and customer focus for the next 18 months. Attempting to tackle all of these themes at once would likely have fragmented the effort and weakened its impact.

Step 3: Integrate culture change efforts with business improvement initiatives. Few employees have too little to do. This means that culture change efforts run as stand-alone programs typically are last on the list and rarely succeed. Successful efforts, we've found, are fully integrated into the business initiatives you're pursuing — easy once you've defined the culture effectively. For example, during the second 18 months of its cultural program, ANZ included in its sales stimulation program peer coaching from high performers across its organization, which helped to build a culture of developing people. In addition, the bank's leaders made sure that the end-of-day team meetings for branch sales staff included not just numbers, but also stories of how individual reps had interacted with customers to build relationships, highlighting the goal of improving customer focus. The quality of coaching and customer focus at each branch was also incorporated into evaluations of branch managers, and salesforce incentive payments were expanded to include assessments of these behaviors as well as financial results. Executed well, culture change programs using these three steps not only deliver better bottom-line results, but also provide a more fulfilling environment for employees. And for many executives, leading a successful culture-change program is the most rewarding work of their career, because doing so allows them to integrate the human factors that matter to everyone with business concerns.

Carolyn Dewar is a partner at McKinsey & Company, where Scott Keller is a director. Keller is a co-author of *Beyond Performance: How great organizations build ultimate competitive advantage*, with Colin Price. Dewar contributed to the work behind the book.

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