

CULTURE EATS STRATEGY FOR BREAKFAST

New Study Illustrates the 'How to' in Building High-Performance Cultures

- Culture Emerges as a Strategic Differentiator in High-Performance Organizations
- Breakthrough Data of 300,000 Working Adults Illustrates Employee Engagement Alone Isn't Enough To Drive Sustainable Results
- Research Identifies 3 Characteristics of the World's Most Profitable Workplace Cultures, 7 Steps Managers Use to Develop Winning Cultures in their Teams



1.0 The Discovery

For the past two decades, *New York Times* bestselling authors Adrian Gostick and Chester Elton have conducted some of the most extensive and thought-provoking research on workplace engagement, culture, and business transformation. They've also worked with some of the world's most admired organizations ... and some of its most dysfunctional.

Organizations, they say, are facing unprecedented change and competition, all while struggling to create team cohesion and buy-in to their vision and values. And yet despite turbulent market conditions and big process changes, some organizations have grown considerably during the recent economic slump—not only surpassing their peers financially, but also achieving unprecedented levels of employee engagement.

Gostick and Elton's research appears in their latest book from Simon & Schuster: ***All In: How the Best Managers Create a Culture of Belief and Big Results***. They unveil data showing that people-leaders have the greatest impact on high-performance cultures, while also clarifying how managers in these organizations make a significant impact on culture.

1.1 The Data

From its 8-million-person global database, Towers Watson identified 25 companies with 303,000 employees that have enjoyed sustained high-performance business results—*organizations that have outperformed their competitors in financial measures by as much as two and three times*. This compilation, called Global High-Performance Companies, included organizations from around the world and in every industry: high tech, financial services, health care, manufacturing, services, transportation, and so on.

The task in the study was to determine what levers managers of these organizations pulled to return dramatically better financial results than their peers.



Working with Towers Watson, one of the most respected names in global research, the authors created the parameters of a major new study that shows how the most profitable companies work—inside.

The core finding was that in the highest performing cultures, leaders not only created higher levels of **employee engagement**—manifest in strong employee attachment to the company and a willingness to give extra effort—but they also created environments that supported productivity and performance, in which employees felt **enabled**; and finally, they helped employees feel a greater sense of well-being and drive at work, in other words people felt **energized**.

This triumvirate of **Engaged, Enabled and Energized** (E + E + E for short) was found in each of the highly profitable cultures studied.

1.2 The Financial Results

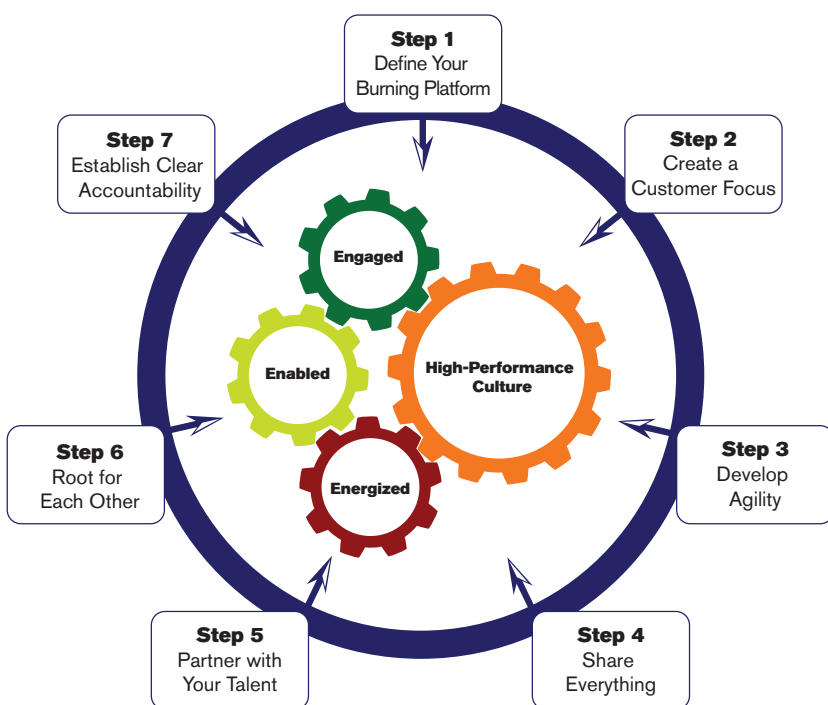
To grasp the substantial impact of the three Es on pecuniary results, refer to the chart on Page 4. The results of the Global High-Performance Companies (that report high levels of each of the E + E + E) are compared with a group of companies with only high employee engagement as well as a group with low engagement scores. The research shows the cumulative effect of the three Es at work. The Engaged, Enabled and Energized cultures saw average annual operating margins of 27.4 percent during a period that included the most recent global recession/economic downturn—twice as high as organizations with just high employee

engagement and three times higher than those with low engagement scores.

As a primer, operating margin is the percent of a company's sales left over after it pays for wages, raw materials, and other costs; it essentially gives investors an idea of how much profit an organization really earns on each dollar of sales, before interest and taxes. Operating margins below 10 percent are slim, while margins above 27 percent are rare and worthy of exploration. They indicate efficiently run organizations—where customers are willing to pay a premium for services.

1.3 The Roadmap

Digging back into the data, the authors were able to extrapolate a list of skills managers in these high-performance organizations used to bond people to their ideas, to lead employees through business process change and major transformations, and to make their cultures exceptional overall. The following seven steps were evident in the culture-creation process of each of the highest performing companies, each used by the best managers within those cultures:



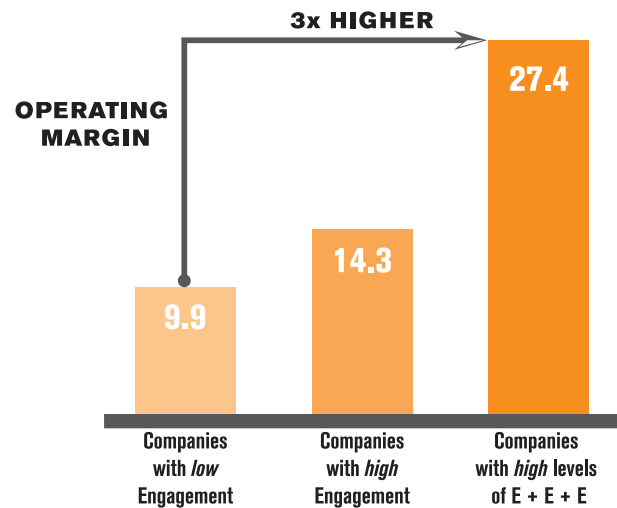
1. Define a Burning Platform. Employees typically will not buy in to a new way of doing business without clear and compelling reasons, and yet many average or below-average leaders studied by the authors provided little justification as they introduced ideas and strategies and asked their people for improved results. In the best workplaces, though, leaders defined vision and purpose with great clarity and instilled a sense of urgency, making it clear that if the team did not do its utmost to carry through, before long they would find themselves on the precipice of calamities.

2. Create a Customer Focus. In the highest-performing cultures, managers were more effective at convincing employees to focus like lasers on customers, and they mandated a vigorous pro-customer orientation. This not only led to higher client satisfaction and loyalty scores, but it provided moment-to-moment direction for employees in making the right decisions and taking initiative.

3. Develop Agility. It interested the authors to find the concept of agility arising as one of the most important handful of management skills in high-performance cultures. This hadn't shown up on leadership studies they or other leadership experts had conducted even a few years ago. But in this world of increasingly rapid change, this new research has

shown top-performing companies are seen by their employees and clients as much more able to deal with change.

4. **Share Everything.** The high-performance cultures were more often places of marked transparency and near constant communication. A trait of the high-performance managers was to share even hard truths with their employees as soon as they could, and encourage debate even if it rattled harmony. Employees, in these cultures, scored their managers much higher in areas regarding truthfulness, integrity, openness, and honesty, which correlated to increased trust scores.
5. **Partner with Talent.** High-performance managers spoke differently about their employees than many of their lower-performing peers. In interviews with the authors, they often spoke of their success as a direct result of their peoples' unique ingenuity and talent, not their own brilliance. As a result, they treated their team members more like partners in the business, and had a sincere desire to create opportunities for them to grow and develop—thereby retaining the best.



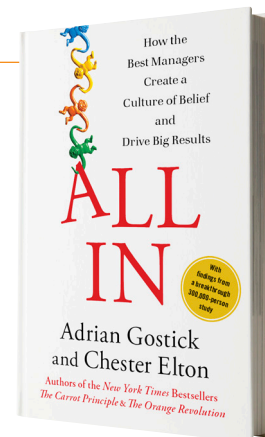
Towers Watson study of 50 global companies.

6. **Root for Each Other.** Given the authors background in recognition, they were pleased to find higher levels of appreciation and camaraderie in the cultures of great customer service, innovation, operational excellence, compassion, and ownership. In these high-performance workplaces, teammates had much stronger feelings of goodwill and they spent much more time thanking each other peer-to-peer for furthering the goals of the organization.
7. **Establish Clear Accountability:** As a capstone to this process, managers in the best cultures scored better at holding employees accountable. A greater percentage of their employees reported that they were held accountable for hitting their goals, that they were given the responsibility and tools to ensure their success, and they felt rewarded when they saw a goal through to completion.

"As the research illustrated," said the authors, "culture is more important than a clever strategy or product mix or pricing. Those can be replicated. What can't be copied is culture. And managers at all levels are the key to ensuring employees buy-in and are aligned to that culture."

About The Culture Works

An innovator in Employee Engagement solutions, The Culture Works is home to What Motivates Me Engagement Training and All In Leadership Training, and the provider of The Motivators Assessment—the world's most extensive scientific assessment to help individuals identify their unique blend of core motivators. Based on two decades of experience, and the results of workplace interviews with more than 850,000 working adults, our research-based training programs and *New York Times* bestselling books—*The Carrot Principle* and *All In*—help managers create cultures where employees feel engaged, enabled and energized.



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