Q5

NURTURING CULTURE

Interviews with HR & culture experts

———————

Representatives from 26 organisations

———————

A range of industries

———————

Perspectives from the UK, US, Hong Kong and Australia

Executive SUMMARY

Nurturing corporate culture is like baking a cake. The best managers, along with the best bakers, need to focus on their essence, select the right ingredients in the right quantities, mix together with a touch of élan and bake them with brio at the right heat. Get it right and voila! It all rises together. Get the culture wrong and the whole thing falls apart.

Now more than ever, business leaders need to consider their culture, and act decisively if they find it wanting. The business case is just too strong to leave it to chance. A number of shifts are pushing organisations towards a tipping point as they face unprecedented social and environmental challenges. The pace of change and need for agility is growing.

Engaging employees is often acknowledged as important but too many leaders just do not know where to start. Others rely on tired approaches that, at best, seem like lip service and at worst actively turn their people off. Younger workers often want different things from a traditional career and ways of operating are changing; employees are devolving decisions and employers are increasingly exploring ways of letting them become self-managed. Such fundamental changes increase the need for a strong, cohesive culture. In the modern world, the shared purpose and values are what bind it all together.

We spoke to top business leaders about nurturing their organisations' cultures through change and to our surprise these captains of industry often turned to baking and cooking analogies to define a topic that is notoriously difficult to pin down, and harder to get right. Perhaps it is the success of shows like The Great British Bake Off and Masterchef that has brought cake making to the forefront on their thinking about culture.

Our research found that great organisations do 4 key things as they nurture culture in the face of transformation. They:

1. Start with the facts – getting really clear on what they have now, the ingredients that make their culture unique and the flavours they want to dial up

2. Have leaders create the emotional hook – with the right combination of 'show' and 'tell'. Leaders are the 'yeast' that generates the bubbles in the dough of culture

3. Acknowledge that culture is too important to be left to the leaders - it is an organisation's people who turn a combination of ingredients into a fully baked culture. Particularly in times of change, they need to be allowed space to grow, find their voice and buy-into the vision and run with it

4. Keep working on it (without being heavy-handed) – measure, test and refine the recipe over the long-term

CONTENTS

OVERVIEW OF RESEARCH AND CONTENT

As part of our People offering, Q5 have extensive experience in leadership development, talent & performance, learning as well as culture and engagement. We see first hand how fundamental it is to build the right culture for an organisation, and so we set out to understand this further.

We were interested in finding out how culture is viewed and how businesses can nurture their culture as they transform.

Our research was formed of 3 key phases:

1. Desk research: Taking a look at established wisdom;

2. Field work: conversations with leaders, HR and culture people from 26 organisations; and

3. Q5's perspective, experience, insight and expertise.

Our interviewees come from an array of industries including energy, infrastructure, retail, manufacturing, hospitality, financial services, government, public sector and charities. We feel confident that obtaining insight from such a diverse network has allowed us to produce a report which covers a breadth of geographies, sectors and organisation maturity levels.

We have produced this report to inform, and not instruct, readers on organisational culture. All of the data has been treated as anonymous and the Chatham House Rule applies. The quotes used here are unattributed.

What is organisational culture?

In this context, culture - at its most basic – is a set of values and beliefs shared within an organisation. It is what gives an organisation unity and purpose, a common sense of what it is about, who the people are and how they act. It should run through the organisation and inform actions and decisions. Of the clients we asked, 78 per cent defined culture as "the way stuff gets done," and 100 percent agreed that it had a "big impact" on how a business operates.

Culture is the feel of the place. The way it does business.

When defining such an intangible concept many business leaders turn to metaphors. One expert described culture as an onion, with layers including artefacts, behaviours, espoused values and core values. It resides "In their status symbols, power structures, routines, office layout, language, images, stories, heroes and villains, systems and processes, and reward and recognition systems," he added.

One described it to us as the "rituals" of an organisation, another decided it was more an organisation's genetic code, a third likened the idea of a casserole bubbling away, and several licked their lips and came up with the analogy of a cake created from a firm's ingredients.

"You have to be conscious of the flavours you want to dial up," one client told us, before cautioning there was "no magic recipe." It is crucial to understand the basic baking and the chemistry that makes it all work. You can then play around with ingredients, and make sure you draw on the organisation's unique strengths; above all, make sure it works for your organisation. It's got to taste right.

Whether organisations have an explicit cultural declaration – a written constitution or manifesto of their values, behaviour and ethics – or not, the real culture resides in the thousands of daily actions and decisions of the leadership and the employees.

An organisation is made up of its people, the major driver of culture.

Enron is now a byword for corporate skulduggery, mass deception and fraud, yet in the lobby of its headquarters were the words: "Integrity, Communication, Respect, Excellence." After the organisation's collapse – a scandal that resulted in several of its most senior leaders going to jail – it became clear those generic value statements were nothing to do with how the organisation operated. A culture has to be lived and driven by those within the firm.

Q5 partner Sharon Rice-Oxley said that culture, as a concept, is "intangible" it cannot exist independently. "An organisation is made up of its people, the major driver of culture. They then make the processes. All the components of an organisation's effectiveness fit within culture. It is the feel of a place," she said. "The way it does business."

Culture is a concept that remains deceptively tricky and confusing for many business leaders. A recent survey found that only about a quarter of senior respondents actually understood the culture of their organisation. One of our clients at a FTSE 100 group said: "Many at the top don't know how they can influence it, so culture tends to get overlooked in business conversations."

Q5 PERSPECTIVE

Leaders need to understand the importance of their organisational culture. Our research showed that while it may be a tough concept to get to grips with and talk about with confidence, getting culture right is critical to success. Culture is in everything. It is created by the vision and behaviour of the management as well as the employees. It need not be mystical and there is plenty you can do to nurture it.

Does culture eat strategy for breakfast?

" *If you haven't got a strong culture or a strong business you may not survive if the economy changes.* "

The saying that "culture eats strategy for breakfast" – often attributed to business management expert Peter Drucker – may hold sway in ageing works on business management, but surprisingly 80 percent of the business leaders we interviewed disagreed.

One said that while strategy can define culture for better or worse, the two go hand-in-hand. Another executive was more robust: "Whoever wrote this saying did not understand it. Both are different and both are very important."

It was a different story for a handful of our interviewees. One Q5 client in Australia agreed with the statement wholeheartedly: "You can have the best ideas, planning or operational experts in the world, if they're not interested in what you're trying to do then you're never going to hit it."

Attitudes to the importance of culture are changing, especially to its importance for the bottom line. Harvard Business School Professor Emeritus James L. Heskett, says an effective culture can boost organisation performance by almost a third over a "culturally unremarkable" competitor. "Organisation culture is not a soft concept. Its impact on profit can be measured and quantified," he said in his book The Culture Cycle.

57%
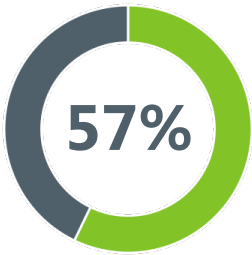
Just over half of those we polled (57%) agreed that culture drives the bottom line performance of their business.

It's a majority but not a big one - suggesting people are increasingly recognising the impact of culture on bottom line. This may be evidence of a swing in motion rather than the reality of culture's actual impact. We don't know how far the swing will go, but we see a growing need to acknowledge the importance of culture.

> " *Performance more often comes down to a cultural challenge, rather than simply a technical one.* "

One executive told us: "Without a doubt, culture has an impact on the bottom line. From an employee perspective, things like productivity, disengagement, absenteeism can all crop up when people don't like where they work, or have no connection to it.

Given the importance of culture on the success of an organisation, it is crucial managers get to grips with what they have and what they need to nurture: the magic they need to keep and the baggage that is best dumped, especially in times of change.

An organisation may be able to mask an unhealthy culture during the good times. It can continue "chugging along" absorbing the costs of high staff turnover, as well as any claims made against them and the need to pay more HR staff, according to one executive. But he added that such a culture "is not sustainable for anyone in the long term as those issues will emerge when you hit tougher times."

Q5 PERSPECTIVE

To our surprise, we found the old adage that "culture eats strategy for breakfast" no longer resonates with the executives and managers we spoke to. But they were unified in their belief in how important it is. Perhaps a better inspiration is another Drucker quote "Company cultures are like country cultures. Never try to change one. Try instead to work with what you've got."

In our view the key is *fitness for purpose*. Cultures aren't good or bad in absolute terms. It's all about how each characteristic of your culture serves you in your context today and tomorrow. Culture and strategy need to *fit* each other, not *trump* each other.

Why culture is so important now

> **"** *There is an increasing focus on 'conscious businesses' and purpose-led organisations making culture more important than ever.* **"**

The Brookings Institute estimates that by 2025 Millennials will account for

75%

of the US working age population

Disruptors abound *– Uber, Airbnb, Buzzfeed, Spotify and others are turning industries on their heads. Where's next?*

Forces are conspiring to make culture particularly important now. Society is changing, and with it ways of working across every sector.

This change is being driven at unprecedented pace by shifts including rapidly changing markets, new technologies and emerging and often unforeseen competitors. Current and future generations will face environmental and societal issues whose impact is not yet known but which will continue to drive huge change.

Organisations are looking to be more agile at a time when millennials are coming into the workforce, bringing different values and ambitions as well as perspectives on working practices in the 21st century; the whole idea of a career is changing.

At the same time, technology and social media are allowing unprecedented levels of insight on what it really feels like to be on the inside of an organisation's culture. Organisations like Glassdoor are fundamentally changing how people search for jobs, and weigh up their options. As a result organisations are changing how they recruit talent – the story they tell on culture has to stack-up against the social media reports.

There is an increasing focus on conscious businesses and purpose-led organisations making culture more important than ever. Organisational shape is going to be one of the most important challenges for businesses in the coming years and self-management is one shape that many are looking at.

Traditionally rigid hierarchical structures are under threat. There is a growing movement where employees have the freedom to craft their own roles within self-organising and self-managing cells. It allows them to be much more agile in driving the organisation's strategy, and keeps them more engaged. Current outdated structures often create slow and inefficient decision making, a resistance to change and low levels of engagement.

This is not new. Versions of such working patterns have grown from thinking like Sociocracy in the 1960s. But there is now an ever-bigger focus on bottom-up empowerment and flexibility because of the changes to society, and what drives it: the speed of information flow and an increasing diversity of skills.

Currently, these radical forms of working are typically found in fast-changing landscapes – especially technology organisations – driven by a culture of innovation and ability to adapt. For example, the music streaming service Spotify is developing a structure where its employees interact in groups that start with tribes then squads, chapters and guilds. Yet the principles will spread into more traditionally hierarchical and structured organisations too.

"Culture will be at the heart of the change. In the absence of rules and hard structures, a strong culture will be the glue that binds organisations together. Organisations that understand this, and truly prioritise and nurture their culture now, will be the survivors in the years ahead."

One such style of the new ways of working is Holacracy, introduced with much fanfare by the US online shoe and clothing retailer, Zappos in 2015. Employees are grouped into "circles", free to make all decisions within their sphere of influence. Each circle is made up of smaller circles that operate individually and then coordinate. There are no managers but "lead links" who assign roles. Holacracy separates roles from people – breaking down traditional jobs into their constituent responsibilities and dividing them among the best people to carry them out. Individual circles can hire, and firing is decided as a collective. The approach can make organisations more responsive, engaged and allow problems to be detected early.

Holacracy is just one way to achieve what Frederic Laloux, author of Reinventing Organizations (2014), describes as the 'Teal organization'. Laloux poses the question "Could we invent a more powerful, more soulful, more meaningful way to work together?". The Teal approach is about moving beyond operational and strategic competence to a "generative" system - bringing together the skills and energy of the whole team to allow a co-creative environment. It views the organisation as an independent force with its own purpose, not merely a vehicle for achieving management's objectives.

Teal has been embraced by a growing number of organisations – in both the private and not-for-profit sectors, including Buurtzog, a Netherlands not-for-profit healthcare provider, FAVI, a French brass foundry and Morning Star, a US tomato processing firm with 30-40% market share. Elements around self-management, wholeness and evolutionary purpose are gaining traction across the globe as the 'new normal'.

To evolve in this context organisations need to create strong cultures and values which are the best fit to deliver on a common and conscious purpose. Movements like the Great Work Cultures Initiative in the US are bringing together networks to co-create 'a new norm' for work cultures, under the banner of 'From Command and Control to Respect and Empower'.

Shifting how we think about Organisational Culture - Characteristics of Teal Organisations

WHOLENESS

Whereas in traditional organisations people tend to only show their "professional" selves, Teal organizations encourage people to feel free to fully express themselves – unleashing unprecedented levels of energy, passion, and creativity.

EVOLUTIONARY PURPOSE

The Teal organization views itself as 'a living entity with its own energy, sense of direction and calling'. So agile practices that sense and respond largely replace the machinery of plans, budgets, targets, and incentives.

SELF-MANAGEMENT

In Teal organizations power and control are no longer tied to specific roles or a handful of top leaders. Instead, the system is based on peer relationships; people have high levels of autonomy and take responsibility for organising work with each other.

Nurturing culture through a time of change

As a business changes – whether huge growth, challenging circumstances, a shift in direction or a game-changing merger – managing the culture is crucial to ensuring everything works out well.

Navy Seal-turned-motivational speaker Brent Gleeson once said that while culture has a reputation as a soft instrument, it is "the single most important enabler for change management strategies when leveraged properly".

One expert told us that since introducing change is so hard, picking the battles is crucial. One of those battles must be over culture. "Ensure you maintain the organisation's cultural strengths," he said, adding "It is often at the bottom of a management team's to-do list".

Our findings here highlighted the importance of creating a sense of purpose – one that employees can trust - during times of change. Inspired by this and the findings of our Change Leadership research report*, we have dug a little deeper to explore the methods that great organisations use to nurture a culture that 'tastes right' for the organisation; in the context of significant change.

KEY TRANSFORMATION LESSONS FROM OUR RESEARCH INCLUDED:

1. Continuously engage your employees

2. Stress the importance of creating a sense of purpose

3. Ensure the leadership team are aligned

4. Make sure employees trust the process

What were the key lessons learnt following your transformation?
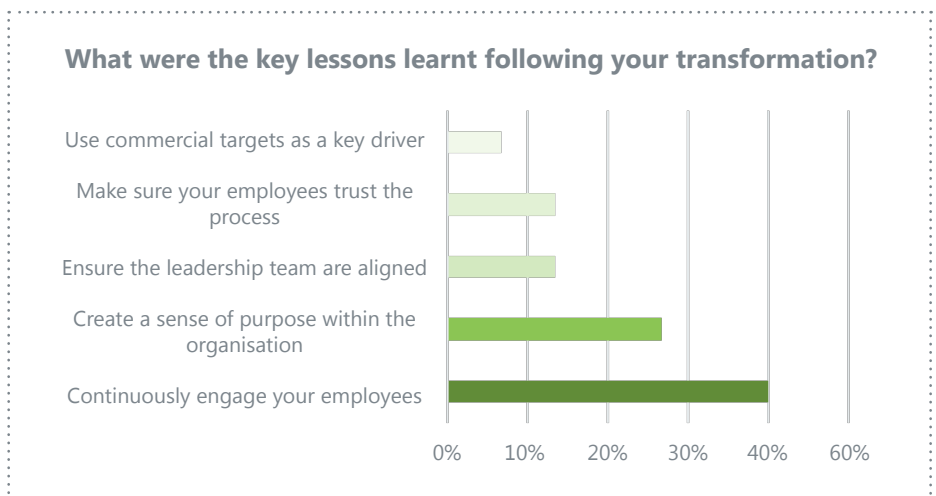
*Q5 Change Leadership report: 2016, find it at: Q5partners.com/news/change-leadership-report

I. START WITH THE FACTS

Remember our baking metaphor? The first step to nurturing the right culture is to understand what you have – know your ingredients and your recipe. This is about getting to grips with an organisation's true culture – not how it presents itself. So start with the facts.

A diagnostic audit will allow greater insight into how culture really permeates the organisation, how it manifests itself, and what beliefs and values actually underlie the hundreds of actions and decisions its people make every day. This can help an organisation articulate where it is today – the cultural elements that are really working – and a clear vision for the future.
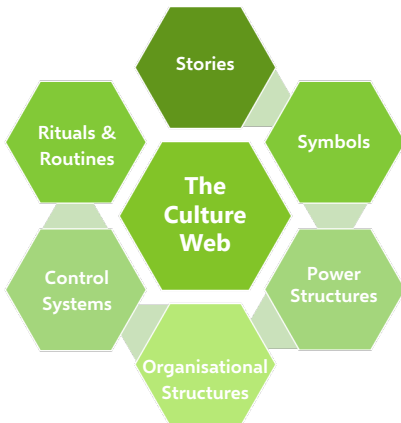
One tool we often advise our clients to use when taking on such a project is Johnson & Scholes' 'Culture Web'. This model simply illustrates the key ingredients in an organisation's culture and provides a useful framework for analysis.

Using tools like the Culture Web, OCI and Culture Builders can show organisations where they are and give a clear view of where they want to be. They show the basics and where to focus. If people are defensive or skeptical when asked about culture, tools like this can help reassure them. They allow you to notice and highlight deep aspects of your culture that underpin past and present successes and are still relevant for the future. A fact-based approach ensures you remember to celebrate 'what works for you' – as well as focusing on the unique or new flavours you need to add.

The Culture Web: Stories, Symbols, Power Structures, Organisational Structures, Control Systems, Rituals & Routines

Q5 EXAMPLE: AN INFRASTRUCTURE CLIENT

Challenge: The organisation had got stuck in a paradigm of 'us and them', i.e. management versus operational experts - two very distinct groups of people in terms of role profiles and general skill set.

What they did with Q5 help: Under the direction of the CEO we gathered views on what is real versus perceived in terms of the culture. We did this using a variety of techniques; interviews, focus groups, engagement surveys data, organisation reports etc. After sharing our findings with the Exec team,we shared the findings and built understanding with mixed groups from across the organisation in a series of interactive workshops, run back-to-back over two weeks. Those attending the sessions went away with specific action items they were going to work on, along with a call to action to share what they'd heard amongst their teams.

The Result: We had to work very hard to keep the client in the space of exploring the culture before jumping to solutions or answers. At times this felt uncomfortable for them, particularly the leaders who wanted to get on and solve. The organisation is now seeing a common language and understanding emerge. We found that a bit of a 'buzz' began to be created about the culture findings, with people asking how they could get involved. The team are now working to embed these culture findings into the organisation's main change programmes; identifying where the culture findings will help and hinder, and supporting leaders in introducing new ways of working where required.

II. HAVE LEADERS CREATE THE EMOTIONAL HOOK

When it comes to culture, the leadership team needs to be the "yeast that generates the bubbles in the dough," according to the Vice Chair of a major trust we interviewed.

Others agreed. Our data found that behind 'values', leadership was considered the second most important component of an organisation's culture. One director said: "Leadership casts the shadow and the organisation below moves to adapt or simply leaves. Culture is the consequence of the leadership's shadow."

Create the Emotional Hook - Olly Purnell, Managing Partner of Q5, said: "A leader needs to find that unique hook that is part of their organisation's culture that can be maintained throughout. A leader must find an idiosyncrasy that is part of a firm and forms an emotional contract with the people, something they will not find elsewhere."

Most of the time running a change project is spent on the process, but one respondent told us that 90 per cent of change is about emotional commitment. He said: "For success, you need to put that effort in on the emotional side. For large groups you have to provide a compelling vision of the future. If you want to change a key role in the organisation, you have to get people to believe in it."

Show - Leaders need a clear idea of the organisation's values, and must demonstrably apply those values themselves. If a leader is not up for change there is no chance of success for the project, one manager told us. He added: "Where culture is ignored, change programmes that work purely from the numbers will lead to collateral damage."

Tell - Alongside that, communication is crucial as we explored in our Q5 Change Leadership research. "Storytelling is incredibly important; the chief executive needs to ensure that all senior managers are aware of the culture and strategy and take it on board. It is a domino effect," one manager said.

> *Good culture stems from its leadership having a clear idea of what they want from their people... And it is everything that has to do with the people in the organisation.*

> *One director said: "The organisation's narrative is very important. Who are we? Where have we come from? Why is that important? Where are we going? What are we aspiring towards?*

Q5 PERSPECTIVE:

Using the term 'culture' can be tricky. It has so many interpretations that it can lose meaning, potentially dividing your people by turning some groups on or off. We have seen leaders successfully tackle this challenge by:

- Avoiding the word altogether - using alternatives that work for their organisation – for example, 'Our DNA', 'Our world' or 'How we behave'

- Always adding a context specific qualifier for clarity – 'Culture – the way we talk to each other', 'Culture – the way we make decisions', 'Culture – what's OK and not OK'

With a large infrastructure organisation we helped the Exec develop a set of 'It's OK/not OK' statements to guide their behaviour together. As they worked on these, the leadership team concluded the statements should apply equally well across the organisation too. They set about sharing the statements of intent and encouraging colleagues to build on them in their own teams.

III. CULTURE IS TOO IMPORTANT TO LEAVE TO THE LEADERS

How can that rare alchemy of a stellar corporate culture, something that seems so intangible, be maintained and nurtured? It is a difficult balance of setting the tone, pulling the levers and then stepping back to let it breathe. Leaders need to acknowledge that culture can be too important for it to be purely a top-down concern. If leadership provide the yeast for a culture, the people are the heat that cooks it. During times of change, this works best when individuals strengthen and multiply their points of engagement with the organisation.

Putting people at the heart of any organisational change brings numerous opportunities to nurture culture along the way. Our research highlighted how the best organisations use great change management practice to help their people grow, find their voice, buy-into the change and run with it.

While each organisation needs to draw on its unique characteristics, our interviews pulled out some key themes that all organisations need to nurture the best possible culture for them. These themes apply equally well to managing transformation. They include:

• creating a common sense of purpose throughout the organisation

• making sure the end goal is clear

• ensuring everything is aligned with the core values

• providing clarity of operations

• fostering good communications with and among staff

In organisations which nurture culture best as they transform, individuals make strong, personal connections with the change and those individual connections roll up to create a workforce collectively engaged and actively contributing to the organisation's culture.

Just as at an organisation level there is the right recipe and combination of ingredients for a culture that 'tastes right' for the organisation, so for each individual there is a personal recipe and combination of factors which create an individual connection with the employer. The themes range from making meaningful contributions and opportunities for personal growth, to getting a fair deal and wellbeing at work. An organisational transformation may present a 'jolt' to some of these connection points, but that's an opportunity to re-evaluate and reconnect. Our research and experience highlight a few examples.

Gallup estimates that active disengagement costs the US

$450 - $550 billion

per year.

Glassdoor has data on more than **540,000** *companies in* **190 countries.**

Connecting to the Change & Culture Vision – works well when:

- Roles and expectations are clear so people understand the benefits and see where they fit in – re-energising the meaningfulness of their work and relationships with peers, managers and the organisation.

- People can express the Vision and Values in their own words – an airline interviewee described how their people were encouraged to articulate the essence of their culture so that it resonates as well in Nigeria as it does in the UK.

- Change projects focus on celebrating the *hows* of their achievements as much as the *whats* of project milestones.

Connecting Change & Culture to opportunities to grow – works well when:

- People understand the 'What's In It For Me?' and take responsibility for developing to meet the challenges of the future.

- One Managing Director said, "Provide them with the necessary tools and skills so they're best equipped under a new structure." His organisation did this through focus groups and training programmes, where the leadership were involved but people were the focus.

Connecting Change & Culture with the employees' voice - works well when:

- Employees find their own ways to share successes and failures amongst themselves.

- People create their own networks – not because they're told to, but because they have the dynamism and passion to do so. Many of our interviewees have mentioned interest groups, Diversity & Inclusion 'Protected Characteristics' networks and communities of interest as a means of spreading engagement and fostering a sense of belonging.

- People use the right level of technology to allow authentic idea sharing . Whether it's Yammer, Google Communities, or, as in one client a lo-tech 'Wall of Awesome' the key is not to let this kind of interaction get overly corporate or dehumanised.

TENSION & SUB-CULTURES

It's tempting to equate a great culture with one full of harmony and consensus. For some organisations that's exactly what they don't need. Some tensions are essential for innovation. In reality organisational cultures are not homogeneous – there may be a need for a family of 'sub-cultures' working together around a shared sense of direction. One Q5 client in the aviation industry is currently focusing on nurturing two essential sub-cultures within a fit for purpose whole, including:

- Safe, dependable 24/7 delivery in the Operations Room – a culture where people are risk-averse, rules are paramount and work is rigorously defined and process driven

- Creative, innovative development of new services and businesses for the future – a culture where people experiment, rules and process are light-touch and failure is ok

Both cultures are essential and mutually dependent for long-term success, so they need to co-exist.

CONNECTIONS IN ACTION

Engagement champions have been around for more than a decade but their role and involvement are changing. One interviewee from a major UK Government department told us of their 'positively deviant' approach to nurturing culture in the midst of an ambitious transformation agenda.

The department's Appreciative Inquiry (AI) approach was designed to engage people and empower staff themselves to make the organisation a place they could be proud of. The premise of AI is to focus on and dial up what's working well, creating positive energy for change. The driving force behind this approach was a small team of passionate individuals from across the department who, supported by guerrilla marketing, catalysed a grassroots process of gathering and comparing stories of excellence - when people felt at their best and produced great outcomes - so as to determine the causes of success. From these stories sprang a number of thematic communities, self-organised into neighbourhood action groups.

The initiative is actively building culture and change into the fabric of the department. Engagement and positivity have risen in areas where AI has been used. People are spotting Continuous Improvement opportunities and taking them forward themselves, and cross-silo networks are fostering collaboration, efficiency and productivity. The initiative has also provided people who might not otherwise have had it, the chance to become change leaders.

The Drivers of Employee Engagement

Getting a fair deal · Good leadership · Making a meaningful contribution · Opportunities for personal growth · My wellbeing at work · Relationship with my manager · How I feel about my team · How I feel about my company

PEOPLE & SELF SELECTION - AMAZON

Amazon hit the headlines over its demanding culture in 2015, when the New York Times ran an investigation into its working practices. The online retailer's unrelenting pace meant that when employees 'hit the wall' there was only one option: 'Climb the wall'. The organisation has 14 Leadership Principles to guide its employees. As the organisation says, these "aren't just a pretty inspirational wall hanging. These Principles work hard, just like we do. Amazonians use them, every day." They start with "customer obsession" include "learn and be curious," "insist on the highest standards," "have backbone," and finally: "deliver results."

The piece found that Amazon encouraged workers to work long hours, tear their colleagues' ideas apart and were held to "unreasonably high" standards according to the organisation itself. Some found that it pushed them to new heights, others, unable to take it, left the organisation.

Following the article Amazon chief executive Jeff Bezos talked about corporate cultures, though he did not reference the piece specifically. "The reason cultures are so stable in time is because people self-select. Someone energised by competitive zeal may select and be happy in one culture, while someone who loves to pioneer and invent may choose another," before adding: "We never claim that our approach is the right one – just that it's ours – and over the last two decades we've collected a large group of like-minded people."

Mr Bezos continued: "You can write down your corporate culture, but when you do so, you're discovering it, uncovering it – not creating it. It is created slowly over time by the people and by events – by the stories of past success and failure that become a deep part of organisation lore."

EXCELLENT COLLEAGUES - NETFLIX

Another web giant that has paid a lot of attention to culture is Netflix, and it is another that demands standout results. Netflix created a 124 page document defining it's approach to culture – premised on treating people like 'fully formed adults'. The document, which is seen as a huge factor in Netflix's success; focuses on the "Freedom and Responsibility" the organisation gives employees - cutting down on rules and policies, doing away with annual appraisals, holiday permission and so on. It says: "We don't measure people by how many hours they work or how much they are in the office. We do care about accomplishing great work."

That culture also includes the "Keeper Test". If an employee theoretically told the organisation they were leaving, would they fight to keep that employee? If the answer is no, they would be given a severance package. It is a high-performing culture that would not suit every business and reflects the executives at the organisation. Sheryl Sandberg, Facebook's Chief Operating Officer has called the culture document one of the most important documents to come out of Silicon Valley.

Netflix describes itself as a pro sports team saying its leaders "hire, develop and cut smartly so we have stars in every position".

Patty McCord, Netflix erstwhile Chief Talent Office and a key author of the Freedom and Responsibility document said: "The best thing you can do for employees – a perk better than foosball or free sushi – is hire only "A" players to work alongside them. Excellent colleagues trump everything else.

IV. KEEP WORKING ON IT (WITHOUT BEING HEAVY-HANDED)

Whilst we recommend allowing culture to 'rise' organically, like a successful bake, it is not something that can be left entirely to its own devices. One organisation director told us:

> *You've got to maintain it and constantly build on it, and reassess and refine what your culture is and where you're aiming for it to be, otherwise you can end up having a flip in success. It is always changing, and always needs work.*

If you are clear on the right cultural recipe for success and have set up the combination of ingredients you need, people will find their personal connections. Keeping working on it means both:

- Keeping your eye on how you are doing

- Keep talking about it

Keep an eye on how you're doing

Revisit the original diagnostics in a light-touch way and gauge whether changes are really happening. Anecdotal evidence as well as the hard business case measures and data can build up a picture of how the culture is shifting.

It will not be all smooth running. "All organisations have a level of cynicism about change," one respondent said. "To make progress, you have to recognise the reality of this, acknowledge that it has been tried before, but actually set out a clear direction."

Several of our respondents highlighted engagement surveys as a means to track how people are feeling about where they work. In our experience, many culture and engagement evaluation efforts don't achieve results because:

- Surveys are conducted annually at most and don't fully represent the true levels of connection

- Engagement data is cumbersome and doesn't offer timely insights

- Engagement interventions don't tackle the real issues

- Companies fail to measure the business impact

- There's no conversation! Surveys can create distance when real, human interactions can be more powerful.

Our culture is the default position we revert to when we're under pressure or going through tough times. Even in good times, the culture is the benchmark of how, organisationally, we address whatever we may be facing.

Organisations which take a real-time approach to taking the organisational temperature are better placed to test results and adjust as appropriate. Innovations in culture and engagement measurement now allow organisations to:

• Have 'always on' functionality - tracking responses to particular change and culture related initiatives with real-time data all year

• Completely customise surveys, and keep it simple for the users

• Send/receive communications with targeted employee groups, whilst retaining anonymity

Keep talking about it

It's important to get to the stage where talking about culture is part of the everyday business conversation, when whatever they are doing people ask 'What impact will that have on culture – will it nudge us in the direction we want?' so you are always nurturing the things that you want to nurture and mitigating against the things that get in the way.

In working on major change programmes we use 3 test questions to build culture factors naturally into everyday thinking:

1. Where do you want to get to? 'Think about the end-state for your project / activities – which aspects of your culture are great in that context, are there any aspects which could be unhelpful?'

This question helps to work out if there are aspects of culture you might want to change.

2. How do you plan to get there? 'Think about the projects, activities and challenges you are working on – are you using culture to boost your chances of success?

This question helps to spot where culture could help you on your way so plans can address it explicitly – doing things the way that works for you, not just assuming the text-book way is *your* best way. It also helps to see where it might hinder – so you can plan to avoid the pitfalls.

3. How might you make your culture different along the way? 'Think about the projects, activities and challenges you are working on – how will they help nurture the best culture for your future?'

This question helps show how everyone can make a difference, how evolving a culture is about everyday actions and decisions.

Culture is a long-term game. Organisations which are being proactive and creative in developing culture by experimenting with the cultural ingredients ensure they remain relevant.

Q5 PERSPECTIVE:

The difference between success and failure is knowing what will work for your organisation and getting the right combination of basics. There are many ways of baking a cake. Regularly check that you are still making the cake you need. Nurture it carefully but do not overwork it.

Conclusion

One executive told us: "I'd always come back to that organisational narrative. If you want to change a culture, you can't ignore your history or where you've come from. The next step in the narrative needs to be brutally honest about the past; off the back of that decide where and how to move forwards."

Culture is created through the values and actions of the leaders and employees within an organisation. Getting it right, whether through explicit declarations or unspoken activities, is crucial and nurturing it during times of change even more so.

It is about the basics: working with what you've got and ensuring alignment with the organisation's needs. A good leader is like a good baker, with the right ingredients, the right equipment, a good eye and the right environment, magic can be created.

Culture is often too little understood among leaders. To successfully nurture culture in transformation:

1. **Start with the facts**

2. **Have leaders create the emotional hook**

3. **Acknowledge that culture is too important to be left to the leaders**

4. **Keep working on it (without being heavy-handed)**

Q5's Olly Purnell said: "When times are good, you cannot delude yourself that you have found the magic formula. Culturally your business becomes complacent, you need adaptability and flexibility; culture is a transient thing, it is an ecosystem, it is something you need to keep an eye on."

Culture is dynamic and alive, it fosters innovation and helps organisations cope with change if harnessed correctly. It is about people, how they interact, a satisfying work experience and strong leadership.

Whether the organisation follows classic cake recipes or tries experimental baking, creating cultural excellence has to be done on the group's own terms, and is a long-term endeavour. Stay proactive... The best leaders, along with the best bakers, should never stop working at the recipe; keep testing, experimenting and refining and the results will follow.

It is important now as the workforce and working practices face radical change, and the traditional hierarchical structures of the past are beginning to crumble. As these changes occur, culture is crucial to "glue" companies together.

Thank you to our interviewees, who came from a variety of organisations including:

- A rail organisation
- A health charity
- Two major UK Government Departments
- A car manufacturer
- An international chain of coffee shops
- A food services and facilities management organisation
- An independent body set up by UK Parliament
- A property development & investment organisation
- A global airline
- A leading pharmaceutical firm
- A global energy & resources organisation
- A UK regulatory body
- A recruitment firm
- A financial services & healthcare provider
- A commercial property firm
- A mental health research charity
- A British broadcasting organisation

Q5 & Culture

Q5 is an award winning consultancy – we know what it takes to understand and embed a successful culture. As experts in change we bring:

- Robust diagnostics
- Rigorous & engaging approaches to defining what's needed
- Frameworks for turning good intentions into action
- Practical support for grass-roots activity
- Innovative tools for tracking success and quickly learning from failures

Contact us at info@q5partners.com

Q5
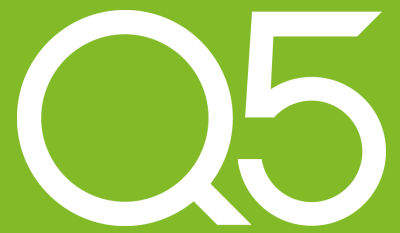
3 Dean Trench Street
Westminster London,
SW1P 3HB

261 Madison Avenue
New York, NY 10016

6/69 Reservoir Street
Surry Hills, NSW 2010
Sydney

15th Floor, Universal
Trade Centre
3 Arbuthnot Road
Central, Hong Kong

info@q5partners.com
www.q5partners.com