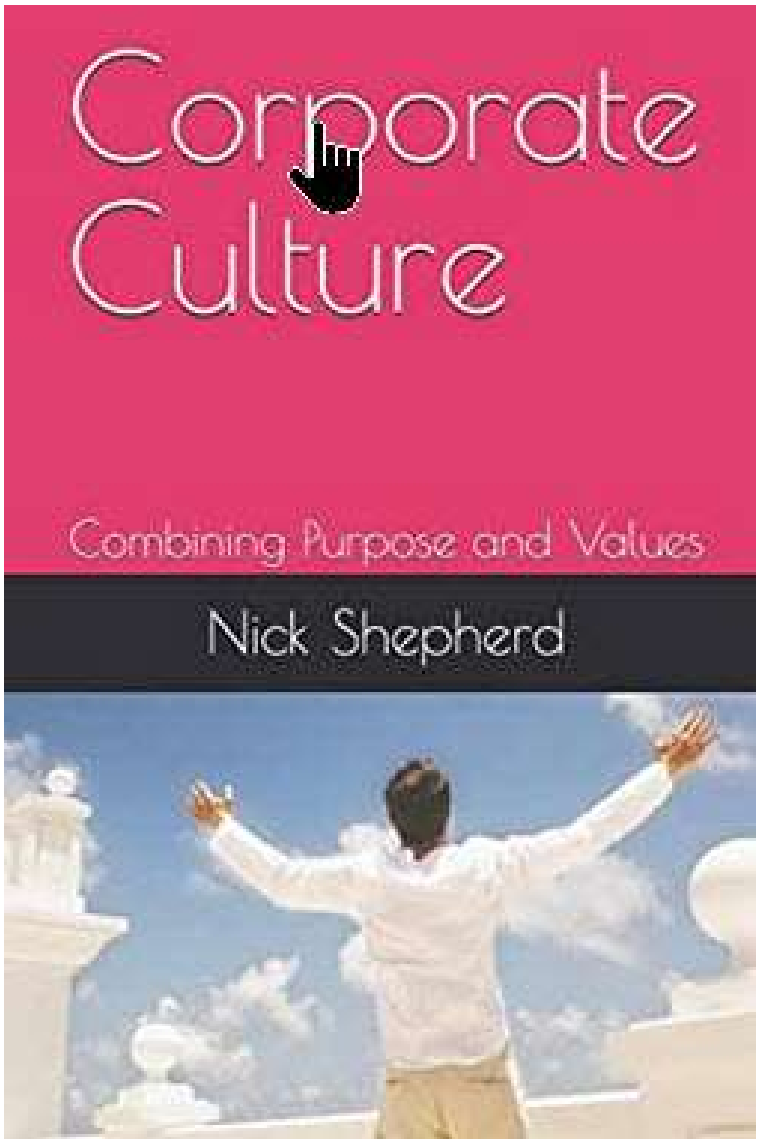
Corporate
Culture
Combining Purpose and Values
Nick Shepherd

Corporate Culture - Combining Purpose and Values

How a poor culture can stifle creativity, innovation, and success - and how to fix it

By
Nick A. Shepherd

EduVision Inc.

Copyright © 2021 Eduvision Inc., Jannas Publications and N Shepherd
All rights reserved

No part of this book may be reproduced, or stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without express written permission of the publisher.

ISBN 978-1-7775703-2-3

Cover design by: EduVision Inc.
Library of Congress Control Number:

Books by the same author

"Variance Analysis for Cost Performance Measurement"
"Governance, Accountability and Sustainable Development: An agenda for the 21st Century"
"The Controllers Handbook" (2nd edition)
"Reflective Leaders & High Performance Organizations" (jointly with Dr. Peter Smyth)
"How Accountants Lost Their Balance"

Notice to reader.

This document contains extracts from the original book "Corporate Culture: combining purpose and values." The two chapters included here are:

Original Chapter 1 Executive overview
This provides the reader with a short summary of the purpose and contents of the book.

Original Chapter 3 Strategy
Organizational culture involves making people and issues related to human behavior an essential core aspect of strategy. While corporate purpose builds a foundation for "what" is to be done, corporate values provide a basis for the "way things are done." This heavily impacts the basis upon which decisions are made when executing actions required to achieve purpose.

While the Business Round Table has shifted focus from shareholder to stakeholder, this book suggests how behavioral aspects need to be unbundled from within purpose and addressed in parallel as equally important.

Nick A. Shepherd, Author.

1 Executive Summary

I know time is short so here is the essence of this book. There are four important reasons to read this book.

1. To rebuild the credibility of the capitalist business model.
2. To increase profitability and growth.
3. To decrease risk (and cost) of failure from poor control.
4. To protect the drivers of value creation that underpin your business model.

Society has been "falling out" with the world of business for the last thirty years because of perceived primacy of shareholders. In 2019 the CEOs of the Business Roundtable adopted a new Statement on the Purpose of a Corporation declaring that companies should serve not only their shareholders, but also deliver value to their customers, invest in employees, deal fairly with suppliers, and support the communities in which they operate. This replaced a 22-year old focus on shareholder primacy.

This is a good start, but CEO's must shift corporate strategy to provide equal focus on the purpose of the organization and the behaviour of the organization. It is poor behaviour that often drives a poor reputation.

Secondly poor behaviour, often caused by a "less than optimum" corporate culture, is costing money in "surprises" such as penalties and

fines from regulators, and hidden excess operating costs. It is also depressing the ability to grow through innovation and creativity. Fix the behaviour, both internally and externally and unleash the human potential for innovation, creativity, communications, and collaboration.

Third, many of the surprises are caused by poor control. While many organizations have adopted Codes of Ethics or Codes of Conduct these fail if they are not embedded in the thoughts and actions at every level of the business. What do employees do when there are no policies or procedures, and they have to decide? Do they know what "corporate values" should drive their decision making? Control failures from Enron to Carillion have shown that leaving people to make their own decisions and relying on a clean audit report means little in a world where value creation is driven by non-financial assets.

Finally, many executives are operating blind. Billions are being poured into the creation of value creating intangible assets. This is not being reported or tracked financially. Audits do not reveal whether these assets are being damaged or depleted. It is the wrong behaviour that often destroys intangibles. Poor behaviour of leaders. Poor behaviour with suppliers, Poor behaviour with customers. All of that money poured into doing the right thing, now wasted because the culture is depleting its value creating ability.

A healthy business in a people centric driven, "asset light" world is all about leadership and behaviour. About Corporate Culture. This book provides some guidance as to how to make it happen.

At the end of each chapter there is a short summary and checklist of the key points.

2 Introduction

Corporate culture is about “how things are done around here” - the environment that leaders create to optimize the resources they use.

3 Strategy

This book will not rewrite everything that has been developed on strategy and planning but what it will do is show how existing systems can embrace on equal terms the actions necessary to elevate the human element. This will be done in a number of steps. First, we will place the human dimension within both a business model and a strategic framework to demonstrate how they can be integrated.

Next, we will move on to a "health check." This starts with a "where are you now" set of discovery options. It matters little where you think you are - in fact, this is often incorrect (or in some organizations delusional!). Following that, an organization, especially its leaders in terms of owners, board, and senior executives, needs to decide where they want to be in human strategy and the approach to behaviour. This will lead to both an exploration stage and the development of a set of behavioural principles around which everything else will be built. This stage will create a "gap analysis" and from this your first action plans will be developed.

All through his process, engagement of the people in the organization is critical. From clarification of the reality of the current situation, through development of a set of underlying principles, through to actual deployment and monitoring. This approach will fail if it is seen as something developed by management and handed down to everyone else. We will then move on to the steps needed to operationally embed these "intents" into the everyday reality of the business, including a broad based set of performance measures.

3.1 Framework for thinking and planning

Start by thinking about a high level business model that has been developed over the years to embrace the key aspects of operating a business. This is like context setting. We call this the 5P model.

Figure 1 The 5P Business Model

The model depicts the key building blocks for effective organizational management. The foundation is the organizational purpose - often incorporated in its vision and mission; however, added to "purpose" is beliefs and values. In effect purpose is to tasks and activities, what beliefs and values are to behaviour. This is the point of equal bias and is "P1"

Underlying EVERYTHING is the translation of the beliefs and values into an organizational culture (P2); this must permeate all actions that the organization takes to convert purpose into outcomes. It must create a "passion for the purpose" if it is to become "real" and become a strategic advantage. This creates the foundation for the next steps, in converting

intent to execution which must be built on consideration of both what is to be done and how it is to be achieved.

The next level reflects the resources that are brought together to deliver on the plans. Processes (P3 - including machinery and equipment and all operational processes and tasks) focus on the operational "how" - the task. P4 reflects the human dimension to everything that needs to be done, using both internal and external resources - the "how" in terms of behaviour. Woven throughout both P3 and P4 will be the performance measures necessary to monitor achievement of the plans.

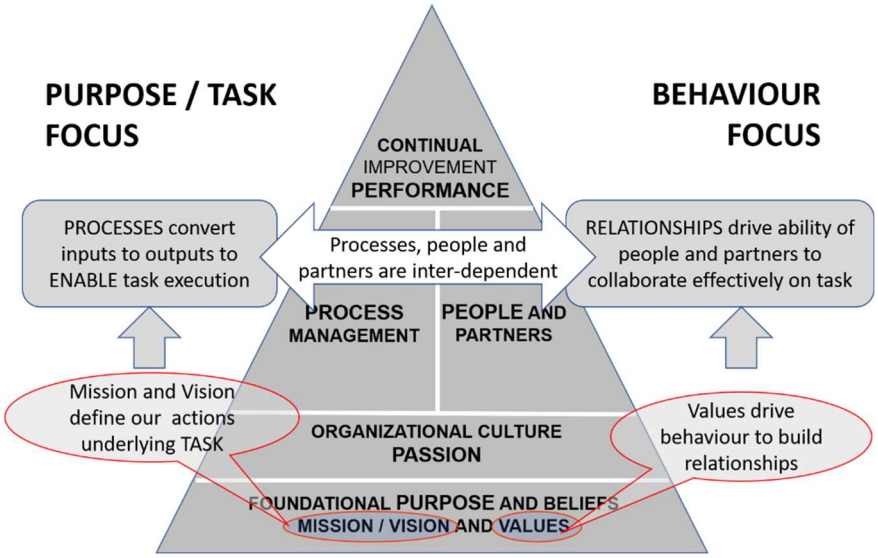

Figure 2 5P showing task and behaviour

Finally, P5 is effectively an outcome of the effective business model and that is a culture of continual improvement leading to "performance." The "5" in the model comes from the 5P's plus the conceptual goal of a five star (*****) performance rating.

One key business model for the ongoing operation of a business will be familiar to most managers. This is the PDCA or PDSA model; Plan, Do,

Check and Act. Historically this has been focused on the purpose and task aspect of business, but one can overlay the behaviour aspects using exactly the same approach:

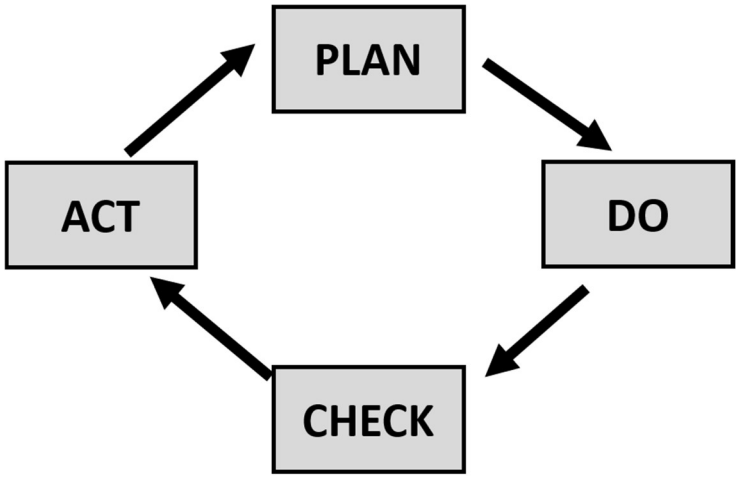

Figure 3 The basic PDCA model

Plans would incorporate both desired *operational outcomes* which typically drive organizational equipment and processes; the "tools" of the task. But equally plans must include the *desired behaviours*; for many organizations part of this may be already in place if behaviours drive some aspect of brand or reputation.

Next is the "do" aspect. This involves the "decomposition" of the desired operational outcomes into things like budgets, capital equipment purchases, supplier contracts. Again, it can equally include aspects of human resources management, especially leadership skills to translate the planned behaviours into action.

Thirdly we have the "Check." A large portion of checking is often around the ability to achieve task expectations (on time, quality, cost, quantity). However, again, there should be tools which provide feedback

on how the expectations for behaviour are being operationally applied. Finally, the "Act" focuses on action necessary to keep "the plan on track" or to make corrective actions, or to incorporate changes into the next planning cycle. Behavioural aspects would equally fit in this category. Training, development, coaching, promotions, and other actions would be examples.

So, a new planning approach is not required. What is needed is an equal application of strategic "people behavioural planning" to an organization's strategies and plans, supported by an aligned follow through that aligns and supports every aspect of human interaction with the plans.

3.2 The big picture

Before any effort can be made to start embedding behavioural expectations into a business plan there needs to be a reality check. Every organization already has a culture and a way of operating; it has evolved over time. However, there are generally three situations.

A great organization (that might be able to ignore this whole book) has defined how it wants the organization to be seen in the way that it works. This organization's culture is "real," because it permeates everything that is done. Employees clearly understand how they are expected to interact with everybody else, and this can be relied upon; this includes every interaction, whether internally or externally. Everybody in a leadership position treats people fairly and reflects the corporate "way of doing things" on a consistent basis; trust is at a high level between and among people. Everyone's ideas are valued and respected; open communication, cooperation and collaboration are reflected in every human interaction. Outsiders see the organization as a "quality employer" and a valuable member of their community. When change it required, almost everybody approaches it with a positive an open attitude. There are lots more, but you get the idea.

On the other extreme is the organization where little attention is paid to behaviour on the assumption that people already know what is expected. It is assumed that they will act in the organizations best interest, but there are often situations where disciplinary actions have to be taken because employees take things into their own hands that cost the company money. There are sometimes surprises because people acted in a way that their manager or others did not expect. There seems to be some sort of feud or disagreement between departments.

Managers appear protective about their own organization and often seem less willing to collaborate and cooperate. Most people are only worried about their personal bonus - especially when it gets in the way of helping someone else. There may have even been serious problems when people thought they were doing the right thing to increase company revenues or profits - only to cause what others see as unethical actions. Change always seems a fight because there seems to be a lack of trust that management understands and appreciates the peoples own interests.

Finally, there is the middle of the road organization. There is a code of ethics in place and everyone has been exposed to it - maybe by the legal team did the training. The CEO and CFO are happy with signing off their statement of internal controls. Maybe the company has developed a set of "values" that it has posted everywhere in the company. There is a feeling, especially among senior managers that the "tone at the top" is good. That this is an ethical organization. Yet there still seem to be issues; regular fire-fighting of inter-departmental problems and lack of cooperation is an issue. Change is a challenge especially getting people "on board." It has been said that the organization "doesn't walk the talk."

In our first organization it would appear that has been and remains a focus on the culture. It has been planned and it appears to permeate every aspect of the business. One might compare this to one of Jim Collins "great" organizations (at least the ones' who have been able to sustain their position). It could also be like Johnson & Johnson whose corporate credo

about how they operate was originally developed in 1943 and has guided the company since. These are not perfect organizations nor have they avoided problems, but they have had a "common guiding light" that has driven decision making.

The second group of organizations are those that usually focus most of their attention on financial performance and deal with the other aspects of business as "support activities." These organizations have increasingly run into behavioural problems as the human element has become more important. Examples would include banking and financial services; pharmaceutical companies; retailers; service organization; technology organizations, energy companies and others.

The last group of organizations probably represents the largest; they are committed to running an organization where behaviour matters yet there seem to be problems. All the right "speeches" from management have been made. Managers are always talking about how important the people are; there is even a framework of corporate values in place.

Many will remember Enron that had such as spectacular failure; here was a company that had a Code of Ethics that was over 60 pages, signed by the CEO. Surely behaviour was not going to be a problem. Another example, Carillion, a major UK construction company that collapsed in 2017 among scandals, had been given an award for its integrity and ethics.

As we move forward, we start with planning - following the mirror image of how we move forward on planning the overall business goals and objectives that align with the "purpose" - following the vision and mission. Many of these are inter-changeable terms so we have to be careful! In our discussion we will apply the following definitions:

- Purpose: "…the reason for which something exists or is done, made, used, etc. an intended or desired result; end; aim; goal."

- Values: "…guiding values are those characteristics that we commit to as individuals and as an organization so that we develop a culture that delivers our mission and executes our vision."

We will work on the basis that "Purpose" drives the planning for activities and tasks to achieve the "deliverable outcomes" of the business and to satisfy the reason "why" we are in business. "Values" are the underlying principles behind the "how" - of the behaviours that drive decision making as it relates to people and relationships.

One of the complexities of developing values as a foundation for human behaviour and relationships, is that behavioural activities (A) and outcomes (O) are both similar and iterative. For example, "you exhibit trust to create trust and become trustworthy." "You give respect to be respected" etc. etc. The challenge is to develop a few core values that can embrace and support the desired behaviours. The first set might be the "major 5:"

Behaviour	Comments	A	O
Collaborative	Co-labour - willingness to work jointly (with others) for the collective good.	X	X
Cooperative	Work jointly towards a common shared goal	X	X
Trust	Foster trust internally to become a trusted and trusting organization	X	X
Respect	Respect between people internally and externally fosters an organization that can be trusted	X	X
Integrity	"My word is my bond." Faithful: supports and complements commitment, integrity, and trust.	X	X

There are others that support, complement and add to the first 5. The right words are what "fit" the organization.

Behaviour	Comments	A	O
Ethical	Ethical behaviour creates a reputation for being ethical	X	X
Open	Being open denotes listening and sharing qualities, leading to a reputation of being open as an organization.	X	X
Learning	Fostering learning internally is a way to promote engagement and improvement.	X	
Committed	Commitment internally between and among people leads to an external willingness to commit to others such as clients.	X	X
Positive	Being positive is an attitude towards resolving differences and challenges.	X	X
Supportive	Being supportive internally fosters behaviours that create a reputation for being supportive to others externally.	X	X
Honest	Honesty is a foundation for communication and creates a climate for external honesty.	X	X
Inclusive	Inclusive denotes a willingness to engage equally with everyone. Embraces diversity.	X	X
Safe	Removes fear of retribution. Promotes honest interaction.	X	
Equality	Complements inclusive; engages all no matter their background or qualification.	X	X
Authentic	Complements honesty and promotes belief in relationships.	X	X
Recognition	Receiving feedback for contributions made no matter size or importance.	X	X

Having just "Purpose" and "Values" may not be the right words; some organizations use "Mission, Vision and Values," some have "Mission and

Corporate Philosophy." J&J call it their "Credo." They key is to have both Purpose and Behaviour included.

One word that might be seen as missing is "engaged;" this is an important behavioural aspect that is also an outcome. It is often used as a "collective umbrella" for all of the activities involved in an effective culture that result in "an engaged employee."

It reminds me of the story of the chicken and the pig, observing the farmer eating bacon and eggs for breakfast. The chicken pointed to the eggs proudly and said to the pig "See, I am engaged in the farmers breakfast." "Ah Yes," said the pig "but I am Committed." People can be engaged in the work of the business yet not be fully committed. Optimum potential is the goal.

For planning purposes, creating, and sustaining an effective culture is an enabling strategy for both enhanced performance and decreased risk. So, what are the business outcomes that an effective culture delivers because these will be the ultimate measures of success. What do successful and competitive organizations demonstrate?

- Innovative and creative.
- Customer or client focus.
- Social / societal awareness and responsibility.
- Attractive to others - (such as potential suppliers, clients, and employees).
- Trusted and ethical as seen by the community in general.
- Responsible and fair.
- Attractive investment - level of return and risk.

Creating all of these outcomes' rests heavily on the collective behaviours of the people involved in the conversion of inputs to outputs - the human aspect of the business model. In creating a series of values, leaders must be driven by understanding and promoting aspects of behaviour that create

the climate with the highest potential of achieving and sustaining these outcomes.

Strategy summary
• Business models must provide equal value creation importance to task (purpose) and behaviour (values) • Management systems, such as PDCA must reflect task and behaviour at every level equally. • Behaviours must be based on a strategically developed definition of expectations aligned to outcomes. • A set of principles that define expected values which drive behaviour are a core aspect of responsible governance.
Strategy checklist
• Are you committed to driving your future business equally on both task and behavioural outcomes? • Is this equal commitment embedded as part of long term plans for the foundation of how you run the business? • Do you know what your "current state" of culture and organizational behaviour is? • Have you defined what values and behaviour should be based on your strategically important outcomes at the governance level? • Do you know where you need to start (i.e., is there a gap and if so, how big?) • Are the "words" being used relevant to the business and to the local society. • Has there been broad engagement in understanding and developing the founding commitments and values?