



Culture is Key

BY RICHARD MARTIN

I find it striking how organizations can differ so much in terms of culture. I was recently chatting with some old friends about the culture that reigns in government organizations. We noted the value that is placed on consensus and the unwillingness to be perceived as rocking the boat, whether by subordinates, peers, or superiors.

On the other hand, I've observed the exact opposite in the most entrepreneurial companies and people I've worked with. This can lead to chaotic management and frequent changes of direction, with little explanation of the underlying reasoning or justification to those who must implement the decisions. However, there is no doubt about the willingness to take risks, try new products, find new customers, and make hard decisions that will affect employees, suppliers, and distributors.

Leaders and executives must get a good handle on culture so they can adapt their leadership and decision-making styles to the dynamics of their organization. The three key factors determining organizational culture are the values, beliefs, and rules of the group. These three elements interact and reinforce each other and determine the organization's overall sense of mission (i.e., *raison d'être*, purpose), its cohesion (i.e., unity of action, willingness to subsume individual interests for the collective good), its morale (i.e., perseverance, sacrifice), and its collective mood. Values are what people consider important. For instance, the key value in government is political ascendancy. Government employees ultimately believe that their wishes are not what determines government policy. This then leads to a belief that managerial

initiatives and objectives can change at the flip of a switch, a not unjustified view. An "us versus them" attitude results, with the bureaucracy on one side and the political masters on the other.

The major rule then becomes to maximize consensus and minimize risk resulting from internal change and initiative, simply because there is already plenty of change and risk at the political level. To put it in concrete terms, an executive may launch a performance improvement initiative that would require significant financial investment and restructuring, but it can all disappear with the next budget. The aim is to minimize disruption so that we can adjust to the inevitable political turmoil in the next budget. I'm not judging whether this is inherently good or bad, but it is nonetheless a fact of life in government.

“Determining the organization's overall sense of mission

Business organizations, on the other hand, are inherently customer-centric. The great Peter Drucker said that a company exists to create a customer. Entrepreneurs often found businesses without there even being a clearly articulated market need or want. Entrepreneurs must create needs and influence potential buyers to sacrifice something else to acquire new products or services.

This goes against the common belief that business is about maximizing profit. Once again, as pointed out by Drucker, profit is the result of serving customers, and the necessary condition for continuing to do so.

Without customers, there is no business, and this is always the most important value in commercial undertakings. Companies that lose sight of this and focus only on shareholder value or protecting their position will sooner or later encounter financial upheaval. They may even disappear, something which is near unthinkable in the case of government.

The customer service values of business are antithetical to the public service values of government, and that is as it should be. But this leads to different beliefs and rules about innovation, risk-taking, consensus, and leadership. The refusal or inability to take risks in business is often deadly.

Many critics of capitalism and corporations decry the so-called profit motive and the ethic of constant growth. What they fail to realize is that a company that isn't growing and innovating is one that is automatically falling behind competitors. It will become less and less relevant to customers, who will simply vote with their feet, rather than with, well, their votes.

Witness the many venerable companies that were once leaders and innovators but that now struggle to remain relevant and profitable. Sears used to be the Amazon of retail, way back when. Remember that? Even Big Blue, IBM, is flailing against the tide of mobile, user-centric, computing.

I'm not trying to pit organizational cultures against one another. I'm simply pointing out that different cultures arise from different needs and different founding ethics. Whether you're a government manager, entrepreneur, or a business executive, you have to understand the culture of your organization and team. This starts with an examination of its foundational values, beliefs, and rules.

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