5

Is Expensive Wallpaper Good Enough for You?

Connect Culture to Financial Results

All businesses have a culture—either by intention or by accident.

Most organizational cultures appear organically simply because of the people who show up. Each new hire shapes and solidifies the culture unintentionally.

Some organizations have done the work to make their culture intentional but generally fail to tie their health and strength to the organization's financial results (and their MIN). Some are strong but not healthy or effective. They fail to encourage desired behaviors and discourage behaviors that throttle productive energy.

When a business has done its due diligence in creating a purposeful strategy executed by the full team, the next opportunity is to address the connection between organizational culture and financial results. That's the purpose of this chapter, plain and simple.

In using the MIND Methodology, we define culture as the *beliefs, accountability, practices, and decisions from which an organization creates value.* These are generally reflected in your mission, vision, purpose, and values.

Culture Questions to Consider

- How strong is your organization's culture at creating value?
- What would having a strong culture mean to you?
- Is your culture more organic or intentional?
- Can you connect the strength and application of your culture to improving financial results?
- If you asked leaders within your organization what your mission, values, and other alignment tools are, would they be able to tell you without reading them?
- More importantly, would they have solid examples of how they personally apply your organization's alignment tools to create more value for themselves, the organization, and your customers?

Alignment Tools Drive Desired Behaviors

The biggest culture challenge we see with clients (and for most organizations) is how to connect their culture to financial results.

When there are gaps in overall financial performance, it's generally caused by cultural issues within one team or function within an organization. Cultural causes of financial gaps can be found in sales, operations, customer service, finance, human resources, and other departments.

It's not uncommon for the senior leadership team to have cultural challenges (or malalignment) causing the largest financial performance gaps. When senior leadership teams are causing the largest gaps in financial performance, it is typically related to their culture of decision-making.

In Chapter One, we explored the overarching alignment tools designed to create a common culture across your organization. These alignment tools (mission, vision, purpose, and values) should act as a foundational decision filter for what your team has agreed to do, how they get things done, and where your organization is going. All of these alignment tools should be used in a way to improve your organization's top-level Most Important Number as well as any and all team MINs.

The best test for your alignment tools will be revealed when things do not go as planned. In each case, you should be able to point to one or more of your alignment tools not being properly "lived" as a clear root cause for the problem.

One of our clients with 1,400 employees across twenty-three restaurants was struggling with accountability and employee experience. The senior leadership team believed these were the two biggest opportunities to improve financial results.

When we took a deeper look, we realized not one of their alignment tools at the time addressed employee experience or accountability. Needless to say, we revised their alignment tools following our Methodology to address these opportunities.

Your alignment tools drive desired behaviors and become a fantastic management tool to hold team members accountable to sustain an intentional, strong culture.

Let's say one of your alignment tool values is *embodying a personal commitment to the end result*. A simple application of this would be a team member finishing their part of the process to get the product to your customer on time. The team member knows the date the customer needs it delivered, and there are two other processes required before it can ship.

Your team member also notices there is no one to do the next process until after the required ship date, so they rally the troops and make it happen. The customer gets what they need on time. This is a great application of *embodying a personal commitment to the end result*.

Conversely, if the team member noticed there was no one available to do the next process—knowing your product would likely ship late—and did nothing about it, this would be an opportunity for their manager to have a developmental conversation about the application of your culture. When all team members are living the cultural alignment tools, your organization will stay on mission, and team members will consistently show up in a productive way.

With many of our clients, we have found subcultures—the cultures within each team—can be significantly different from team to team. Each team's culture generally reflects the leader's style. When leadership styles vary in an organization, we tend to see that style also reflected in subcultures. Subcultures are not bad—however, they can sometimes undermine value creation or be at odds with the overarching alignment tools. When this happens, it is best to diagnose the culture more surgically.

If your organization has significant gaps in financial performance, you must first do the work of determining which function or team is contributing most to causing this condition to happen. When using the MIND Methodology, it is easy to see which functions or teams are achieving or missing their forecasted Most Important Numbers.

Without the MIND Methodology installed across all teams, you can still get there by studying financial reports and key measures for each functional team. Once you determine the functional team within the organization that is contributing most to the financial performance gap, you can diagnose and resolve it.

Numbers Never Lie

A couple of years ago, we engaged with a $100 million construction-related business based in California to determine where culture was causing the largest gap in their financial performance. They design and construct outdoor living spaces and operate in several states with approximately 450 full-time employees. Marketing, sales, project management, and design were done in-house, and construction crews were subcontracted. For two consecutive years, the company was more than 50 percent below profit projections and trending to be even worse in the coming year.

After a two-hour conversation with the CEO (as well as looking at financial and other performance data), we determined the culture within the sales function was causing the biggest gap in financial performance. While there was no measurable drop in qualified leads coming from marketing, the sales closing ratio had dropped nearly 10 percent over three years, from 28 to 19 percent. While it was obvious the closing percentage rate dropped, the cultural reasons for this drop were not so obvious.

Usually, when sales are down, there is a push for things like training, replacing or adding salespeople, refining sales tools, and increasing the number of qualified leads. Most don't approach solving the problem by finding the cultural challenge causing it.

The first step was to survey every employee within the sales organization to understand their position on beliefs, accountability, practices, and decisions impacting their ability to deliver results. The survey took ten to fifteen minutes for each leader and even less time for non-supervisory team members. The primary cause of the gap in financial performance pointed to their culture of accountability.

The survey revealed team members regularly did not do what they said they would do. There was little to no accountability for achieving a goal. Underperforming, legacy employees were considered untouchable. Last, there was no standard practice for *how* teams were held accountable.

Once we evaluated their survey responses, we transitioned our efforts to interviews and observations. We interviewed five high-performing leaders and five underperforming leaders based on their survey responses. The high-performing leaders had a developmental and supportive approach to growing each team member to achieve better results.

These leaders had a more positive outlook on how to beat the competition and grow market share. The low-performing leaders motivated their team members almost exclusively through dangling bonuses. They were not nearly as supportive and developmental as the high-performing leaders. In addition, they used excuses, such as pricing, as justification for missing the numbers.

Interestingly, we found the perception around how pricing impacts deal-closing percentage varied widely between high-performing and low-performing leaders. The high-performing leaders felt the pricing was on par with the competition to roughly 15 percent higher. They stated where pricing was higher, it was justified because of their superior product and service. Further, they reported where pricing was higher than the competition, they would likely have the lowest total costs after project overruns and fewer quality issues associated with many of the competitors. In contrast, the low-performing leaders believed pricing was 15 to 100 percent higher than the competition, and they reported this was a large contributor to their losing deals.

Once the interviews with individual leaders were completed, we attended their team meetings to observe the culture within each team. All of the high-performing leaders were happy to let us observe their meetings. In contrast, two of the low-performing leaders didn't allow us to observe their team meetings. Although there are many components to observe, such as overall energy, organization, and healthy and unhealthy behaviors, we primarily focused on accountability.

Through our observations, we found that how each team did the work of improving their sales numbers varied widely, including how accountability was enforced to achieve the numbers. Although we discovered an opportunity in creating practices to set and communicate pricing (which we addressed), our observations further confirmed the biggest opportunity was addressing their culture of accountability.

After completing the culture diagnostic work, we delivered our report with recommendations to the senior leadership team. There were several key factors we recognized in support of strengthening their culture of accountability, including the following:

- Accountability varies across the organization, with favoritism toward legacy employees.
- The organization tolerates a culture of low performance.
- Managers vary widely in their processes and practices, resulting in inconsistent results.
- There is inconsistency in what managers focus on to drive results.
- There is no standard process for enforcing accountability.
- Goal setting and coaching are not yet institutionalized at all levels.
- Excuses are prevalent with managers who could not clearly articulate how they drive accountability.

Based on our findings, we recommended the following solutions:

1. Standardize the senior leadership team meetings.
2. Standardize the regional vice president, regional sales manager, and sales manager meetings.
3. Instill key leader development with a focus on doing the work of improving what is most important.
4. Assign a personal MIN and Drivers to every salesperson.

We worked with the senior leadership team to install MIND Meetings and do the work of improving what is most important for all leaders in the organization. Accountability and alignment had to start at the top before quickly cascading it to frontline teams. Within a few months, every team and salesperson had a MIN, a set of Drivers, and participated in regularly held MIND Meetings. They now had a standard way of doing the work of improving their MIN.

As a result, we identified $9 million in increased profit potential from improving their culture of accountability. They went on to achieve $9 million in additional net profit the following year and, in total, more than three times the net profit of any preceding year.

Core Beliefs

Core beliefs are perhaps the most powerful foundational elements in connecting culture to financial results. If you don't believe something is possible to achieve within your organization, it will likely never happen.

I have decades of experience in CEO peer advisory groups observing hundreds of CEOs and what each believes is and isn't possible for their organization. It is no surprise that the CEOs presenting annual plans with 2 to 8 percent growth numbers regularly hit those numbers and just as regularly fall short. Conversely, the CEOs presenting annual plans with 20 to 50 percent-plus growth more often than not hit or beat their growth plan numbers.

With very few exceptions, I believe CEOs planning for and achieving single-digit growth can achieve so much more if they just change their core beliefs. The higher-growth CEOs seem to believe there is always a better way than they can see today, and it is their job to find it. More often than not, low-growth business leaders do not believe in the value of continuous personal and professional development. As a result, this limits their ability to accelerate the value (profit and cash flow) their organizations create.

As of the writing of this chapter, we are working with two organizations where the CEOs have a common limiting core belief. One owns a real estate brokerage business and the other an insurance and employee benefits business. When we began these engagements, both believed they were in commodity businesses, and there was little they could do to differentiate themselves from the competition. As a result, both CEOs believed that it would be difficult to profitably grow.

We are quickly changing their core beliefs to how bundled services and incredible customer service are huge differentiators. This differentiated value created for their customers allows for very profitable growth in a win-win way (for their clients and the businesses).

If you want to get an idea of what your leaders believe is possible for your business, ask them these questions:

- What does winning look like over the next twelve months for your business?

- What does winning look like two to three years out for your business?

These questions will give you a real sense of what your leadership team thinks about the potential of your business. From there, you can choose to intentionally start changing the core beliefs within your organization.

Evaluate Your Practices

What are the common practices in your organization? Which practices create the most value? Which practices create the least? Holding annual or quarterly strategy sessions is a practice. Having regular meetings of all types and at all levels in your organization is a practice—so is conducting performance reviews, celebrating wins, hiring, and goal setting.

Some practices may be thoughtfully laid out in order to create the most value possible for your organization. Others may feel like your teams are going through the motions. Practices must be intentionally designed to create the most value possible. We recommend listing all of the practices in your organization and rating them high, medium, or low for the value you believe they are creating.

Practices must be intentionally designed to create the most value possible.

Then ask the question: *What can we do to improve the return on these practices*?

Evaluating your existing practices through the lens of creating the most value possible reveals opportunities to improve the return on these practices. What would be different in your organization if all meetings created high value over the collective value they create today? The MIND Methodology forces low-return practices to the surface to be addressed. Comparatively, every practice in the MIND Methodology is designed to create the most value and continually increase that value over time.

How would you rate the effectiveness of meetings in your organization?

Biggest Takeaways from Chapter Five

- There should be a strong connection between an intentional culture in your organization and its financial performance and impact.
- Culture is made up of the beliefs, accountability, practices, and decisions from which your organization creates value.
- Your alignment tools should promote behaviors creating the most value in your organization.
- Your alignment tools should also address non-value-creating behaviors as a developmental management tool.
- Functions within your organization can have very different cultures and subcultures.
- Be intentional about how you drive culture within your organization.