



## Strategy and culture must be two parts of one thing (aka choosing a culture diagnostic)

The Royal Commission made it very clear, if it wasn't already, that organisational culture is at the root of most systemic business challenges.

It's all very well to know this, but what can you do about it?

Many culture change efforts are focused on building positive relationships between people and teams within the organisation. This is a worthy goal, and a great place to start if you haven't paid much attention to culture previously, but it's not enough to ensure that your culture will support your strategy.

If you write a strategy that you don't have the culture to execute, you've written a lovely piece of paper. It will make you feel good, it will get your Board to sign off on the needed resources, but it won't change your performance. On the flip side, if you change your culture to make everyone get along better together, but don't figure out what culture you need to support the execution of your strategy, that will also make you feel good, but it won't change your performance either. Only when strategy and culture are two parts of one thing, will they start to mutually reinforce each other and create an upward spiral.

How do you make sure that you understand the intersection between culture and strategy well enough to make the right choices at the right time?

One way to start is by doing a culture diagnostic. But I'd encourage you to think very carefully about why you're doing the diagnostic, not just about what tool is widely used or currently in favour. Do you have a commercial focus? Is it about ensuring culture supports strategy?

And, just in case there's any confusion, I'm not talking about engagement surveys here. Measuring culture is measuring the organisational system. Measuring engagement is measuring your employees' experience of that system. They are not the same thing.

I've spent decades thinking about this stuff and looking at alternatives and I've come to the conclusion that there are very few culture diagnostics that fulfil the criteria of ensuring strategy and culture can be examined through one lens. Organisational Health measures come the closest of anything I've seen.

There is a category of culture diagnostic tools that take a position. They say, for example, that 'blue' is good and 'red' and 'green' are bad. And, whilst I completely acknowledge that there are different types of 'blue' (practitioners in this space will know what I'm on about here), it remains true that, unless everyone has the same strategy, they don't need the same culture. Having said that, there are times these kinds of diagnostics are helpful and I've seen them work well when the conditions are right. Smaller organisations that haven't done much work on leadership can find they provide a huge boost to employee engagement and make everyone happier, but they don't do the job of allowing culture and strategy to be considered together.

*So if you're trying to link culture with strategy, Organisational Health is the place to focus.*

Measures of Organisational Health are not new, nor are they hard to find if you've got enough money to pay the larger consulting firms. I've had direct experience of the McKinsey Organisational Health Inventory (OHI) and it's a truly superb tool, though as you might expect it's also a sophisticated and nuanced one and requires sufficient focus on interpretation to be translated into practical application. The other big strategy consulting houses have similar tools and, if you can afford them, knock yourself out. Just make sure you're internally resourced to take full advantage of what they tell you.

But there are thousands of organisations for whom using those tools is the equivalent of mowing the lawn with a Sherman tank. They're just overkill. You're unlikely to have the internal resources to really get the most out of using something like that, let alone the budget to do them in the first place.

In an ideal world there would be a tool that looks at organisational health in a holistic way that encompasses strategy and culture, has a robust evidence base that reflects sustainable organisational performance, is easy to implement and provides you with a culture blueprint that supports and informs strategy. And won't cost the earth to do.

*Turns out there is. It's called the Denison.*

The Denison is widely used in the US and Europe, but less well-known in Australia. It has a fantastic evidence base from decades of research on sustainable organisational performance. And it costs about 15% of an equivalent tool from a large consulting firm.

I recently ran the Denison to great effect with a client who has about 1,000 staff. Here's the process we followed to give you an example of how it can work. The process was at least as important as the tool.

First there's a survey. For this client we added the culture questions to their already planned engagement survey and all their people answered both sets of questions in one

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survey experience to avoid survey fatigue. Once the data was collected, we had the engagement survey provider send the culture data set to Denison (don't you love working with grown-up suppliers who play nice with each other?) and they each did their own analysis and reporting as usual.

We reported all the results to the Board and Senior Leadership Team so they knew where they were starting from. As I mentioned earlier, creating a strategy that you don't have the culture to execute is just a piece of paper. So knowing where you're starting from is crucial.

We then did 1:1 interviews with every member of the Board and the Senior Leadership Team to gather their individual views on which were the priority performance metrics for the next three years and which culture levers they thought would be most likely to achieve those performance metrics. We then took a look at the survey results, the spread of interview responses and combined them with the evidence base to generate a draft culture blueprint.

Then we did something that's rare. We held a workshop with the Board and Senior Leadership Team all attending to refine and confirm the final culture blueprint. This kind of workshop is rare because there are very few pieces of work those two groups need to actively co-create. The intersection between strategy and culture is one of those conversations where they all see value in co-creation. And there was in this case.

The workshop provided the opportunity to discuss and debate the priority performance metrics and the culture levers until they were agreed. The result was a culture blueprint that was built from three critical ingredients: the organisation's starting point (via the survey results), their current and expected context (via the interviews) and an impeccable evidence base (via the Denison benchmarks). It was a truly robust piece of work and, best of all, because it was genuinely co-created by all the most senior people in the organisation, there was no-one left who doubted it was the right way forward.

The culture blueprint became the centrepiece of the following strategic planning retreat, informed the leadership and capability strategy, allowed the performance metrics to be ranked and appropriate targets put in place, and continues to act as a touchstone for all planning.

It's not an abstract list of values, important though those are. It's not a statement of purpose, despite how motivating and necessary those are. It's a practical, applicable, tangible, commercial link between strategy and culture. Not a bad place to start.



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