

Why firms can no longer ignore culture if they want to stay competitive

By Jenny Jones

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Sitting in a packed lecture hall at London Business School 15 years ago, I heard a talk that transformed how I think about management. Professor Sumantra Ghoshal, one of the world's most influential thinkers on management, explained why the role of top managers needed to change. The session was about moving '*Beyond Strategy, Structure and Systems to Purpose, Processes and People*'. It made perfect sense.

Traditionally, organisations benefited from having a strategy and a structure supported by systems. This management system minimises the idiosyncrasies of human behaviour with people performing roles. If one person leaves, another can pick up the work.

But technology, competition and rapid market changes mean this doesn't work as well anymore. The bigger an organisation, the more formulaic the strategy becomes.

That's not to say you don't need a strategy. But as Professor Ghoshal and his co-author Christopher A. Bartlett wrote 25 years ago in their seminal Harvard Business School article '*Changing the Roles of Top Management: Beyond Strategy to Purpose*', senior management must look beyond carefully-written strategies to what's happening on the ground.

The scarcest corporate resource is not money, but the knowledge and expertise on their frontline. The success of big organisations in continually reinventing themselves is now less focused on following a clear strategic plan and more on building a rich, engaging purpose.

Today, law firms are waking up to the need to identify their purpose. If they are to attract and retain the best people, they need to offer not just a competitive salary and bonus. They increasingly face pressure: from millennials wanting to know what an organisation's purpose is, to employees moving between firms more frequently.

There's an opportunity for firms to make it easier for millennials to choose them, by providing an environment where they can learn and develop. Millennials want a strong culture that aligns with their needs and aspirations. Firms need to understand what motivates them, and respond accordingly to keep them from looking elsewhere.

They need to shift from 'I' to 'we'. This means moving away from self-interest to recognising the interests of stakeholders and of global society. To achieve greater sustainable performance, firms must actively manage culture.

Actions and behaviour drive culture, and values drive behaviours. Values give essential guidance when employees are faced with difficult decisions. It is proven that value-driven, purposeful organisations achieve greater sustainable performance. These values engage employees and can give the organisation's objectives personal meaning to them.

Many firms have embraced the idea of values, if not always put them into practice. Most do it for external branding and to drive staff behaviour. But not all can bring values to life, so the employees 'live them' day to day. There are many 'values cynics', who see values as just concepts that are not

converted into behaviour. It doesn't help that staff are often told what their firm's values are without consultation. While some firms refresh their values, others just get parked.

After an organisation has chosen its values – and assuming that they are the right ones – the big question is how to bring them to life. A staff engagement survey may be a good starting point for managing culture and usually provides interesting information. But there's no certain correlation to actual performance metrics. There is no evidence to support what tends to be a subjective assessment.

Managing culture is usually left to 'gut feel'. But it doesn't have to be. There are analytics around values, which can help ascertain current and desired cultures for firms. They can identify causes of desired (and undesired) behaviours and recognise unleashed potential and possible blindspots holding people back. Analytics can correlate to actual performance metrics, providing evidence to support the findings.

Obtaining culture analytics involves all employees, is quick and affordable. It gives credence to the values and brings interest and engagement from the employees in initiatives that follow. It takes culture from HR into the business and enables a firm to align its purpose, people, values and processes. I know of one firm that has had so much take-up using this approach that it has had to limit employee participation in the initiatives it led to.

Culture has always been vital to performance, but with our rapidly changing world and changed expectations from individuals and society, it can no longer be ignored as part of purposeful, sustainable performance. Culture will be the new capital competitive frontier and there are innovative ways to manage it.

An organisation with great values but no purpose has no point. As Professor Ghoshal and Bartlett wrote all those years ago, the aim is "to convert contractual employees of an economic entity into committed members of a purposeful organisation". Fifteen years after the speech at LBS, the words are as relevant as ever.

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