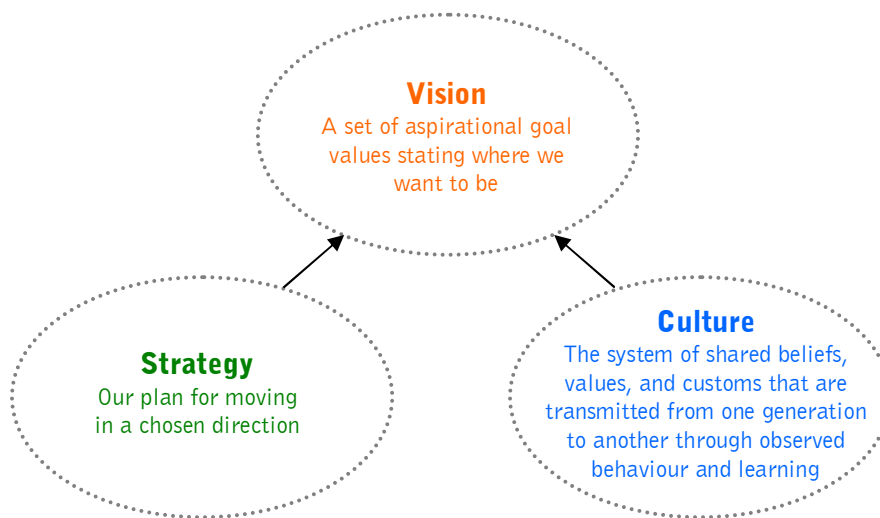


A Business Case for Working with Values

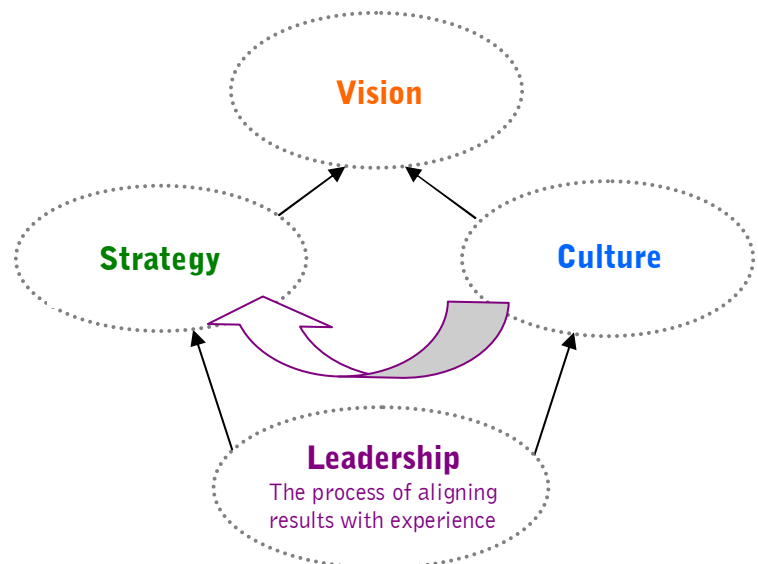
Culture has eight times more influence on performance variability than strategy.

A strong business case for any organisation to work with values can be summed up by research comparing the impact of strategy and culture on performance variability by Mike West of the Aston Business School in the UK. His study of over 100 companies over an eight-year period showed that an organisational strategy accounted for 2% of performance variability while organisational culture accounted for 17% of performance variability. In other words, even the best business strategy in the world will under-perform without a supporting and aligned organisational culture.



This relationship between strategy and culture highlights an often-missed aspect of leadership.

When leaders are capable of ensuring that the strategy (the organisation's plan/s for moving in a chosen direction) and the culture (the organisation's values, beliefs and behaviours) are in alignment with one another, then they can make a positive impact on moving the organisation toward its vision.



Model adapted from *The Power of Culture Driving Today's Organisations*. Management Today Series. Australian Institute of Management.

So why do we need alignment between culture and strategy?

Fred Wiersema, the researcher and co-author of *The Discipline of Market Leaders*, points out that fundamentally there are only three business strategies on which all organisations place a varying degree of emphasis. These are Product Leadership (PL), Operational Excellence (OE) and Customer Intimacy (CI).

Wiersema suggests that for organisations to survive they need a basic proficiency in all three of these elements. However, in order to grow or become a market leader, an organisation must choose to prioritise one of these three strategies ahead of the other two, and then develop and manage the quality execution of their chosen strategic mix.

Having chosen your strategy mix, it then becomes a matter of gaining the most leverage you can in order for your strategies to take you where you want to be – which brings us back to Mike West's studies on performance variance. With culture accounting for 17% influence on performance variation, the effectiveness of your strategic mix becomes very vulnerable in an unaligned culture.

The key ingredient of any culture is values. Often misunderstood, values are simply preferences and priorities, which reflect what's most important. In all organisations, values are at work everyday. Right now your values are at work. The fact you're reading this article means you would prefer to read this over doing anything else and it is a high enough priority to read it now.

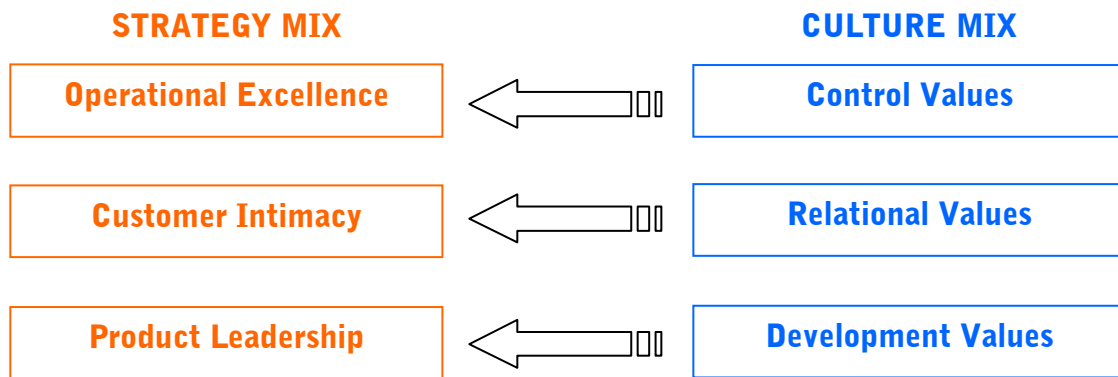
If an organisation values profit, productivity and quality it will prefer to operate in a way that prioritises action and behaviour that reflects those values. Another organisation that values innovation, research and learning will prefer to operate in a way that prioritises action and behaviour that reflects those values. For either organisation, if the values that are influencing daily behaviour and actions are not aligned with the strategies then their performance and results will suffer.

So how can we see alignment between culture and strategy?

All of the 128 known human values in an organisation's culture fall into one of three distinct categories – Control, Relational and Development (CRD). These three categories relate directly to the three strategies identified by Wiersema (see diagram 1).

Using the CRD Culture Report developed by Values AT Work and Paul Chippendale of the Minessence Group, organisations can now map and measure their mix of Control, Relational and Development values and determine the degree of alignment between the values driving their culture and their strategic mix, as well as the influence the values are having on leadership and the people within the business.

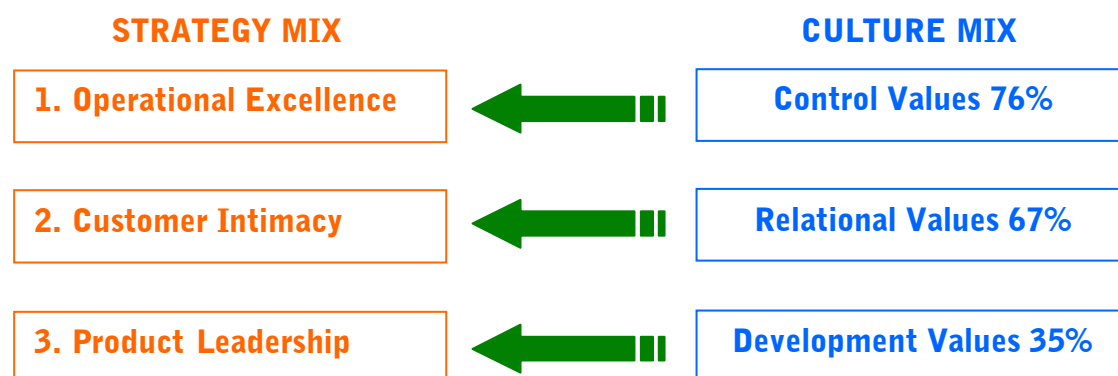
Diagram 1



For the first time ever it has become possible and practical to align strategy and culture, giving leaders the opportunity to capitalise on the 17% performance variance.

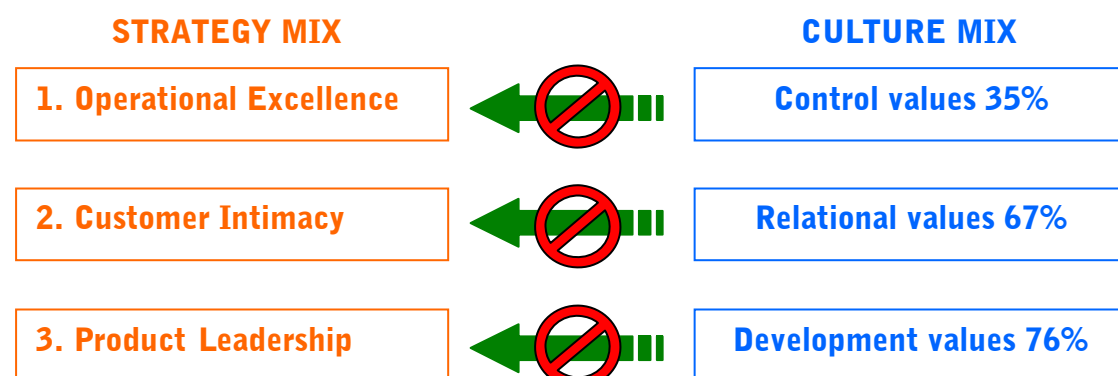
Let's assume we have determined our strategic mix to be in the order we see in diagram 2. We then identify our mix of Control, Relational and Development values as being in the order shown. We can then see that we have a high degree of alignment between our strategy mix and our culture mix.

Diagram 2



We can see in diagram 3, however, where the percentages of our values priority mix differs from our strategy mix, the degree of misalignment between the values driving our culture and our strategy mix becomes apparent.

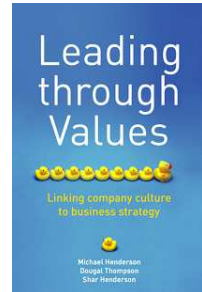
Diagram 3



So where do we start if we want to explore the benefits of working with values?

Contact Shar Henderson at Values AT Work to arrange a time to explore the benefits to be gained by developing your strategically aligned culture.

More information on what it takes to create an aligned culture can be found in the book *Leading through Values; Linking company culture to business strategy* by Michael Henderson, Dougal Thompson and Shar Henderson. Including interviews with leaders of New Zealand based organisations, *Leading through Values* is a practical guide to understanding and working with values alignment within organisations of any size.



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