



# Culture Eats Strategy For Breakfast

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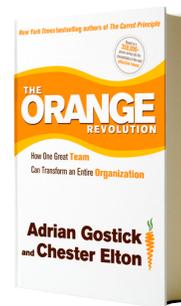
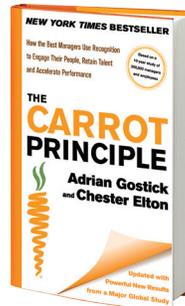
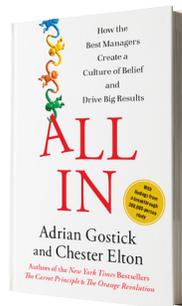
A Breakthrough Study Transforms the 'How to' in Building High-Performance Cultures

## Summary

- New Recipe Revealed: Culture Emerges as Strategic Key Differentiator
- Breakthrough Data Illustrates Engagement Alone isn't Enough
- Essential Ingredients: 3 Characteristics of the World's Most Profitable Workplace Cultures
- Seven Simple Steps Managers Can Follow to Develop a High-Performance Culture
- Developing a Sustainable and Measurable Culture



**New York Times Bestselling Authors and Founders of The Culture Works**



## About the Authors

Internationally recognized workplace experts Adrian Gostick and Chester Elton are founders of the global training and consulting firm The Culture Works, with a focus in Culture, Teamwork and Recognition.

Adrian Gostick is the author of numerous best-selling books on the workplace, including the *New York Times*, *USA Today* and *Wall Street Journal* bestsellers *The Carrot Principle* and *The Orange Revolution*. His research has been called a “must read for modern-day managers” by Larry King of CNN, “fascinating,” by *Fortune* magazine and “admirable and startling” by the *Wall Street Journal*.

Chester Elton has been called the “apostle of appreciation,” by the *Globe and Mail*, Canada’s largest newspaper, and “creative and refreshing” by the *New York Times*. The co-author of *The Carrot Principle* and *The Orange Revolution*, his books have sold more than a million copies worldwide.

“Culture eats strategy for breakfast.”

—Peter Drucker

## Introduction:

The mixture was not something the authors expected to find—not in this economy. The ingredients had always been there, and each ingredient has always been powerful on its own—but when added together the three catalysts exponentially raised company performance.

What is the magic recipe of financial success? It's a simple equation—E + E + E—that can transform even a forward-moving workplace into a high-performance culture, a place where people don't just work for their paychecks but where they are passionately engaged in the creation of real results. In such cultures, people give their all not because they're coerced to, but because they believe their efforts will make a difference in moving the entire organization forward. In these places, culture can even overcome circumstance—shrinking market share, encroaching competitors, or even the worst economic recession in our recent history.

### 1.0 The Discovery

For nearly the past two decades, Adrian Gostick and Chester Elton have immersed themselves in workplace research from around the globe. In that time, they've had the privilege of working with some of the world's most admired companies ... and some of its most dysfunctional. And, throughout all of this digging, they have become exceptional at spotting areas of needed improvement.

Take for instance their work in the *New York Times* mega-bestseller *The Carrot Principle*. The authors showed that managers at any level can quickly and effectively change the relationships with their employees through purpose-based recognition. They statistically demonstrated that employee recognition, done right, is a management skill that can change the dynamics of any workplace for the better. And consider their work in the book *The Orange Revolution*, where the authors unveiled one of the largest studies ever on the characteristics of the world's best teams—offering a framework that, if followed, breaks down silos and continuously strengthens the way people work together.

Yet, even with this range of exploration in leadership science, there was still a rub. Inherent problems such as a lack of recognition or teamwork may be relatively easy to spot within organizations, but corporate stagnancy is more tricky to diagnose and resolve, and grew more so in the midst the recent economic uncertainty. During such stress, many companies believed “getting by” was good enough. But, it is not. As new data shows, organizations that follow the right path aren't just surviving, they're thriving. And, as they prosper, they are leaving their competitors in the dust.

So, how could the authors help those stagnant companies, those struggling to create cohesion and buy-in to their goals and values? How could they help those organizations that were seeing morale and energy spiral downward as the recession lagged?

They were determined to find an answer.

## 1.1 The Difference

The author's careers have allowed them to see the inner-workings of hundreds of very successful companies. Yet some of the most successful of these firms struggled through the recession (and many still struggle today). On the other hand, certain of these organizations grew considerably during the economic slump—not only surpassing their competitors financially, but also achieving unprecedented new levels of employee commitment. What were they doing differently?

Gostick and Elton's research has always been tailored to give senior leaders and mid- and lower-level supervisors the tools to impact organizations and their respective teams—because research has proven time and again that managers have the greatest influence on employee engagement levels.

That's how the author's approached this new research study for their latest book (April 2012 from Free Press, an imprint of Simon and Schuster). The book, ***All In: How the Best Managers Create a Culture of Belief and Big Results***, reveals breakthrough data for managers: not just reinforcing that people-leaders have the greatest impact, but also revealing *how* these managers can make a greater impact on their team culture and the entire organization.

Working with Towers Watson, one of the most respected names in global research and professional services, the authors created the parameters of how to communicate the results of a major new study that showed how the most profitable companies work—inside. This breakthrough information should change many things about how organizations approach their day-to-day operations.

## 1.2 The Data

From its 8-million-person global database collected during 2009 and 2010 alone, Towers Watson identified 25 companies with 303,000 employees that enjoyed high-performance business results—*organizations that outperformed their competitors in financial measures by as much as two and three times*. This Global High-Performance list includes a thin

slice of the best of the best—companies from around the world and in every industry: financial services, health care, manufacturing, high tech, services, transportation, and so on.

The task in the study was to determine what levers managers of these organizations pulled to return such dramatically better financial results than their peers. And, even more fascinating, was to determine if they did anything differently during the abysmal market conditions experienced during the last few years.

The core finding was that in the highest performing cultures, leaders not only create high levels of employee **engagement**—manifest in strong employee attachment to the company and a willingness to give extra effort—but they also create environments that support productivity and performance, in which employees feel **enabled**; and finally, they help employees feel a greater sense of well-being and drive at work, in other words people feel **energized**.

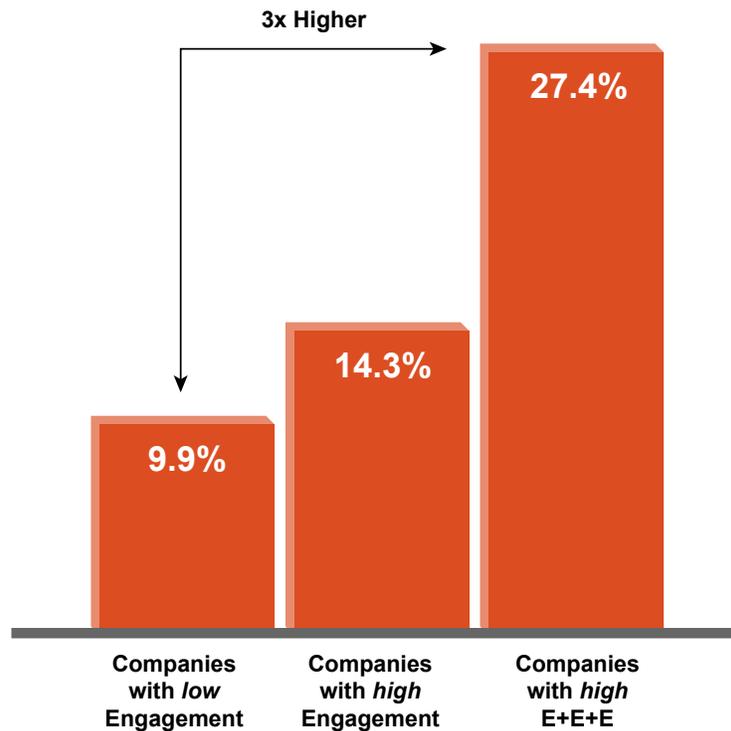
This triumvirate of **Engaged, Enabled and Energized** (E + E + E for short) was found in every highly profitable culture studied. It's a unique recipe that can boost any company, division, or small team to new heights.

### 1.3 The Financial Results

To grasp the substantial impact of the three Es on pecuniary results, take a look at the chart below. The results of the Global High-Performance Companies (that enjoy high levels of each of E + E + E) are compared with a group of companies with only high employee engagement as well as a group with low engagement scores. The research shows the cumulative effective of the three Es at work. The Engaged, Enabled and Energized cultures saw average annual operating margins of 27.4 percent during a period that included a recession/economic downturn—twice as high as organizations with just high employee engagement and three times higher than those with low engagement scores.

As a primer, operating margin is the percent of a company's sales left over after it pays for wages, raw materials, and other costs; it essentially gives investors an idea of how much profit you really make on each dollar of sales, before interest and taxes. For instance, an operating margin of 9.9% means that a company makes just under 10 cents—before interest and taxes—on every buck it earns. The higher the margin, the more profitable the company.

Operating margins below 10 percent are pretty slim. However, margins above 27 percent are rare and worthy of exploration. They indicate efficiently run organizations—where customers are willing to pay a premium for their services.



Tower Watson study of 5C global companies.

## 1.4 The Questioners

As the authors revealed this groundbreaking research, which supports the necessity of building an exceptional culture, they meet resistance. As a manager at a large bank in New York said about the current findings, “I get it, culture is important, and I see what it looks like from your findings. What I want to know is *how* to do it. I do *what?*”

*I do what?* It was a well-placed question. Simply because a chef shows you her chocolate soufflé, let’s you taste it, and even shares the ingredient list with you, it doesn’t mean you can replicate the dish yourself. The manager wanted the step-by-step process for success.

## 1.5 The Roadmap

What are the necessary steps to get employees to higher levels of E + E + E—to bond people to your ideas, to your cause, and make your culture truly special? *You must do what?*

In the book, *All In*, Gostick and Elton reveal a roadmap—driven from this latest data—that dives deep into the prescriptive process building a culture of E + E + E. The following seven steps were evident in the culture creation process of each of the highest performing companies, each used by the best managers:

1. **Define Your Burning Platform.** Employees typically don't buy in to a way of doing business without clear and compelling reasons, and yet most leaders provide little or no justification as they introduce their ideas and strategies and ask their people for improved results. In the best workplaces, though, leaders define the mission with great clarity and instill a sense of urgency, making it clear that if they don't all do their utmost to carry through, before long they will find themselves on the precipice of calamities.
2. **Create a Customer Focus.** In the highest-performing cultures, managers convey that employees must focus like lasers on customers and have mandated a vigorous pro-customer orientation. This not only leads to exceptionally high client satisfaction and loyalty, but it provides moment-to-moment direction for all employees in making the right decisions and taking initiative on their own.
3. **Develop Agility.** It shocked the authors to find the concept of *agility* arising as one of the top handful of management skills in high-performance cultures. This hadn't shown up on leadership studies they or other leadership experts had conducted even a few years ago; but in this world of increasingly rapid change, this recent research has shown that the top-performing companies are seen by both their employees and their customers as much more able to deal with change.
4. **Share Everything.** The best cultures are places of truth, of constant communication, and of marked transparency. Managers in these cultures share even the hard truths with their employees as soon as they can, and they encourage debate even if it rattles harmony. Employees know that their managers will be truthful and direct, and that builds trust and a larger culture of openness.

5. **Partner with Your Talent.** Great managers think differently about their employees. They believe their success is a direct result of their peoples' unique ingenuity and talent, not their own brilliance. As a result, they treat people like true partners and have a sincere desire to create opportunities for them to grow and develop—thereby retaining the best.
6. **Root for Each Other.** Given the authors background in recognition, they were pleased, but not surprised, to find higher levels of appreciation and camaraderie in the cultures of great customer service, innovation, operational excellence, compassion, and ownership. In the best workplaces, teammates had much higher levels of goodwill and they spent much more time thanking each other peer-to-peer for furthering the goals of the organization.
7. **Establish Clear Accountability:** As a capstone to this process, managers must learn how to hold employees accountable—and yet they must turn this idea from a negative into a positive. Employees want to be held accountable for hitting their goals, but they must be given the responsibility and tools to ensure their success, and then rewarded when they see a goal through to completion.

**Note From the Authors:** “In our careers, we have been thrilled to work with, and learn from, many unique and wildly successful organizations. In tough economic times or times of prosperity, there has always remained one constant in every high-performance organization we’ve studied—a strong culture where employees feel as if they are making a real difference, every day.

“As the research shows, your culture is actually more important than a clever strategy or even your product mix or pricing, those can be replicated. What can’t be copied is your culture. And your managers are the key to ensuring your employees buy in. Give them the tools they need to succeed.”

**Adrian Gostick & Chester Elton**  
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## 1.6 Next Steps

Building upon the author's extensive research into the key elements of the most profitable and sustainable workplace cultures, The Culture Works has developed an array of interactive educational offerings and custom consultative services that they have successfully integrated into organizations worldwide. As a strategic culture partner, The Culture Works uses a sustainable and measurable process designed to help you meet your cultural and business objectives. Whether you've recently gone through a leadership change, you're planning for upcoming M&A or IPO, or shoring up and strengthening an already strong culture for tough times ahead—we have the experience and the solutions you need.

Whether you are in Senior Leadership, or in areas of Human Resources, Organizational Development, or Learning and Development, you play an important role in the cultural trajectory of your organization. As your corporate culture guides, we can help you ask the right questions at the right stages as you move through your cultural transformation.

First, we help you analyze your current cultural landscape and develop a culture design plan to reach your strategic business goals. From that analysis and with design plans in hand, we help develop an implementation roadmap and assist in developing and delivering education and communication campaigns and processes that will ensure the integration, sustainment, measurability and longevity of your custom culture initiatives. Our goal is to help you engage, enable and energize your talent. After all, talent is the 'who,' culture is the 'how.'

Our goal is to help you build a culture where people are 'All In,' where they feel what they do everyday makes a difference—driving enhanced commitment and real business results.

**Contact us to learn more about our offerings  
and custom services.**