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Where does corporate culture come from?

"We found that firms with cultures that emphasized all the key managerial constituencies (customers, stockholders, and employees) and leadership from managers at all levels outperformed firms that did not have those cultural traits by a huge margin."

John Kotter & James Heskett, Harvard Business School, Corporate Culture and Performance

Very insightful quote—but what exactly is corporate culture and where does it come from? More often than should be, many people make a reference to a web site or booklet that describes it when asked about the corporate culture. Good place to start, but not enough. Why not? Unfortunately, in many companies there is a disconnect between what is written and what is actually experienced by the employees. In writing, most descriptions of corporate culture and related values depict a great place to work, but they are more like a desired state than the real thing: "how we do things around here."

Corporate culture is the sum of what is expected of all its employees, what kind of behaviors are reinforced (mostly through modeling by senior management) and finally, what is rewarded.

The following steps are needed to ensure that corporate culture (as described in official statements) is experienced by employees the same way.

1) Ensure alignment of competencies

Surprisingly, we find that many of our clients use a different set of competencies for different stages of the performance management cycle. They hire people based on technical skills (but then expect them to be entrepreneurs), provide coaching, feedback and assess performance with a mix of achievement of goals and behavioral competencies. In the end, compensation is defined based on financial results accomplished. In other words, the message sent to the troops is that contributing to the company's financial performance is more important than teamwork, interpersonal skills, innovation, adaptability to change and all other "soft" competencies listed in the performance appraisal form. We believe these competencies are as important as meeting financial goals.

Another example: companies listing people as their greatest asset—this is usually a key value in many industries. However, employee satisfaction polls show they feel overworked, underpaid and under-recognized. Another big disconnect we see is in the value of meritocracy. Again, most companies have it listed as one of their values. What happens in practice? Sometimes, competent people report to incompetent managers, bonuses are awarded to seniors who achieve profitability goals but who are a disaster in terms of people management, or worse, bonuses are based on previously negotiated contracts regardless of performance. These have a huge negative impact on motivation.

2) Reinforce (and punish) behaviors to signal alignment

In his November 2006 article for Business Week, Jack Welch, Management Author and former CEO of GE, made a strong case for "sending the jerks packing." He was referring to managers who deliver results while causing collateral damage to the company's culture. Two problems are unfortunately typical. Companies tolerate the jerks because they deliver results, and in the few cases when they are fired, companies miss the opportunity to make it a teaching moment; reinforcing culture and values. In order to prevent litigation and maintain external image, instead of saying, "Joe was fired because he was a poor manager," the company says, "Joe decided to spend more time with his family." Instead of saying, "Mary was fired because she could not handle change" the company says, "Mary decided to pursue new and challenging opportunities." Instead of saying, "Peter was fired because of his unethical behavior," the company says, "We're sad to see Peter leave the company, due to personal reasons. We wish him well."

There is also the case for training managers to exhibit behaviors that not only support but also reward expected employee behaviors. For instance, many companies list innovation as one of their key values. What happens if managers are not open to different ideas, if managers have no tolerance for different ways of thinking, operating and behaving? They would be killing innovation, and employees would soon learn not to open their mouths and offer contributions in staff meetings.

3) Walk the talk

Remember that speeches will not change the corporate culture, actions will. Nothing is more de-motivating to the workforce than to attend corporate presentations about values, the company's mission and Human Resources policies, and then seeing their managers (and senior managers) acting contrarily. What should they believe in—the PowerPoint presentation or the boss' actions? Effective leadership encompasses a responsibility to live by corporate values, reinforce them and make decisions considering them. A leader cannot talk about ethics and integrity and at the same time be involved in questionable practices that are damaging stakeholders. In the opening quote, the authors refer to customers, stockholders, and employees. We would humbly add regulators to that list.

4) Changing corporate culture takes effort and time

Many organizations embark on an effort to change culture and one of the most common first actions is to train the workforce. Obviously, that is part of the equation, but only a small one. Most of the time, it is just informational, not transformational. People will change behaviors when they see a need for it, when change is aligned with their values and motivation, not because senior management decided. In the end, if there is no recognition for new behaviors (or punishment for the lack of) why change? Another key factor is communication. Communicate, communicate and then communicate again. Sell the change, involve the troops, inspire them and energize them. In other words, we need more leadership and less management. Finally, make visible and concrete changes so that people can see that it is real and not the fashion of the month.

This month we invited Veronica Villarroel, Vice President in charge of Human Resources, CorpBanca, a leading financial services company based in Santiago, Chile, to share her best practices with our readers. This is what she has to say about the topic:

"At CorpBanca, we have been on a journey. We have a challenge and a vision: **To be the best bank in Chile**. This ambitious goal is not only a matter of numbers, market penetration and profitability, but also a matter of people, talent and quality.

To achieve this goal, we needed to trigger a cultural change. To make this vision a reality we started by asking ourselves: What is our culture? How do our clients see us? What is a headhunter looking for when they call our people? What is commonly shared by all members of this organization?
Without a doubt, to be successful in this enterprise we needed to start by looking inside, understand who we are, what we have accomplished, and where we are coming from, so that any change would encompass culture, talent and quality. This way we started with a work plan to allow us to fly as high as the Best.

For us in Human Resources this has been a challenge and a once in a lifetime professional opportunity. With senior management support, we started with the People, since change psychology is not about issuing a memo, but a journey in which each person brings their baggage. And that luggage had to be inspected (reviewed):

- **Hiring Criteria:** Redefining the profiles for all positions, using a competencies model.
- **Corporate Induction:** Developing a motivating experience, where all new hires get acquainted with the philosophy of the bank's founders, with the new strategic direction and the pillars of our transformation
- **Training:** Structuring our training plan in a curricular grid to ensure our people have the knowledge and tools to perform their tasks

- **Organizational Structure:** Revising reporting levels (breadth and depth of our organizational chart) to be aligned with the strategy
- **Performance Cycle:** Establishing goals, providing feedback and assessing performance, in order to manage our talent
- **Compensation:** Aligning compensation not only to the achievement of quantitative goals, but also to control, people, and quality goals
- **Leadership Styles:** Implementing Leadership and Management Workshops, fundamental to define role model behaviors in our senior management
- **Getting close to our staff:** Communicating, communicating and communicating, by intranet, through monthly and quarterly meetings, in private or town halls, with new and existing staff

After some hard years, these practices are showing results. Today, we are the fourth privately owned bank in market share. "Something is going on." is something I hear during interviews. People want to work for us. Would these practices work in other organizations, therefore multiplying their success?"

See you next month. Suggestions are welcome.

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