Consulting on Culture: A New Bottom Line

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Abstract: The business community is understandably confused and cynical about the whole topic of organizational culture. Academic disagreement and debates and the failure to deliver any tangible results have fueled a fundamental confusion about culture and its impact on business performance. A new model enables us to qualify culture using business language and concepts, thereby establishing a clear link with meaningful business results such as profitability, market share, and sales growth. Research conducted by Denison (1984, 1996) and Fisher (1997) clearly shows that, regardless of the size, sector, industry, or age of a business, culture affects performance. Their work provides substantial new resources for consultants who want to help clients understand the real importance of culture, precisely target their own cultures for specific results, and consciously lead those cultures for sustainable business success.

As consultants, one of our biggest challenges often involves overcoming a client's intellectual resistance to change. This is especially true when the focus of change involves something as ambiguous and unfamiliar as this thing called corporate culture.

Try as we might to change their minds, most executives continue to think that culture just isn't that important. They think it falls in the realm of "soft stuff" that their human resource (HR) folks should handle. Even if they believe it is worth paying attention to, they usually say it will just have to wait until "things slow down around here."

If we accept these excuses and rationalizations, we're not doing our clients any favors. Culture *matters*. It can't be delegated to the HR department; it's not a passing fad, and no business leader can long

afford to ignore it. In fact, culture might very well be the single most important thing on which we can focus to create and support sustainable bottom-line results. Fortunately, new research and tools are starting to build a solid business case that can really get—and hold—any smart executive's attention.

Why is Culture So Easy to Ignore?

It's entirely natural that leaders would be resistant to focusing on organizational culture: They've routinely been confused by the conversation and disappointed by unfulfilled promises. Members of the academic community haven't helped matters any, with their long-standing disagreement over definitions, origins, and approaches; abstract debates on how to best measure organizational culture, develop it, and change it; and less-than-rigorous speculations about its impact on business results, the business community have every right to be confused and cynical about the whole topic.

The concept of organizational culture first appears in the historical record in 431 B.C., when Pericles believed Athens could win the Spartan war through strong, unified teamwork (Clemens, 1986). But it didn't make a significant appearance in business literature until the early 1980s. *In Search of Excellence*, by Peters and Waterman (1982), presented a strong case that the key to excellent business performance was to be found in the culture of an organization. Unfortunately, problems with their research emerged over time ("Who's Excellent Now? 1984), and business leaders had a hard time moving these notions from the bookshelf to the shop floor.

Then, enter the academics. Although the business world seemed intrigued with the notion that a business might have a culture (not unlike a society, presumably; (Clark, 1972; Deal & Kennedy, 1982; Ouchi, 1981; Pettigrew, 1973; Sathe, 1983, 1985; Schein, 1985, 1989, 1990), academia failed to deliver a clear or consistent definition with which to work. At one point, there were at least 164 different definitions of *culture*, many of which would make your eyes roll back. Try: "a set of symbols, ceremonies, and myths that communicate the underlying values and beliefs of an organization to its employees" (Ouchi, 1981, p. 41). Or "a pattern of basic assumptions—invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptations and internal integration" (Schein, 1985, p.9). Interesting perspectives, but hardly compelling to the average manager.

Another problem with this thing called culture was the confusion about where it comes from (Perry, Beadles, Chapman, Lowery & Connell, 1995). Some argued that culture "happens" with no particular rhyme or reason; others contended that culture is an enduring manifestation of the founder's leadership style. Just as unclear were the arguments about how to change a culture. Viewpoints ranged from "it is impossible to change a culture once it's established" (the founding father paradigm) to "it is possible to change, but requires years, even decades." Indeed, in those years, there was chaos on the culture front, amounting to nothing short of "paradigm wars" (Denison, 1996).

Then there were the natural disagreements over how to measure a company's culture (Denison, 1996; Petty et al., 1995; Sashkin & Fullmer, 1985; Schein, 1984). A powerful force in the academic community insisted that the only way to truly understand the culture of your business (which, by the way, was viewed as utterly unique and not

comparable to any other's) was to send in a team of researchers to spend months probing into your organization's symbolic and mythological underground (Cooke & Rousseau, 1988; Meyerson, 1991). It was almost heresy to imply that culture could be subject to any kind of quantitative assessment (Denison, 1996).

As long as culture stayed in the realm of qualitative understanding (after all, myths are hard to quantify), it was almost impossible t link it to quantitative business performance: things like profitability, market share, sales growth, and so forth. The "What does it affect?" question was long left unanswered in basic business terms.

So it is no mystery why discussions of culture have seemed irrelevant to the business community. Although the concept continued to appear in business literature (with some claims to a direct linkage with business performance; Calori & Sarnin, 1991; Denison, 1984; Huselid, 1995; Kanter, 1983; Kotter & Heskett, 1992; Kravetz, 1988; Lawler, Mohrman, & Ledford, 1995), true understanding of culture remained beyond the reach of common sense—let alone business know-how. (After all, if I can't define it, can't measure it, can't change it, and am unclear how it links to results, why bother? I may as well dish up another program of the week.)

Looking at Culture Through a Business Lens

In the early 1980s, as the paradigm wars waged on, a small band of researchers set out to establish a way to quantify and measure business culture. One of those was Daniel Denison, Ph.D., now at the University of Michigan business school. Denison was driven by the conviction that, to make the concept of any use to business and to draw a compelling link with bottom-line business performance factors, there had to be a way to numerically measure "culture" (Denison, 1984, 1990, 1996).

For Denison, it was a matter of moving culture out of the academic realm and into the arena of everyday business realities. According to the traditional view, culture is embedded into a set of assumptions and beliefs held by the business regarding customers, competitors, employees, suppliers, shareholders, and others. Denison's view was that these assumptions and beliefs do not remain hidden but are manifested in a set of outward behaviors toward these groups—and that, since they are observable, these behaviors are quantifiable (Denison, 1996).

It may well take an army of researchers to get a handle on something like assumptions and beliefs, but behaviors are easy to measure. And, after all, isn't it people's behavior that creates the culture that everyone experiences, anyway? While it is true that belief drives behavior, it is equally true that behavior drives results. So when your interest is in the realm of results, Denison argued, it is both practical and appropriate to approach culture via its most obvious dimension: how people act.

Shifting the focus away from the intangible and esoteric to the tangible and behavioral (and thus measurable) allowed breakthroughs in understanding business culture. A total of 950 businesses of all sizes and sectors participated in the development of Denison's cultural model, which is rooted in workplace behaviors and expressed in workplace language (Denison & Neale, 1996). With the assistance of coauthor William S. Neale, the results of Denison's research were expressed in a model that, finally, makes sense

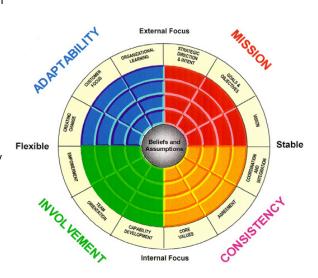
to business leaders. It is a model designed in the business context, developed by business leaders, and understood from the business perspective—a far cry from traditional culture models developed in the academic context, described in academic language, and requiring a team of translators to make the perilous leap from the ivory tower to the corporate office.

From Denison's model, it was a short jump to a quantitative culture assessment which then opened the door for examining the link between culture and things like profit, market share, return on investment, sales growth, and more. We can finally state with confidence that there *is* a link between culture and bottom-line results. Regardless of size, sectors, industry, or age, a company's culture affects the full range of its performance—from "hard" performance indicators such as profitability, market share, and sales growth to "softer" factors such as innovation and development, product quality, and employee satisfaction. Business culture has finally been brought to the bottom line.

Figure 1: Denison's model of organizational culture: "The circumplex."

<u>Punch Line</u>: True customer focus is not just knowing what the customer wants—it is also knowing what you have to learn to provide it, and infusing your organization with that learning.

Punch Line: This is not about how involved your managers "say" your front-line workers are. This is about how involved your front-line workers say they are. And how well people at all levels are positioned, through personal responsibility, authority, accountability, skills, and team orientation, to achieve goals which supports the company's mission.



Punch Line: This is not about your company having a mission that the executive team designed which is framed nicely on the wall over the copier. It is about shared understanding, alignment, and ownership of that vision throughout your company—with line of sight from job to mission.

Punch Line: This is not about having a nice set of values that are printed on coffee mugs. This is about a defined set of behavioral standards that allow the organization to move beyond restrictive policies and procedures and move to general guidelines for effective interaction. It is about walking the talk from the top to the front lines. It is about creating a shared language which helps everyone work more smoothly together—increasing speed in movement and efficiency in achieving results.

Robust Model of Culture

Over several years, Denison's model was applied to more than 1,400 companies ranging in size from 10 people to more than 300,000 and representing all ages, industries, and sectors. The findings are compelling—and enable you to understand in an entirely new way why you are not achieving the results you want.

The model measures four more basic business culture traits and presents them in a graphical format (called a "circumplex"; see Figure 1) that provides a diagnostic and planning tool that is both comprehensive and accessible (Denison & Neale, 1996).

- Mission: The degree to which the company knows why it exits and what its direction is.
- Involvement: The degree to which individuals at all levels of the company are engaged in and hold that direction as their own.
- Adaptability: The ability of the company to know what customers want and the degree to which it can respond to external forces and demands.
- Consistency: The ability of the company's systems and processes to support efficiency and effectiveness in reaching goals.

The Denison model does something that other cultural models fail to do (Denison & Neale, 1996). It embraces, rather ignores, the basic paradoxes and deep challenges of leadership faced by executives every day. Simple, straightforward "either/or" thinking and decision making are no longer viable options. At a very strategic level, it is no longer a matter of doing "either this *or* that." To be more successful, leaders and managers must learn how to do "this *and* that," even when those two things seem to be in direct conflict. Exasperating as it can be for people, this is our new reality. Somehow or other, we need to balance, manage, and preserve (a) higher quality *and* lower cost, (b) precision *and* speed, (c) growth *and* efficiency, (d) shareholder profit *and* employee enrichment, (e) regulatory compliance *and* customer satisfaction, (f) customization *and* economies of scale, and (g) cutting-edge technologies *and* user familiarity, comfort, and confidence.

Denison's model (Denison & Neale, 1996) is complex and robust enough to contain this paradox (see Figure 2). *Mission* represents external focus and supports stability; *involvement* represents internal focus and supports flexibility; *adaptability* represents external focus and supports flexibility; *consistency* represents internal focus and supports stability.

External Focus	Mission Adaptability		
Internal Focus	Consistency	Involvement	
	Supports Stability	Supports Flexibility	

Figure 2: The reality—and creative tension—of paradox in leading a business.

As consultants, we've often had to deliver the hard message that clients now have to pay attention to the inside *and* the outside of their businesses, to the short term *and* the long term, to things that provide focus and precision *and* to things that offer flexibility and fluidity. Denison's model reflects this reality and begins to help us understand what to do about it.

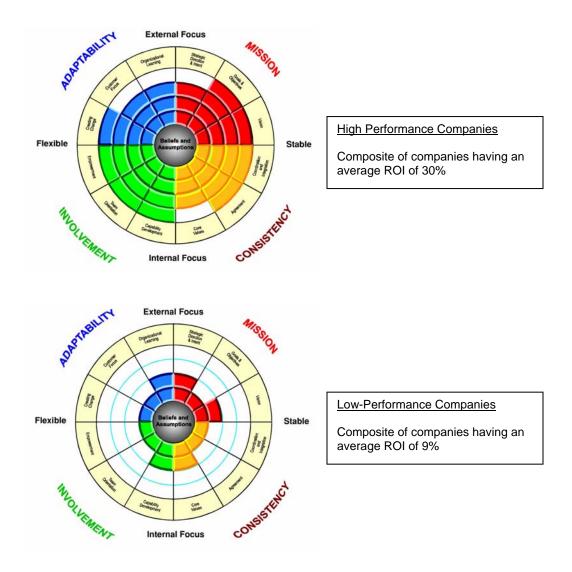


Figure 3: Comparison of the cultural profiles of high and low performing companies. ROI = return on investment

The Model for Action

Denison's research shows that the highest performing companies are those that show strength in all four areas (Denison & Neale, 1996; see Figure 3). In other words, they have developed cultures that fully address the paradoxical demands facing them.

They are crystal clear as to why they exist and where they are going (mission).

- Their people embrace this defined direction, have line of sight from job to company goals, and bring the full complement of their skills to their work (involvement).
- They hear what their customers want, or understand customer needs enough to learn what is needed to respond to new product/services, and are able to learn what is needed to respond to demands (adaptability).
- They have systems, structures, and processes in place to help align them as a company, while being both efficient and effective in their pursuit of results (consistency).

As a consultant, you might well expect your clients to say, "Yeah, right—if we were strong in those areas, we'd be showing good results, too." But wait—the findings tell us more. In addition to illustrating the less-than-surprising fact that high performing companies (with 31% return of investment or more) are strong in all areas simultaneously, the findings also show us that there are significant relationships between individual culture traits and specific performance measures. In other words, you now have a basis for helping leaders to target and achieve specific performance improvements by focusing on change elements that actually make a difference.

Denison's (Denison & Neal, 1996) findings indicated several relationships between culture and performance (see Figure 4). Revenue growth and market share (both externally oriented performance measures) are supported by the externally oriented cultural traits of mission and adaptability. Quality and employee satisfaction (internally oriented performance measures) are supported by the internally oriented culture traits of involvement and consistency. Innovation (a performance measure related to flexibility) is supported by the flexibility-enhancing culture traits of involvement and adaptability.

Profitability/ Return on Assets	Revenue Growth/Sales Growth	Market Share	Innovation	Quality of Products and Services	Employee Satisfaction
supported by	supported by	supported by	supported by	supported by	supported by
Mission	Mission	Mission			
Involvement			Involvement	Involvement	Involvement
Adaptability		Adaptability	Adaptability		
Consistency				Consistency	Consistency

Figure 4: The link between cultural dimensions and performance indicators

By now you are starting to get the picture. The performance measure of profitability, by far the most comprehensive and complex measure of business performance is supported by strength in all four cultural areas.

These are all results that, as consultants, we could easily have predicted based on our observations, experiences, and even intuition. The difference is that, with this research, you can now communicate such insights to even the most "hard-headed" clients in a way that is both data driven and easily understood.

Digging Deeper

The second phase of research was conducted by Caroline J. Fisher (1997). Drawing on the wealth of data available through the continuing application of Denison's model, her research updates and extends our understanding of the linkages between business culture and performance (Fisher 1997; Juechter, Fisher, & Alford, 1998).

Fisher's most recent findings reveal that mission, as a single cultural factor, affects the greatest number of bottom-line performance measure in a company. (Of Denison's list, all except innovation were affected.) Thus, if a company is simply clear on why it exists, and it has a vision, goals, and strategies that are embraced throughout the company, five of the six performance factors can be affected. (The fact that innovation is not affected by mission alone is logical; a singular focus runs counter to the diverse thinking required for innovation and creativity.)

Involvement is the second most important cultural trait, affecting four of the six performance measures (all except market share and sales growth). Adaptability affects three of the six (sales growth, market share, and innovation), and consistency affects two of the six (quality and employee satisfaction).

Significantly, Fisher's research shows that—like profitability in Denison's research—employee satisfaction is supported by strength in all four client traits. How many times have your clients agonized whether they could afford to "take their eyes off the revenue ball" in order to "do something" about low levels of employee morale? Fisher's research makes it clear that when leaders actively work to improve revenue via *cultural* changes, they are doing exactly those things necessary to ensure employee satisfaction as well. It's a win/win for the business in both arenas.

There are two critical messages here. First, it is important that you help clients who are facing a crisis, or trying to produce a step change in results, avoid getting caught in the trap of focusing on consistency alone. You know the drill: When leaders face big challenges, they usually try to impose a new system or process or structure in an attempt to gain control. But you've also learned that "control" is an illusion, and when control is attempted without an accompanying emphasis on more contextual and systemic changes (such as mission and involvement), your clients will predictably miss the mark.

At best, your clients might incrementally improve product quality or briefly rally employee attitudes. Unfortunately, it is just as likely that they will end up worse off than before, by creating increased levels of wariness, cynicism, and resistance to those changes that are really necessary and will still need to be made. As a consultant, it is sometimes hard to convince managers that you know what you know; this research strengthens your business case.

The second message is perhaps more important. If you want to help clients produce breakthrough results (not just incremental change but a whole new level of performance), look to mission and involvement. Between these two culture traits, all six performance measures can be affected. The other two culture traits (adaptability and consistency) count, of course, for full and sustainable performance over the long run—but without mission and involvement, they won't get very far.

This link between culture and results allows you, as a consultant, to help your clients more precisely target their organization's culture for specific results and consciously lead and monitor that culture for sustainable success. No more "spray and pray" approaches to organizational change and improvement initiatives are necessary. You and your clients can work confidently from the same page.

So Why Is All This So Important?

The corporate world has spent trillions of dollars attempting to change over the last 15 years. Training programs, consulting services, process improvements: This list goes on. By one estimate, customers as well as employees rate the effectiveness of the programs at 10%-20% (Ashkenas, 1995). And that might be optimistic.

There are many reasons for such failure. Often, the desired outcome or result was not clearly defined up front, with an appropriately designed initiative clearly matched to that result. Often a leader desires to see a broad range of performance improvement and applies the latest management fad, hoping somehow it's the answer: Alas; usually it's not.

Sometimes, such initiatives can create meaningful change over time. For example, even though employee surveys cannot by themselves change a company; leaders are learning that employee input has real value. Over time, such surveys have evolved into a source of important feedback—something more than just another check off item on a list of "things I gotta do" (while remaining something less than a bellwether of strategic planning). The problem with such an approach is that it is evolutionary, and companies simply don't have the luxury of time anymore. They might go out of business by the time Darwin wins out.

Companies today can't mess around. They need results—and they need to precisely target their changes to hit those results on the nose. If leaders first define a very specific result (i.e., increased sales growth or increased innovation) and then intervene at a cultural level to achieve that result (adaptability and mission for sales growth, adaptability and involvement for innovation, etc.), they would be far more likely to get the results they want, not mention getting it faster.

Another benefit of the cultural approach to producing results: A company can monitor and gauge how well it is developing its baseline sustainability, its ability to perform for the long haul. After all, companies with strength in all four culture categories win consistently over time.

Viewing an organization through this lens is useful for other reasons as well. If a company is weak in all area of culture (i.e., low scores in all for culture categories), it is now clear that the best place to start is with mission and involvement (remember, you can ultimately affect all six performance measures through these two traits). This can be true of start-up ventures (Do managers know why they are doing what they're doing, and do their people share a vision?), merging companies (creating a common "third point" of focus to help each group shift their attentions off each other and onto a shared goal), or companies in decline (that once thrived even without a clear understanding of why they existed; competition no longer allows this luxury).

With the Denison model, you could use the links between individual culture traits and specific performance indicators to precisely target any organization's culture to better meet a client's criteria for success. You can offer clients solid tools for consciously building, monitoring, and leading their organization's culture for sustainable success.

Hope is not a strategy. When you truly understand something, you can make the right choices to *do* something about it. There is no more powerful gift that you, as a consultant, can give your clients than a deeper understanding of the workings and implications of their company's organizational culture.

What Business Leaders Often Don't Want to Admit

Even when presented with all of the data and research they have made a prerequisite for elevating "culture" to a strategic imperative, executives often have a funny way of trying to wiggle out of the resulting case for change. Resistance will continue to show its familiar face as managers (a) argue that the research is flawed and that they need more proof; (b) contend that their company is unique, and the usual rules don't apply to them; (c) acknowledge that this may be something the company should think about—and then delegate the matter to the HR department; and (d) get screamin' mad about the last quarter's results and hire a new marketing guy, effectively finessing the issue with an end-around.

Hey, we're not all that different: If I don't admit something's important, I don't have to deal with it. And I *certainly* don't have to make it a priority. After all, if I were really serious about change, I'd have to make serious changes in myself. Is it really all that important?

People are people; even in smart executives, resistance is quite normal. It lives not just in the head (where facts can overcome it) but in the heart as well (where something more than data is required). Just as no bird can fly with only one wing, you will need more than a client's intellectual acceptance of validated findings—you will need a shift in your client's personal beliefs and convictions to provide the second, critical "lift" for any meaningful change effort.

It's a hard message to deliver, one that nobody really likes to hear (and one that nobody likes to admit they already know): "The catch in all this, when all is said and done, is that real change starts with *you*—the leader of this business." But that's where your value as a consultant really starts to shine. You must be willing to deliver the tough messages and ask the tough questions. Even with "the facts" on your side, this takes courage. You need to stand your ground and challenge your clients: "Do you believe this stuff matters? If not, you can forget about it and go implement another process you read about in some magazine."

It's just plain *easier* to say that culture doesn't matter or, if it *does*, it can't be managed. Or even if it *could*, the people in HR are paid to deal with that stuff. There's no shame in admitting that much; in fact, the best thing you can do for a client is to surface and acknowledge this very real feeling early on. Get it on the table; that is where you can really look at it, engage with it, and *do* something about it. Only then can your client

make the conscious and courageous choice to move beyond what is *easy* into the unfamiliar waters of powerful personal change.

Once leaders are convinced that culture is a strategic lever for success, you've cleared one of the biggest hurdles between where your clients stand and where they *want* to be. But here, at each step along the path forward, be careful. Remember, there's a big difference between intellectual belief (a casual, "Yeah that makes sense to me") and full-fledged convictions (an unshakable "I know it in my *bones* that this is right").

When the rubber hits the road, and all of the resistors and obstacles start popping up around you, your client, and your client's team, those beliefs are going to need real roots. As a consultant, you can do a lot to cultivate those roots through what you say, the tools and resources you bring to bear, and the discernment with which you listen. But this is not something you can bluff your way through. You must come from your own place of clarity and conviction.

Only in this way can you be persuasive when you tell your clients "You must walk this walk. You must be the first, and most competent and consistent, in displaying the desire behavior. You must model how it's done. And eyes are on you to see if this is real."

Don't rush past this place of courage. If you (or your clients) need help testing, challenging, and deepening your personal convictions, get it. If you need help preparing yourself for real breakthrough and all of its implications, get it. Time and tide wait on no man (or woman).

Get Clear, Get Grounded, Get Going

So figure it out. What results do your clients most need from their business? Improved profitability? Increased innovation? Then go through the following steps:

- Take a long hard look: Determine what their culture really looks like right now. Profile it; sharpen your understanding of its dynamics and implications. This is no time for "amateur night at the lodge"—bring the best of your personal experience and perspective, and partner with experts where necessary.
- Focus on what matters most. Identify those factors that directly support the
 desired results. Consider their implications in the context of your client's industry
 and the marketplace. Again, this is where your perspective and expertise are of
 critical value.
- Prepare for the change: Clarify your client's expectations, check your client's commitment (and your own), enroll key teammates, and identify critical support resources for the long haul.
- Make it happen: And hold on tight!

As hard as it may be for leaders to deal with, especially as strong individuals who have succeeded for so long by avoiding this "people stuff," the fact remains that this is not something for the HR department. Culture *is* the work of today's leader. Sometimes your

most important role as a consultant will be to hold your clients to this standard without wavering.

The behavior changes needed to shape a business culture must start at the top, weave through every level and every function, and be consistently led and strategically managed. And no matter how uncomfortable the resistance, you can help your clients move quickly through intellectual conversation and debate into meaningful action.

In a Nutshell

So, you ask, why don't the "change programs" your clients initiate have more impact? Why aren't the dollars they've invested in training programs paying off? What is it going to take to move their company to the next level of performance and beyond?

The answer to these questions can be found in what may be the last place your clients would normally care to look: their business culture. Those "hard" results they've dreamed so much about have not been discovered smack-dab in the middle of "soft stuff." Yes, culture matters—and it matters in a big way. When all is said and done, it matters as much as profits and market share and sales growth.

With the right tools, information, and support, leaders can quickly understand the essence of their business culture and see exactly how it's supporting or hindering their company's performance. As a consultant, you can help them zero in on aspects of their culture that lead to the specific results they long for.

It's not rocket science. It's about understanding the true relationship between culture and bottom-line results and *applying* this understanding in a very deliberate and pragmatic way to get what you want.

Properly led, resourced, and managed, the process doesn't even have to be long and drawn out. If you help client leaders take a stand, engage the very best of themselves and their people, and take fuller advantage of the resources now available through the hard work, study, and experience of others, things can happen quicker than either of you might ever have imagined possible. It might even take your breath away.

So look in the mirror. Take a slow, deep breath. If you choose, your next step can be to finally catalyze the kinds of success toward which you've long aspired, in a place you never really thought you'd find it.

Are you ready for some *culture*?

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Appendix Business Culture: Myths and Truths

As you prepare your clients for the rigors of serious performance improvement, the first thing you'll likely need to do is educate them, defusing some of the myths that continue to inhibit clear thinking and rational choices about corporate culture. The following are some of the more common myths you'll encounter.

Myth: Culture is intangible, esoteric, and difficult to manage.

Truth: Culture is behavioral, measurable, and manageable. It takes awareness. It takes attention. It takes leadership.

Myth: We still don't understand how corporate culture works or how it is directly linked to bottom-line business results. It's too "squishy."

Truth: Eighteen years of research involving 1,400 companies shows us clearly how culture works—and reveal a clear link between culture and a company's profitability, sales/revenue growth, market share, quality, innovation, and employee satisfaction.

Myth: Culture is solely embedded in the founder of the company, or, worse yet, "culture just happens."

Truth: Effective cultures are almost always the result of thoughtful leadership, involving the entire organization in a focused direction. As a leader, by taking the right steps, you can rapidly change your organization's culture at any point in its evolution.

Myth: Culture is a luxury to be thought about when extra time and resources are available. Truth: Cultural issues have a strategic impact that must be managed to preserve business value and ensure success. There is probably nothing you can do with your time and money that will have more long-term leverage for your business success than focus on your culture.

Myth: Changing corporate culture is a cumbersome, difficult, and painstakingly slow process. Truth: By precisely targeting and developing behaviors that support known results and applying lessons learned through others' experience, both culture change and its desired performance improvements can be quickly achieved.

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