Why Mission Matters: Linking Culture to Bottom-Line Performance

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Provides an Overview of Research Conducted by:
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Writing the article in the *Atlantic Monthly,* journalist James Fallows compared Microsoft to the military—not "as a rampaging force bent on world domination," but as a disciplined organization with a common purpose. He described a company with a powerful sense of mission, where "the planning process is radically 'bottom-up' and surprisingly nonpolitical…programs [are] decided on, shaped, revised, and implemented almost entirely by people at the working level, without the need for big shots to resolve arguments." In short, what Fallows describes is an exceptionally robust corporate culture, one that has contributed to Microsoft's phenomenal success—and controversial tactics.

Yet many leaders struggle to understand what "culture" really is and whether it can be changed in order to improve performance.

"The discussion about organizational culture over the past ten or twenty years has sent the message that culture is a mysterious thing that is hard to understand and impossible to change," says Caroline Fisher. "Culture has been defined in so many abstract ways—people have referred to it as everything from sets of symbols, ceremonies, and myths to shared values and the glue that supports the workplace structure. There was no agreement about how it could be measured or how it actually links to business results."

However, since the early 1980s, Daniel Denison, University of Michigan Business School professor, has been working not only to measure culture, but also to link it to specific business performance indicators. Building on Denison's work, Fisher draws on the connection between culture and business performance, then helps leaders develop strategies to support their performance goals. The key, Fisher explains, is Denison's view that people's behavior is a reflection of organizational culture and that "by measuring these behaviors we can essentially measure an organization's culture."

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Specific culture traits strongly influence specific performance measures.

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The Elements of Culture

To identify key aspects of culture and how they influence behavior, Denison sought out the advice of 950 business leaders. Together they arrived at four culture traits:

- Mission—the organization's purpose and direction

- Involvement—the personal engagement of people throughout the organization in achieving that mission

- Adaptability—employees' ability to: understand what customers want, change in response to new demands, and learn new skills and technologies to support success

- Consistency—the shared values, systems, and processes that support efficiency and effectiveness in reaching goals

Denison surveyed employees at all levels in 1,200 companies, ranging in size from 10 to 300,000, to gauge the strength of each trait of company culture. Researchers asked, for example, whether customer input influences decisions, how information is shared, whether employees believe they have a positive impact, and how widely embraced are the firm's vision and strategies. Then, using public documents, internal accounting documents, and other sources, he also measured how well each company was doing in relation to six performance indicators—profitability, revenue growth, market share, innovation, quality of products and services, and employee satisfaction.

The Link to Results

The pattern was striking. First, Denison confirmed what leaders might intuitively predict: the highest performing companies—those with an average return on investment of 30

percent or more—showed strength in all four of the culture traits, while those with an average return on investment of 9 percent or less scored consistently low in all four traits. He also discovered something less predictable and potentially more useful—that specific culture traits strongly influence specific performance measures. (See table.)

WHERE CULTURE MEETS PERFORMANCE
Research shows that four elements of organizational culture—mission, involvement, adaptability, and consistency—mission has a measurable impact on five of six measures of organizational performance.

	Mission	Involvement	Adaptability	Consistency
Profitability (return on assets)	√	√		
Revenue Growth	√		√	
Market Share	√		√	
Innovation & Product Development		√	√	
Service & Quality	√	√		√
Employee Satisfaction	√	√		√

Source: Caroline J. Fisher, 1997

"Using this information it is possible for companies to target performance areas where they need or want to make improvements," say Fisher, "and then work on the culture traits that support these areas." Using Denison's model, Fisher continued to research the connection between culture and performance. She has discovered that one culture trait, mission, influences all but one of the performance indicators. "Mission is the single most influential trait that organizations can focus on," she says. "A company that is struggling with overall performance or a company that is in a crisis should focus on its mission."

Where to Focus First

"Unfortunately," Fisher continues, "when companies are in crisis, leaders tend to think, 'We have to implement a new structure, a better system, or new processes: We have to get control.' Those are elements of consistency. But we have documented that working on consistency alone—without the context of a strong mission or high involvement—

ultimately influences only two of the performance indicators: employee satisfaction and quality of products and services. It won't get you the results you are looking for. Rarely do you hear executives say, 'Gee, we are doing badly in the market place, we should reexamine our mission or involve our people in a more meaningful way,' But those are the area they should focus on first."

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Mission is the single most influential cultural trait.

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Fisher points to the example of a merger between two large financial service companies with two very different cultures. One was hierarchical, rule-bound, and autocratic; the other more open, values-oriented, and participative. The clash was most acute in the combined firm's large back-office operation, says Fisher. "There was a lot of animosity and employees from one company didn't even want to talk to employees from the other. They blamed each other whenever anything went wrong."

In this case, says Fisher, the way to start was not to improve consistency, the domain of systems and structures, or even mission, but involvement. "People needed to become functional enough so that they could begin working productively on mission."

Starting with the top 12 people in this operation, then expanding to the top 120, several working groups began to develop ways to function as a team. Once they put aside past differences and achieved some shared results, they could think about mission. "The result," says Fisher, "was a new identity for the operation, which included making the shift from being a processing center to a value-added business unit that functioned as a profit center."

Fisher has found that mission and involvement, the "high leverage" traits, are typically the hardest for organizations to tackle. They are the least tangible and often require deep personal change starting at the top of the organization. But this work does seem to pay off. For example, the operations center that experienced the merger has seen large gains in various measures of cultural strength, but event more compelling are key performance indicators. The revenue from this operation has steadily grown—from $313 million in 1997, the year of the merger, to $554 million in 1999. Employee surveys indicate a high degree of satisfaction, and 71 percent see evidence of positive change in how the operation lives its values.

For years, organizational culture has been little understood and occasionally even ridiculed. But evidence now suggests that it is not only a key to lasting change but can be targeted to include specific areas of performance. This adds up to a powerful new message for leaders. "Culture isn't something that can be ignored or delegated to human resources," Fisher insists. "Culture is the work of today's leaders."

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Creating high performance organizations, teams, and individuals

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