
Building a Culture of Operational Excellence

Closing the Culture Gap to Drive Business Performance





How do organizations not only survive but *thrive* in hazardous business environments?

Businesses today are facing more volatility, complexity and risk than ever before. With markets shifting, regulations changing, and pressure to increase operational efficiency in an increasingly competitive business landscape - how can you build a sustainable culture of Operational Excellence? Unfortunately, most organizations, though they recognize the importance of their company culture, either don't know where to begin or have grown weary of failed attempts at culture change. Few organizations have demonstrated the ability to create a culture that allows them to not only survive, but to thrive in complex business environments.

This exclusive guide to Building a Culture of Operational Excellence will take you through the critical steps companies must take to improve corporate culture, productivity and operational excellence and drive world class business performance.

Defining Culture

What exactly is a company culture?

Ask any group of individuals to define culture and you're likely to get as many explanations and definitions as there are people in the group. After seeing so many leaders struggle to clearly define what is meant by culture, it's not surprising they also struggle to grow and maintain a healthy culture in their companies.

So let's start with a clear working definition: *culture is the collection of expectations and norms that determine how a group behaves*. Culture fits right between personality and human nature. Personality is specific to the individual and is both innate and learned. Human nature, on the other hand, is universal and innate. Culture differs from both personality and human nature in that it's entirely learned to a specific group. That group is your company. The best organizations in every industry are very deliberate about their culture. They take an active role in managing their culture to keep it healthy, and they design and build their desired culture into the company.

Culture is the collection of expectations and norms that determines how a group behaves. Culture fits right between personality and human nature.

Values and Beliefs

What are the characteristics of a successful organisation?

To begin managing culture, leaders need to understand how culture relates to individual behaviours. Individual behaviours are tied to two specific elements – our beliefs, and the consequences that result from our behaviours. What we believe drives how we behave. Our behaviour results in consequences – both good and bad – and those consequences tend to reinforce our beliefs when they are good, causing us to question, and sometimes change our beliefs when the consequences are bad. It is important to note, in this context, the individual believed their behaviour was in accordance with how the organization expected them to behave, you can tell employees how to act. But remember those rigorous procedures that you developed and invested in to enable flawless execution? For some reason they aren't being executed. One reason could be the workers don't believe those procedures are necessary. Another reason could be there are no rewards for following the procedures as well as no consequences for not following them. Simply telling people how to behave rarely results in the behaviours you desire.

The one part of the Beliefs-Behaviours-Consequences triangle you can most certainly affect as a leader is the consequences. When mentioned in this way, our thoughts on consequences generally shift toward the negative. This is a very limiting approach. Consequences should be viewed on a spectrum that ranges from positive to negative, with rewards and recognition on the positive end of the spectrum and punishment on the negative. The key is to change this behaviour with consequences and to demonstrate your intolerance of undesired behaviour with negative consequences. As good behaviours are reinforced with positive consequences, and bad behaviours result in negative consequences, employees will start to change their behaviour and their beliefs can follow.

How do beliefs and values relate to culture?

Remember our definition of culture - it's the collection of expectations and norms that determine how a group behaves. Beliefs beget behaviours, but so do values. The manager whose employees follow procedures only when they are closely supervised is facing an uphill battle because their employees don't value what they're asking them to do. Employees just believe they will get in trouble if they don't comply. A leader who is trying to change the culture of the company must focus on the values they are trying to instill to enable truly lasting change. We've all seen it happen, as soon as a leader moves, a highly visible change effort falls by the wayside and things revert back to the old way of doing business. This is usually because the focus of effort was on changing people's behaviours, not their values, or not enough time was devoted to the effort for it to become fully internalized. Either way, the whole thing goes down in history as 'just one more time someone said we were going to change the way we operate, but nothing really ever came of it.' Changing what someone values, the things that are important to them, requires the leader to focus on why the changes are important, not just what the changes are. This can take an enormous amount of effort and time. But, if you want the changes to truly take hold, they must be important to those on your team just like they are to you.

INSIGHTS FROM

Mick O'Connor
Behavioural Safety
Manager at Irving Oil



"Culture is a journey that we're on. All organizations have a proportion of truly engaged people but also have some who are not. A fully desire-based culture is our aim, but we have to be humble and admit that we're not there yet. Just because a company has not faced a certain challenge in years, does not mean that they won't have one in the future. The more secure you think you are the more vulnerable you are to challenges, so it's a constant work in progress.

Explaining to people why we need to act and behave in certain ways is the key to success. When our people do the right thing, even when nobody is looking, you know that you have arrived. Managing by walking around is one method to encourage these behaviours. A desire-based culture will only happen if you demonstrate that yourself. If you are a manager who rewards somebody who has made their production targets but has cut corners in the process, you'll never get that desire-based culture. Equally when errors happen and you start to blame individuals, people will never tell you exactly what happened. They'll see there is nobody is looking and think, 'I won't report that.'"

High Performing Cultures

Translating Cultural Values into actual on-the-job Employee Behaviours

An organization's culture is the collection of expectations and norms that determine how a group behaves. Taking this a step further, a healthy culture is one in which the expectations and norms for behaviour result in people doing the right things, the right way, every time, regardless of whether or not they are explicitly told to do so. That may sound like a high bar to clear for a culture to meet the standard of 'healthy,' and it necessarily is. It's not enough for people to know what the right things to do are – they must actually do them, and do them the right way. It's also not appropriate for good intentions to be allowed to supplant the behaviour expectations. Relying on good intentions to guide behaviours quickly devolves into an environment where the ends are used to justify the means. Once you start down a slippery slope, pretty soon people are able to justify nearly any behaviour as long as the results of their actions are acceptable. A recent example of this phenomenon is the massive and fraudulent opening of new customer accounts by Wells Fargo employees to meet their sales goals. At this point, I'll give company leadership the benefit of the doubt, and assume they never intended for a massive, multi-year, illegal, and unethical fraud to be perpetrated by the company's employees against their customers in order for them to meet their sales goals. If we allowed ourselves to simply be happy with the outcome, then the culture that tolerated the illegal behaviour would necessarily have to be considered healthy, and it clearly wasn't. To develop a culture they want, companies need to state clearly what the value and define the behaviours they expect of their employees.

Characteristics of a healthy culture

We have studied the cultural characteristics of organizations around the world. The groups we have studied range in size from small to large. They operate in diverse industries that include manufacturing, retail, oil and gas, finance, government, military, logistics and energy. They range in age from relatively young to decades old. Despite including such a broad and diverse set of companies, our research and data on the cultures of these organizations has revealed five cultural norms present in the high-performing groups. In every one of these organizations that has a healthy culture, there is a clear evidence of Integrity, Knowledge, a Questioning Attitude, Formality and Team Backup.

With these high-performing cultural norms identified, it's now much easier to see how the definition of a healthy culture is not only appropriate but also attainable. When individual group behaviours are based on integrity, knowledge, formality, having a questioning attitude, and backing each other up, it is absolutely reasonable to expect people will do the right thing every time, whether they are told to or not. The organizational culture just simply expects them to – the train is leaving the station, they get on-board or they are left behind. Now of course, nobody is perfect and mistakes will certainly be made. But, with others anticipating problems and backing each other up, mistakes are caught before they turn into catastrophic incidents. What's more, when a mistake is made, the organization isn't just thankful it dodged a bullet. It invests the time and energy to understand how and why a mistake could have been made and it takes the necessary steps to prevent it from happening again.

- **INTEGRITY**

People can be relied on to do what they say they will do, and to do what is expected of them; they have the courage to do what is right and to hold everyone accountable, including themselves.

- **KNOWLEDGE**

People understand not only what they do, but why they do it; People are continually expanding their understanding of systems, processes, and hazards of their workplace.

- **FORMALITY**

People follow authorized procedures; they don't tolerate shortcuts; they communicate information in a disciplined manner.

- **QUESTIONING ATTITUDE**

People anticipate problems and are alert to unusual conditions; they don't assume, they verify.

- **TEAM BACKUP**

People actively back each other up; they speak up when potential problems are recognized; they value other's inputs.

How to Measure your Culture

How does your company's culture compare to others?

Many companies give culture surveys to their workforce annually. These assessments often show up in the form of organizational climate and culture surveys, employee engagement surveys and culture workshops, among others. There are at least a few problems with the approaches that most of these surveys take. Many questions are based on individual emotions and perceptions of satisfaction, and vice behaviours. Familiar questions are 'I am empowered to do my job' or 'Communications are a priority.' The problem with these sorts of questions is that they provide almost no information upon which leaders can base action to make an improvement. No matter how much you try to empower your team, someone who refuses to be empowered never will be. Similarly, despite all of your efforts to improve communication, some people refuse to take an active part in communicating.

Because both empowerment and communication, and many other areas are often surveyed, require both sides of the equation to be action and involved to be effective. You can be doing very well as a leader in these areas yet show poor survey results if the people you are leading do not involved themselves in the opportunities you are offering them.

Many culture surveys use the Likert Scale (strongly agree, neutral, strongly disagree, etc.) The problem with this scale is that it can result in a strong central bias, i.e. people tend to select the middle three options for most, if not all, of the questions. It shouldn't be surprising that survey results generally come back saying the same thing they had said in previous years.

Many culture surveys offer respondents the chance to give free-from responses to open-ended questions. Because of the limitations cited above, many managers go straight to these responses because the scored questions provide so little actionable substance to them. Unfortunately, just like the online reviews you read when choosing a company to power wash your house, for every positive comment there seems to be one saying the exact opposite. And, just like the online reviews, only those who think it is worthwhile to respond actually do. This means responders generally fall into one category: those who have something to say. When you read the responses, it's easy to start thinking that those who respond represent the opinions of everyone

in the company. Unfortunately, making this assumption can lead to some very incorrect conclusions about the culture in your company.

Given the limitations of typical culture surveys, let's imagine what information a better culture survey would need to provide to change this paradigm. An effective organizational culture survey should objectively measure the behaviours of the organization. It should provide a meaningful benchmark for comparison purposes. It should also provide sufficient insights into management to allow them to take specific action to address any areas of concern the survey may identify. In addition to providing these insights, the survey should be easy for the company to administer and easy for participants to complete.

INSIGHTS FROM

Karl Simons

Director of Health, Safety,
Security & Wellbeing at Thames
Water



"In understanding the complex and diverse nature of the water and waste-water industry you learn to understand its critical importance to the national infrastructure, but it is a service that is often taken for granted. We can only provide the quality of the product we provide because of the input from our passionate people. From a behavioural perspective and a values perspective, the organization has worked hard in terms of reflecting those values, and I get up every day and try to do as much as I can to help those engagement conversations that help people feel empowered.

All of our people are empowered to challenge on unsafe acts and conditions without fear of reprisal and that high levels of challenge within any business is a true measure of whether you will prevent injuries, illness or significant incidents occurring."

A Process for Change

LEADS: A four step culture change framework that will change your culture for the long haul

The LEADS culture change framework was designed to help leaders and organizations avoid the points of failure that tend to derail a culture change initiative. It's important to realize that simply to have a tool to use or a framework to follow does not ensure success. A fully aware and engaged leadership team is a requirement at every step of the culture change process. Just as no company can expect to be run well without an effective leadership team, no significant change initiative in a company can be expected to succeed without leadership's support and involvement. The 4-phase approach to changing culture is necessary to:

- Understand why the current culture is the way it is
- Establish the foundation for the desired culture and the path for change
- Define the desired culture for everyone in terms of actual job-based behaviours
- Inculcate the culture across the company and then make it robust

Each element of the LEADS framework has a specific purpose, activities, and deliverables. The approach to changing an organization's culture reflects the definition we started with at the beginning of this series: culture is a collection of expectations and norms that determine how a group behaves.

Understanding that changing an organization's culture is really about changing the behaviours of those in the organization is key. The next chapter of the eBook will focus on the common mistakes we see companies make as they attempt to change their culture.

Changing an organisation's culture is really about changing the behaviour of individuals within the organisation.



L - Learn

- **Purpose:** Baseline the current culture, understand the appetite for change and map the barriers to change.
- **Activities:** Assess the current culture – really understand why it is the way it is. Develop a roadmap for designing and implementing the desired culture.
- **Deliverable:** A clear understanding of the current culture's strengths and weaknesses; a benchmark of the current culture against the known high-performing cultures; deep insight into the 'appetite for change' at multiple levels in the organizations.

E - Establish

- **Purpose:** Define the desired culture, build the roadmap for change, and secure organization-wide buy-in.
- **Activities:** Define the guiding principles or characteristics of the desired culture; establish the need and understanding for change across the entire leadership and management teams; establish and educate the company on the path to change.
- **Deliverables:** Cultural principles and baseline behaviour expectations that relate to each principle; a comprehensive roadmap for implementing the culture transformation.

A - Align

- **Purpose:** Educate the organization on the desired culture and correlate behaviour expectations to job specific roles.
- **Activities:** Educate all leaders and employees on the desired culture. Translate principles of the desired culture to every level of the company in terms of real-world behaviour expectations that correlate with job roles and responsibilities.
- **Deliverables:** A properly equipped transformation team in place to facilitate the change; job specific roles and responsibilities that correlates to each aspect of the cultural characteristics.

DS - Develop and Sustain

- **Purpose:** Make the desired behaviours first become a reality and then make them robust and sustainable.
- **Activities:** Reinforce the desired culture through integration into the organization's management system and operating model. Assess progress, both organizationally and at the local or business unit level, in adopting the culture.
- **Deliverables:** A fully transformed culture that is healthy and robust; one that enables and reinforces its desired characteristics and proactively addresses any undesired characteristics.

INSIGHTS FROM

Michelle Harradence

Vice President of Gas Transmission at Enbridge



"The way we tend to define Operational Excellence in gas transmission and midstream is a strong management system coupled with a disciplined culture."

We have our integrated management system at ESOR and we have a group called the Operational Excellence Group. It's a high-level, programmatic group, who own the management system within gas transmission and midstream, so we can apply it along with the overall integrated management system they own with what we call the cultural piece.

If you've got both of those pieces, if you've got the strong culture and the strong management system - this provides the foundation for Operational Excellence. Because that's still a relatively new concept for us in some parts of our business, some being more mature than others, we've brought it together to work to make sure there's a program around it. Of course, you can't program a culture, but there are things you can do to ensure consistency."

INSIGHTS FROM

Matt DiGeronimo

Managing Director at High Reliability Group LLC



"I've really focused on trying to get frontline supervisors engaged in this mission and that's through continuous application of pressure, through training programs, conversations, reading assignments. Once frontline supervisors get it that culture starts to develop from the bottom up."

Landmines and Challenges

How to avoid culture change failures

While there are many reasons why a culture change effort can fail, stumbling across any of these land-mines will surely derail any change initiative no matter how badly the change may be needed. It may be an obvious point, but it's worth stating nonetheless: being aware of potential failure points is a critical and necessary first step in avoiding them.

The first landmine is akin to tripping over the starting line in a race: leadership is not taking real responsibility for the job at hand. It's common for senior leadership of an organization to make the decision to embark on a culture change initiative and then to hand responsibility for execution to a lower-level manager. This approach is fine, but only to a point. The key is for senior leaders to remain very involved and active in the initiative because real change in an organization requires real change. Unfortunately, it is unlikely that any single manager will be able to get the necessary company wide buy-in and support that is necessary to start truly changing the beliefs and behaviours of the organization. Further, consistency in administering consequences – both positive and negative – across the organization is critical for reinforcing the right behaviour and consistency only comes if the entire leadership team is engaged, supporting and participating.

The second major failure point revolved around failing to get very clear and specific about the characteristics of the new culture and the desired behaviours into which those characteristics will translate. We've all seen them; culture and value statements that are so chock full of platitudes, vagueness, and pie-in-the-sky phrases they can simultaneously mean both everything and nothing. If you want to change your culture – and that means changing the way people behave and do their work – you both need to be clear and specific about what you want.

Use plain and simple language. Translate the principle upon which the culture is based to role-specific behaviour examples throughout the organization. Now the purpose of doing this isn't to create a comprehensive laundry list of expectations that would cover every situation an employee might encounter. Rather the purpose is to equip your employees with the information they need to make value-based decisions about the expectation the company has for them as they go about doing their work.

The third landmine looms large when leadership fails to align and integrate the new culture with the management systems and operating model that drive decision making and brought to life throughout the organization. The failure happens despite designing your culture in terms of clear value and behaviour expectation and having full leadership commitment and active participation in the change effort. The problem is when your operating model or management system won't allow members of the organization to make the decisions or behave as the culture intends. It is very common to tell out culture takes a backseat to the way we are managing. Employees roll their eyes and hang their heads when they hear talk of great expectations, but know they simply aren't allowed to do what you are talking about. Ask your employees if they have the latitude to behave as the culture expects. If the answer is anything other than a resounding 'yes,' then you can be almost certain some aspect of the management system or operating model is standing in the way of developing the culture you want.

While there are many other ways to undermine your efforts to develop a high-performing culture, avoiding these specific landmines gives you a much greater chance of succeeding with a culture change initiative.

