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MANAGING FOR MEDIOCRITY? ASSESSING THE VITALITY OF CANADIAN CORPORATIONS
by Barry L. Linetsky

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New research by the author indicates that Canadian executives do well when it comes to strategic intent, but have difficulty converting intent into results. Through a better understanding of the gaps that exist in the foundational pillars important to achieving a high-performance culture, executives and managers can focus on closing these gaps to support strategic execution, improve employee morale and engagement, and drive marketplace success.

Business leaders are part of a globally competitive economy in which there is rapidly increasing complexity across every conceivable dimension. Just hunkering down with a good product or service is no longer a viable business model. Customers have myriad options to satisfy their desires. Executives who are dedicated to aligning resources to satisfy those desires are the one's most likely to prosper beyond the next shift of winds. The best firms succeed in enhancing customer, employee, and shareholder loyalty by aligning and integrating strategies, structures, processes, and policies, and wrapping it all in a high-performing corporate culture.

Such an effort may seem like a Herculean task to some, and to others a fool's errand, but – like it or not – it is what sustainable business success in free-enterprise democracies now requires.

The Secret Ingredient: Corporate Culture

It has long been recognized in business literature that people are the secret elusive ingredient of competitive advantage. People, not capital, are the true competitive
weapon. That shouldn’t surprise us. We live in an age where people work primarily with their minds; where innovation and ideas, capability, and personal commitment to a compelling future and life-enhancing values are the source of wealth creation.

In the 21st Century, the development of sound people systems has to be perceived and accepted by executives as an integral aspect of an ethically requisite and complete business system. After all, unlike machines, people can enthusiastically apply their knowledge and skills or choose to withhold them to the benefit or detriment of the business.

Unfortunately, the ability of business leaders to provide engaging work appears to be on the decline. A 2009 Conference Board of America study showed that employees are increasingly less satisfied with their jobs and the companies for whom they work. Only 45 percent of workers in the U.S. were satisfied with their jobs, the lowest level in the 23-year history of the poll. It seems like business management is headed in the wrong direction, to its own detriment.

The idea that the way people are treated in the workplace affects the quality of the work they do is not a recent revelation. It has been a central thesis in the work of leading business observers and thinkers, including Peter Drucker, W. Edwards Deming, Tom Peters, Jim Collins, Henry Mintzberg, Jeffrey Pfeffer, Frederick Reichheld, and Elliott Jaques.

Leonard Berry, Texas A&M University’s Distinguished Professor of Marketing, presented research in his 1999 book Discovering The Soul of Service, that the companies most likely to succeed in energizing people at work and in achieving sustained business success are those that have a defined core set of values and conscientiously apply what Berry calls “values-driven leadership.” Such companies sustain and reinforce those values in support of delivering the brand promise to customers. “Humane values sustain human excellence,” says Berry. “It is both that simple and that complex.”

Jim Collins and Jerry Porras, authors of Built To Last, identified the importance of a well articulated business purpose and core values and principles to guide business behaviours that are personally meaningful to employee as the foundation for long-term business success and sustainability.

Businesses succeed when employees are doing work that they can be proud of and that leads to the creation of solutions customers want. Intricately entwined with the ability to create something that customers value is the reality of how people work together to get the work done. How work gets done is commonly referred to as corporate culture. Corporate culture refers to the human element of business management; to how people interact in doing work together in pursuit of common strategic objectives. It is increasingly recognized that the human factor is the not-so-secret “secret” to earning customer loyalty and people engagement.

Over time, workers figure out, through observation of their managers (through reflection on the implicit and explicit values underlying the instructions they are given about the work they do), what a company stands for and “the way we do things around here.” Too often the easily traveled road to mediocrity that is characterized by a “good enough to get by” attitude towards work and a disregard for how that affects custom-
ers, employees and shareholders, tends to replace the less traveled, more challenging, and more rewarding path to excellence.

Canadian organizational development innovator Elliott Jaques persuasively argues in his book, *Social Power and the CEO*, that CEOs have it within their power to organize and effectively lead for the good of their organizations, the people they serve, and the good of society at large. “Employment organizations have the potential to become great and satisfying places in which to do work, places in which people work together with mutual trust and collaboration, and pervaded withal by a strong sense of fairness and justice” (p. 7). It is only when CEOs raise their sights, asserts Dr. Jaques, that free-enterprise democracy will thrive and people will lead more satisfying and productive lives.

Dr. Jacques, like Peter Drucker and others, reminds us that understanding how to lead in business requires an understanding of business set in its proper social context. Business is not just about profit maximization. In a broader sense, that is a naïve perspective. First and foremost, business is about the cooperation of people (each with their own motivating purposes) to achieve a common purpose. At the core of cooperation is morality. A failure to include a moral dimension in a discussion of how people should behave and be treated to achieve the best business results is a failure to understand what business is really about.

Managing the performance of people is a difficult and time-consuming task, which is often actively avoided by managers. Yet it is a critically important element of business success. Business values, and therefore business culture, is a reflection of the congruence between the personal values of employees and the values required to operate a successful business. A successful business culture is one that ensures that the underlying responsibilities and values of the people and the business systems are aligned with each other and with the accepted values of the larger community in which it operates.

While it is difficult to conclusively prove a causal relationship between corporate culture and business success in any one instance, the evidence is overwhelming that satisfied and engaged employees are more productive, and that businesses with more engaged and productive workers are more profitable. According to research by Jeffrey Pfeffer, Stanford University Professor of Organizational Behavior, “Companies that manage people right will outperform companies that don’t by 30% to 40%.” Why? Because what separates one company from another are “the skills, knowledge, commitment and abilities of the people who work for you.”

In modern workplaces, a failure to fix cultural and competitive impediments is seen by employees as a disregard for, and possibly an attack on, basic values and norms – what Leonard Berry calls humane values.

When workers perceive that the values of the workplace as reflected by their managers are at odds with their own values, they feel disinclined to apply themselves fully, and in many cases are prevented from doing so. This can severely limit the profit potential of a business depending on the severity of the problem. At the extreme, it can lead to what Professor Pfeffer calls “toxic workplaces” – workplaces that drive people away because they find the working conditions to be disrespectful and stifling.
An honest moment’s thought about what it means to succeed in business and to lead and create a workplace where people can take pride in their work will tell us that the way things are done in business shouldn’t be left to chance, convenience, or the path of least resistance. Business leaders have a responsibility to act conscientiously in defining, creating and managing a fully integrated managerial leadership system capable of creating a productive, engaged, and accountable work force that enthusiastically strives towards a standard of excellence.

There must be trade-offs in the operational dimensions of how to best organize the business resources at hand. But there should be no trade-offs in the soundness of the underlying moral dimension. That’s what business leaders sign up for, and that’s what should be expected of them.

**Managing Corporate Culture is Integral to Organizational Vitality**

In an increasingly competitive business environment, it is important for organizations to have strong yet flexible corporate cultures build on core values and principles so that they can adapt rapidly to changing circumstances and marketplace events. The ability to manage the cultural aspects of strategic execution may be the foremost of all sustainable competitive advantages and the foundation of organizational vitality and long-term success.

To help executives gain a better understanding of the levels of operating performance of cultural elements throughout their company, both as a whole and in different operating units, my colleague, Dobri Stojsic, and I developed an instrument in the late 1990s that we call the Organizational Vitality Index (OVI). The OVI helps executives gain insight into employee perceptions of performance along a number of important dimensions that are heavily influenced by business culture and are critical to strategic implementation and effective business performance.

Understanding how things get done – including areas of strength and weakness – is critically important for business leaders charged with the task of defining what should get done. Knowledge of what needs to get done is the first step that leads to the development of systems, processes, and procedures that will get the right things done, and to the hiring and motivation of the right people to do the work that needs to be done.

It is one thing for executives to develop an annual business plan to deliver short-term accounting profits. It is another thing to develop a business strategy that takes into consideration the myriad competencies embedded in the culture that can facilitate or hinder the execution of strategy and win customers over the longer-term.

It is a mistake for executives to presume that their organizations are capable and competent enough to execute their strategy. They need to know where and how severe the capability gaps are so they can quickly address their shortcomings and head off impending failure.

A strategy developed with insight into cultural vitality as perceived by the employees themselves will be tied to reality to a much greater extent than one that is not. A strategy developed with a conscious awareness of organizational vitality will result in
greater alignment between strategy and corporate capabilities than will be the case if little or no consideration is given.

As intimated above, understanding and managing the individual components of a corporate culture in an effort to create a high performing organization is a critical, though often neglected, management responsibility.

**Researching Executive Perceptions of Organizational Vitality With COVI**

The Strategic Planning Group has been using the OVI effectively with clients as an important component of our strategic planning consulting services for more than ten years. We were curious as to whether we could modify it to gain insight across a broad sample of executives to assess the perceptions of their own corporate cultures and thereby generate a proxy score for businesses at large.

We developed a shorter derivative of the OVI, which we named the *Corporate Organizational Vitality Index (COVI)*. An e-mail invitation to participate in the survey was sent to 1,976 Canadian MBA alumni in late 2010. Executives were also invited via social media and e-mail to participate. In total, more than 150 responses were received.

**The COVI Instrument**

The COVI instrument consists of 12 subject areas or performance categories identified in the management literature as being important to developing and managing a high-performance organization. Each section contains five statements for a total of 60 statements. Respondents were asked to identify the degree to which each statement is a characteristic of their company on a five-point rating scale from ‘very weak’ to ‘very strong.’ Because we use a circular graph to display the results, ‘very weak’ has a corresponding score of 0, and ‘very strong’ a score of 4. We do not expect all employees of high-performing companies to rate their companies as perfect, so we consider a score of 3.5 as the benchmark of a “high performing organization.” The scores are based on simple averages and are converted to percentages and presented as a percentage of a high-performance organization (HPO) score.

**Highlights: How Canadian Executives View Their Corporate Culture**

Of the responses received, 75 percent of total respondents indicated they worked in Canada. These results focus on the Canadian responses.

Based on the COVI scoring methodology, participants working in Canada indicate that the companies they work for are performing, on average, at just 67 percent of a “high performing organization.” In most MBA classes, a score that low would be a failing grade, and it indicates that executives and managers believe that there is a need for considerable improvement within their own firms.
Based on the 12 major areas assessed, the greatest strengths were perceived to be:

- **Strategic Execution** (72 percent of HPO)
- **Corporate Culture** (70 percent of HPO)
- **Business Leadership** (69 percent of HPO).

Digging deeper into the specific attributes measured, the highest-rated attributes were:

- **Individuals are held accountable for getting their work done** (77 percent of HPO)
- **Leaders have solid generalist problem-solving skills** (75 percent of HPO)
- **We view execution as a strategic enabler** (75 percent of HPO)
- **Leaders are visibly engaged in executing strategy** (75 percent of HPO).

The greatest perceived weaknesses and therefore highest priorities for improvement, according to survey participants, pertain primarily to issues of understanding customers and competitors, and organizing effectively to serve customers better than the
competition. Process and technology improvements, and rapid and effective decision-making to resolve pressing issues also need improvement.

Participants perceived the three areas of greatest weakness to be:

- Organizational Effectiveness (60 percent of HPO)
- Competitor Knowledge (62 percent of HPO)
- Customer Knowledge (63 percent of HPO).

The attributes of greatest perceived weakness were:

- We know and proactively manage threats from emerging competitors (54 percent of HPO)
- Ineffective or redundant efforts are eliminated (56 percent of HPO)
- We know and track competitors' major strategies (57 percent of HPO)
- Efficiency is maximized through use of technology (58 percent of HPO).

**COVI: Key Findings And Observations**

The respondents to this survey, whom we expect are typical, university educated, competent business executives and managers, find themselves in organizations with corporate cultures that are antithetical to organizational vitality. When we look at the perceived strengths and weaknesses, we can begin to see why.

Based on our experience with the OVI on an individual company basis, the overall score is roughly what we expected. A score between 60-70 percent is typical of most corporations the first time they do this survey – before executives focus in on the impact that taking responsibility for proactively managing corporate culture has on business results.

The scores are low because there is often systemic intellectual and cultural resistance on the part of business executives to include human systems in their model of effective business management. Business executives tend to operate with a lack of awareness and understanding of how to integrate the human element of management and leadership with the more mechanistic and quantitative elements of business operations.

If we look closely at the scores of the survey, we see that on a relative basis respondents perceive the greatest strength in the categories we call Enterprise (consisting of Structure, Corporate Culture, and Business Leadership) and Deployment (Business Planning, Organizational Effectiveness, and Strategic Execution). They perceive the greatest weakness in the area of Knowledge (Customer, Competitor, and Business Knowledge). The fourth category is Resources (Technology, Teamwork, and Communications).

But if you think about this for a moment, it is completely opposite of how things should be. Knowledge must be the foundation upon which all other elements stand (strategy, structure, planning, leadership, deployment, etc.). That’s the lesson of the Marketing Concept – the philosophy that a business must organize its purpose and efforts around the profitable creation and delivery of products and services that customers value.
If corporate culture is about how things get done in an organization, then we can surmise from these survey results that most organizations in Canada are failing to effectively manage their cultures in a way conducive to maximizing value creation.

If executives feel that Strategic Execution (72 percent of HPO), Corporate Culture (70 percent of HPO), and Business Leadership (69 percent of HPO) are their strong points, and that Organizational Effectiveness (60% of HPO), Competitor Knowledge (62 percent of HPO) and Customer Knowledge (63 percent of HPO) are considerably weaker – then they are not developing and executing strategy based on a deep understanding of customers and competitors. And if this is the case, then the entire foundation and efficacy of their strategic platform is brought into question.

When business planning and execution are not aligned to earn customer-loyalty, then business productivity and competitive capability will be seriously impaired. These low scores reflect an inside-out or internally-focused culture that is likely to be narrowly focused on the mechanics of delivering short-term financial results and thereby perpetually struggling with aligning the creation of value by the firm with demand for value by the customer.

In addition to the perception on the part of executives that their business strategy, planning and execution are likely misaligned with the needs of customers, the COVI results support the conclusion that the processes being used to hold staff accountable for the work being done are inadequate.

It is the responsibility of business leaders to develop effective managerial systems and accountability hierarchies to get work done. That is why leaders of high-performing organizations align and organize to ensure role clarity, personal accountability, and structured work processes. Rather than just talk about these things, they lead and manage to ensure that the right work is done, to the right standards, at the right levels of the organization, to achieve the desired business objectives. Yet the survey results show that respondents perceive relative strength in Business Leadership (71 percent of HPO), but greater weakness in Organizational Effectiveness (61 percent of HPO).

It seems that the good intentions of well-meaning managers aren’t finding their way into practice. Consider that about 55 percent of respondents perceive that the following are “Very Strong” or “Strong” characteristics of their company: executives lead with a strategic approach to business; leaders set clear expectations and priorities for others; and leaders successfully implement business priorities.

Yet only about 33 percent of respondents indicate that their organizations are “Very Strong” or “Strong” in regards to effective deployment of resources to high-yield areas, prioritization of improvements based on judgment of market impact, and the elimination of ineffective or redundant efforts.

Clearly doing well at strategic intent is easier than converting intent into high performance.

One also has to wonder if there is an element of self-deception or lack of awareness of the real situation within executive suites and manager cubicles across the country when we consider the following juxtapositions in participant responses and the gener-
ally low scores. In each pair that follows, the second statement was perceived to be weaker than the first:

1a. Individuals are held accountable for getting their work done (77 percent of HPO)  
1b. Appropriate decision-making authority exists at all levels (61 percent of HPO).

2a. Leaders have solid generalist problem-solving skills (75 percent of HPO)  
2b. Leaders resolve conflict quickly and effectively (58 percent of HPO)

3a. We use technology to improve the customer experience (71 percent of HPO)  
3b. We make timely investments in technology upgrades (58 percent of HPO)

4a. Open and honest dialogue is encouraged and respected (73 percent of HPO)  
4b. Employees at all levels feel their opinions are valued (64 percent of HPO)

5a. We view execution as a strategic enabler (75 percent of HPO)  
5b. We track performance and make adjustments based on valid performance indicators (64 percent of HPO)

6a. We plan, schedule, and control our work activities to achieve results (74 percent of HPO)  
6b. Resources are effectively deployed to high-yield areas (62 percent of HPO).

Note the juxtaposition between the strengths and weaknesses in each pair.  
In 1 above, individuals are to be held accountable for getting work done but must defer decisions to a higher authority.  
In 2, leaders are perceived to have strong decision-making skills but to not use them effectively.  
In 3, technology is applied to further the business purpose of improving the customer experience, but it may be lacking desired functionality.  
In 4, open and honest dialogue is said to be encouraged, but staff don’t feel their opinions are valued.  
In 5, the ability to execute is strongly perceived as a strategic enabler even though there is a perceived weakness in identifying and tracking valid performance indicators.  
Finally, in 6, there is considerable gap between the perception of working the plan to achieve results and the effective deployment of resources to areas that produce the greatest results.
These incongruities in the management and allocation of resources are culturally debilitating and reflect negatively on company performance and profitability.

The culture within an organization, whether we call it corporate culture or business culture, is not an isolated characteristic of a business. It is part of the fabric of what and how work gets defined and done. Culture is an observable artifact of purposeful behaviour – of the choices and actions of people. It can be observed, measured and studied by looking at “the way things get done around here.”

At the root of culture are the values that people aspire to achieve or keep.

Because the behaviour of people pervades everything, business leaders must be accountable for ensuring that what people do on the job is appropriate to serve the purpose of the business and support the implementation of the business strategy.

Business leaders have a responsibility, and the authority, to define, influence and control appropriate behaviour in the workplace through requisite policies, processes, and procedures, including appropriate accountability systems. This is an important aspect of effective managerial leadership.

The COVI instrument is designed to assess business culture across a broad range of operational business attributes that make a difference in the contribution to competitive success and strategic aspirations. The survey allows workers to self-assessment a number of areas critical to creating a successful business culture.

The research indicates that Canadian executives across a broad spectrum of businesses perceive their companies to be operating at 67 percent of a “high-performing organization.” We found that there are major shortcomings in critical areas of competitive competencies, and that these shortcomings are embedded in underlying weaknesses in the corporate culture. These weaknesses hinder the effectiveness of executive efforts to create a high performing culture and to capitalize on the benefits that would ensue.

The COVI instrument provides a means for executives to view the organization through the eyes of the employees, and to perceive the most problematic areas hindering the success of the business. The identification of gaps through a strategic lens allows managers to prioritize and selectively apply effort and resources to improve the organization’s capabilities and performance.

The COVI research supports our observations from more than ten years of similar work with companies that businesses with low COVI scores and larger gaps are more likely to have dissatisfied and disaffected workers than those with higher scores and smaller gaps. Large performance gaps indicate that employees perceive areas where there are large improvement opportunities that they cannot overcome on their own without a commitment by management to provide leadership that results in the delivery of work at a higher level. That these gaps exist and are known begs the question by workers: why isn’t anybody doing something about it?

In a competitive world of endless change, where business failure means the loss of jobs and the accompanying negative economic and psychological impact for employees and their families, mediocrity is never good enough. CEOs have an important role to play in actively creating an engaging workplace that fulfills the needs of people for
interesting and engaging work. As Jeffrey Pfeffer puts it, when it comes to the link between people and profits, companies get exactly what they deserve.

A more detailed executive summary of our research findings is available at The Strategic Planning Group website:


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### About Barry L. Linetsky

Barry has been a partner with The Strategic Planning Group (www.tspg-consulting.com) since 1994. He works with senior executives and their management teams to develop business strategies and strategic solutions for their unique business problems. He is an advocate of the need for a market focus to drive customer, employee, and shareholder value. Barry holds an M.B.A. from the Rotman School of Management, University of Toronto, and a M.A. in Philosophy and B.A. in Sociology from York University in Toronto. He is an Associate Member of the Global Organization Design Society. His article “Think Like An Iconoclast: The Principles of Walt Disney’s Success” was published in Rotman Magazine (Spring ’09). He has had two articles published in the Ivey Business Journal: “Managing for Mediocrity? Assessing the Vitality of Canadian Corporations” (May/June 2012), and “The Project Management Paradox” (March/April 2008). He blogs at www.be4r.blogspot.com. To read these and other essays on general business topics by Barry, go to http://www.tspg-consulting.com/essays.htm. Barry can be reached at linetsky@tspg-consulting.com.

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### About The Strategic Planning Group 2011

The Strategic Planning Group 2011 (T.S.P.G.) is a full service consulting firm that can provide organizations with a wide range of advice, business tools and solutions. At T.S.P.G. our focus is on helping our clients solve their complex issues to realize their ultimate business potential, whether we are helping to set the overall strategy for the organization or assisting in a particular functional area. Our practical-results-oriented approach to solving business problems, combined with our personal commitment and dedication to providing great value for our clients, makes us the consultants of choice to blue-chip executives across North America.

We aspire to be more than just consultants. For us to be successful in helping you we need to understand how you operate and what challenges you are currently facing. We want to help you achieve your goals and your ultimate business potential. To accomplish this we must be trusted and objective advisors by contributing our knowledge, experience and thinking in ways that have a positive impact. We want to be your consultants of choice – as we are for other senior executives – for all of your strategic business needs.

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