

Creating and Sustaining a Winning Culture

by [Paul Meehan](#), [Darrell Rigby](#), and [Paul Rogers](#)

What holds an organization together and motivates the people within it to do the right thing rather than the easy thing? The answer, for many top-performing companies, is culture—the values, mindsets, and behaviors that constitute an environment conducive to success.

The importance of a winning culture was underscored in [Bain & Company's](#) latest worldwide survey of management tools and trends: 91% of the 1,200 senior executives at global companies surveyed agreed that “culture is as important as strategy for business success.”

In another recent Bain survey, 81% of executives agreed that a company without a winning culture was “doomed to mediocrity.” But what exactly is a winning culture? And, just as important, how can a company’s leaders instill it? A winning culture has two defining characteristics:

A unique personality and soul based on shared values and heritage. [Toyota's](#) emphasis on quality and cost efficiency isn't the same as [Enterprise Rent-A-Car's](#) focus on customer service. Both are different from North Carolina-based [Nucor's](#) devotion to finding and developing the latest steelmaking technology. Yet every employee in these companies would have no trouble identifying the company's values and priorities.

Cultural norms and behaviors that translate the organization's unique personality and soul into customer-focused actions and bottom-line results. Companies with winning cultures are better able to execute on strategy; their employees maintain a healthy external focus on customers and competitors rather than on internal politics or turf. Employees think and act like owners—they take personal responsibility for overall business performance, not just their slice of it. They also exhibit a clear bias for action, with little patience for bureaucratic debate. Right after 9/11, for instance, Enterprise Rent-A-Car saw its front line scramble to accommodate customers' entreaties to rent cars one-way to drive home, or simply away, from New York City, in exception to the firm's round-trip rental rule at the time.

Instilling a winning culture can be a tough challenge, as it requires changing how people think about the company and [altering habitual behaviors](#). Crises that threaten a company's very survival can be potent catalysts for cultural change. But any kind of marketplace threat—new competitors, new technologies, new regulations—can present an opportunity to break down old, unproductive habits and instill the elements of a high-performance culture.

Instilling a winning culture requires changing how people think about the company and altering habitual behaviors. We have observed that companies that create and sustain winning cultures tend to implement these five key steps.

1. Perform a culture audit and set new expectations

Understanding what's unique about a company's heritage, what's strong in its current culture, and what the culture is missing provides a solid base on which to build a culture change effort. To gain this understanding, perform an audit of the culture.

Have one-on-one discussions with a broad sample of employees or conduct an organization-wide survey. A review of "cultural icons," such as a vision and values statement or the insights of a founder that are passed around within a company, often highlights some of the core elements of the culture. The audit must also probe a culture's weaknesses to identify the shortfalls that are holding the company back from achieving its strategic goals. For example, a cultural audit performed at one company that used to operate through standalone country-based units identified an important gap in global-mindedness that seriously compromised its ability to serve cross-border clients.

When Gail Kelly, the former CEO of the Sydney, Australia-based [St. George Bank](#), first arrived at the financial institution in 2002, she found that it had a strong and enduring heritage of taking care of its customers. Its employees were known to be friendly, outgoing, and service-oriented. What was missing? A culture audit revealed that managers weren't accustomed to being held accountable, they didn't collaborate effectively across departments, and [they were slow to make decisions](#). Employees in the branches were uncomfortable offering additional products to loyal customers or even asking them for referrals.

For St. George to boost its financial performance, it needed a culture in which everyone—from senior managers to tellers—was accountable for generating new business and gaining a larger share of its customers' wallets. This imperative drove Kelly to set a new expectation: the bank would add value to customers' lives by offering them products and services that would enhance their financial well-being.

2. Align the team. Aligning the management team is one of the most critical, and potentially most difficult, steps in the process of building a winning culture. It starts with a frank assessment of each member: How well does each manager embody the new culture? How likely is it that he can break old habits and adopt new ones? Often, a company finds that it needs to move new managers in and a few managers out to create the necessary enthusiasm and momentum. A critical task for the CEO or the change champion is to provide feedback (sometimes publicly) to ensure that each team member is modeling the right values and behaviors for his peers and subordinates.

At St. George, Kelly found that the bank's management team was siloed; its members had little incentive to cooperate with one another and build additional revenue from one another's customer relationships. She got rid of the silos early, setting clear expectations that the bank's business leaders would work together. She also found a couple of high-level cultural saboteurs who had to be moved out of the organization for a new culture to take hold.

The new team jointly defined the culture they wanted the bank to have: it would be a collaborative, proactive organization dedicated to anticipating and meeting the full range of customers' financial needs. Then Kelly let the executives loose to drive that message into the organization with a single voice.

3. Focus on results and build accountability

Culture is a means to an end, not an end in itself. The end is your business's strategic agenda. To create a culture that supports that agenda, set targets for the business and be explicit about how these targets cascade down to individual managers. Then hold managers accountable for delivering. Weekly and monthly reviews should focus on performance against targets and pay close attention to problem areas. In communicating these expectations, company leaders should focus on attaining milestones and how each team and unit can contribute to achieving results.

At St. George, this step included tracking customer service and advocacy at every level. These metrics accounted for at least 15% of each employee's evaluation, including Kelly's. Managers were expected to develop explicit customer service strategies to shift the focus from financial products toward services and cross-selling.

4. Manage the drivers of culture

Culture may be a soft concept, but it is shaped by some hard disciplines, including organization structure, decision rights, talent management systems, and measures and incentives. For any [significant culture change](#) to occur, these elements must be aligned with the new direction. For example, if you want to introduce speed into the culture, excessive layers of management that filter information will undercut a culture that values speed. Clarifying accountabilities for key jobs is crucial, as is building performance metrics that reward desired behaviors.

Kelly acknowledged the need for a supportive infrastructure in an analogy she used to sell St. George employees on the need for change. The company's passion for the business and its care for its customers was "a fantastically growing vine," she told employees. The trouble was, the bank lacked a firm trellis—the framework of management, discipline, and strategy to keep the vine growing in the right direction. Bigger banks had a rigid trellis but little vine—ultimately a weaker position, she said. The key was to build a trellis to help the vine grow in the right areas and with the right support.

5. Communicate and celebrate

Culture change can be a long journey. To make sure the organization is on the right path, leaders need to keep attuned to customers' perceptions and suggestions. Kelly communicated her customer-centric message directly to customers by getting out and talking to them. She made a habit of calling a dozen or so customers each week, holding lunches with St. George clients, and visiting bank branches to shake hands and hear concerns.

St. George executives followed suit. Twice a year, 100 of the most senior managers attend "The Listening Post." They sit in the customer-service center, listen to calls where service representatives handle customers' problems, and afterward sort through what worked, what didn't, and how to disseminate best practices.

Maintaining momentum among employees requires consistent, sustained communication of the end goal and the behaviors necessary to get there. People want to feel excited about the future and rewarded for making progress toward it, so creating appropriate incentives is important. At St. George, for instance, Kelly adapted a peer-based recognition system called the "[Star Awards](#)" to reward customer-focused behavior.

None of these wins translated into a new culture overnight, but the results show that St. George is clearly pointed in a new direction. Kelly and her team delivered double-digit earnings growth for four straight years. The transformation has improved staff and customer advocacy levels as well.

St. George's strong financial performance owes as much to its culture as it does to the bank's strategy, for it is the new culture that allowed the strategy to be executed. And although our survey found that nine out of 10 executives put culture on a par with strategy, some, like [Merck](#) CEO Richard Clark, go one step further: "The fact is, culture eats strategy for lunch," he told World Business. "You can have a good strategy in place, but if you don't have the culture and the enabling systems that allow you to successfully implement that strategy, the culture of the organization will defeat the strategy."

We think Gail Kelly would agree.

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