Focus

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Cultural Congruence

"Culture will eat strategy for lunch, every time!" said Bank of America executive Dick Nettel. He's absolutely correct, so it's important to make certain your organization's strategy is in agreement with its personality, or culture. Culture consists of the assumptions, values, and behavioral norms that define "the way we do things here." A leader should be wary of a mismatch between what is proclaimed to be important and what behaviors are rewarded or even tolerated.

The benefits of congruence between strategy and culture are rather obvious, when you think of real-life situations. For example, a restaurant that strived to deliver exceptionally friendly service would want to hire perky people. Likewise, a design firm with a market niche of developing innovative solutions to challenging projects would want to attract and retain creative professionals. Imagine the conflicts that would arise if the management of this design firm suddenly began to emphasize the volume of work cranked out instead of innovation.

Unless they are carrying out a corporate makeover, leaders do not intentionally set out to choose strategy or tactics in conflict with culture. Nevertheless, conflicts do arise unless leaders are vigilant. Also, what affects employees is felt by the customers, as I'll now illustrate.

Consider, for example, Starbucks. It began in 1971 as a little Seattle coffee shop and grew to more than 16,000 stores. Unfortunately, the hyper-growth of the chain began to dilute the customer experience, the very thing that made Starbucks popular. By February 2007, the chairman, Howard Schultz, said in an internal memo that growth caused "a watering down of the Starbucks experience." Company stock was also watered down, falling 42% from $35.25 in January 2007 to $20.39 by year-end. Schultz fired the CEO and took over as president and CEO in January, 2008.

The Home Depot also offers a cautionary tale. Its first store opened during 1978 in Atlanta and the company now boasts 2,238 locations. In 2000, the company hired a top GE executive, Bob Nardelli, as CEO. This was a curious choice, since Nardelli lacked retail experience, having spent his career at an industrial conglomerate. Nardelli instituted many new strategies, including forays into the commercial market and cost-cutting measures, and profits initially rose. Unfortunately for the core customer, the homeowner, staffing cuts eliminated most of the experienced sales clerks, who were by design often tradesmen. The retail customer's experience declined. Meanwhile, Lowe's enjoyed growth, often at The Home Depot's expense. Nardelli was forced out in 2007, and the company began returning to its roots.

Even routine decisions can cause big disruptions when cultural congruence is ignored, or – more likely – forgotten. Hiring mistakes are a frequent cause of regret.

This is a sad tale of a newly-hired manager who lasted just four months before resigning in anger and frustration. The manager held an advanced degree and the position had broad operational responsibility. Unfortunately, the new hire had a somewhat more relaxed attitude toward work than the other senior managers, whose culture valued high performance and accountability. The management team was so accustomed to their culture that they failed to consider cultural fit in what was "on paper" a well-qualified job candidate. Round peg, square hole, poor cultural fit!

Ultimately, the only reason for a business is to meet a customer need, so the company culture should also be congruent with the customer's wants. To keep focus on that alignment, remember a Polish proverb which goes, "The guest sees more in an hour than the host in a year."

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