

CRACKING
THE
CULTURE
CODE OF
A GREAT
COMPANY

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WHAT ARE THE INGREDIENTS that make a company a truly great company? Is it any one thing, such as a continuous innovation-making capability? Or is it an unbroken record of stellar financial performance? Perhaps a great company is one that has a clear and non-negotiable set of values?

After conducting multiple research projects on organizational effectiveness and from working with companies on this topic for more than thirty years, my observation is that the secret sauce of great companies is that they work tirelessly to build three meta-capabilities simultaneously. Their aspiration is to be a company that is: *purpose-driven*; *performance-oriented*; and *principles-led*. No doubt—these three phrases are very easy to say but incredibly difficult to execute. In this article I will identify many of the key ingredients that comprise each capability, and point to some of the things that prevent many companies from achieving this aspirational objective. To illustrate that this can be done, I will also offer a case example of a company that is well on its way in making this journey successfully. Like so many of the companies I have come across, this company had many positive attributes, but needed to put the final pieces of the puzzle together. By examining the elements that better define what comprises purpose, performance and principles, and by offering a look into a company's journey to build these capabilities, we'll make real progress in cracking the cultural code of what makes a company a great company.

MORE THAN JUST BUZZWORDS

Several years ago I conducted a major research project that led to a popular *Harvard Business Review* article called *The Power of Collective Ambition*. This work was the genesis of

the purpose, performance, and principles mantra that I have been intrigued by for the past four or five years. I have subsequently been engaged with many companies, helping them to integrate these three capabilities into a compelling and authentic Collective Ambition that has served as a platform for transformation and a vehicle for driving growth and innovation. As a central part of the dialogues that I've been involved in with these organizations, I've asked the leaders of the companies involved to elaborate on what each term means to them, and what challenges they face in building these cultural capabilities. The following is but a glimpse of what purpose, performance and principles means to their leaders.

- **Purpose-Driven**—our mission; why we exist as an organization, a sense of stewardship; a provider of meaning; sustainability; our contribution to society; what makes this place a special place...
- **Performance-Oriented**—creator of differentiated value; the discipline to make tough choices; a focus on outcomes for customers; owning it; meritocracy; focusing on profitable growth...
- **Principles-Led**—what we stand for as a company, mutual trust and respect; integrity; openness; humility; curiosity; diversity; team; accountability; doing the right thing; focusing on those we serve...

META-CAPABILITIES OF GREAT COMPANIES

PURPOSE-DRIVEN

PERFORMANCE-ORIENTED

PRINCIPLES-LED

WE AGREE, SO WHY IS THIS SO HARD?

When we look at the defining elements of each cultural capability, the immediate response is: *Yes, this seems about right, let's build our company on this foundation*. But real life has a nasty way of creeping into theoretical frameworks. If we agree that building a company that is purpose-driven; performance-oriented; and principles-led is a great idea, then what could get in our way of making that happen? If you've been in a leadership role of any significance or complexity you already know the answer: the embedded tensions and paradoxes that we face as leaders make coming up with easy answers seem elusive at best. I've seen a CEO of a world class services company fired for missing her performance objectives in just one year, at the same time this organization had a strong sense of purpose and a highly regarded set of guiding principles and values. Purpose-driven and principles-led but not performance-oriented. I've seen

senior leaders question their company's commitment to its core purpose of client service when the top executive team needed to make some tough decisions about cutting back on service levels temporarily due to margin pressures. I've seen highly visible leaders who don't live their company's values as well as they should be given disproportionately higher bonuses because they delivered strong performance in a quarter that mattered to the CEO's tenure that year. I've seen it—haven't you?

The great leaders of today's companies realize that there will be few perfect answers to the questions that will surface from employees concerning the embedded tensions their organizations face. The job at hand then is to artfully reconcile rather than definitively solve these questions, and engage employees in this process of reconciliation. They remain committed to and enthusiastic about pursuing the objective of being purpose-driven; performance-oriented; and principles-led, despite knowing there are no easy answers. Let's take a look at one company's journey to build these cultural capabilities in an era of widespread change and uncertainty.

PUTTING THE PIECES TOGETHER— RBC'S PURSUIT OF ITS COLLECTIVE AMBITION

Royal Bank of Canada (known more commonly as RBC) is a diversified financial services company, based in Toronto. It is one of the world's top 20 banks in the world, based upon market capitalization. RBC employs more than 85,000 people and serves 16 million clients in more than 35 countries around the world. While experiencing periodic and mostly minor setbacks, RBC has achieved an enviable record of strong financial performance against any peer group in the industry. It is also recognized repeatedly in annual surveys of Canada's CEOs as among the most admired companies in the country, and the *Economist* last year ranked RBC as the world's most trusted investment bank. And, by the way, RBC has been doing what it does exceptionally well for its clients for the past 150 years. By any measure this company has put it all together—right? Not so fast.

Dave McKay was appointed CEO of RBC in August 2014, following hugely successful leadership tenures that spanned more than two decades by the company's prior two CEOs Gord Nixon and John Cleghorn. Few observers would have criticized McKay for staying the course and following the paths cut by these iconic CEOs. Instead, the first thing that McKay did was to set out to shake the bushes—and to shake them hard. How did he do this? While still honoring RBC's incredible heritage of success and reputation, he essentially called into question the sustainability of these strengths without a total reexamination of RBC's place in the world and its competitiveness in an ever-changing environment. In other words, what McKay wanted everyone in the organization to ask was:

“What is it that makes this place a special place? Why do we really exist as an organization? What is our core purpose?”

For decades RBC had been a high performance company with a strong set of values—*performance-oriented* and *principles-led*, but McKay felt that still, something was missing—an abiding *sense of purpose* that would bring the organization together in order to make the transformation journey he felt the company needed to stay out in front. There was no doubt that RBC was already successful financially, but McKay argued that continuing to do what the company had been doing, albeit successfully, for the past 150 years was insufficient to keep RBC in the position of being a leading, game-changing company in the future. McKay argued that this was especially true since technological innovations in the industry were threatening a wholesale disruption concerning what a bank might look like and feel like as early as even ten years from now. Moreover, RBC already had a clear set of values that served as a touchstone for how employees would behave—both with their clients externally and with each other internally. But again, McKay argued that 85% of the employees who worked for RBC at the time he addressed the organization did not work for the company when those values were written down. He wanted to open up a dialogue about how applicable these values might be today, or if they at least needed refreshing.

“WHY DO WE REALLY EXIST AS AN ORGANIZATION?”

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CRACKING THE CULTURE CODE— AN AGENDA FOR ACTION

One of the reasons why it is so important to talk about purpose, performance, and principles together is because it is virtually impossible to think of these topics as completely independent variables. As such, McKay couldn't just announce that the company would create a purpose statement without an examination of what a compelling sense of purpose would mean for the company's employees, clients and communities around the world. This is where the hard work really begins. To embark on this journey meant first that McKay needed to make certain that he was committed to and engaged in this process, and fully intended to unleash the contributions of his 85,000 employees. Deep self-reflection then was the first order of business.

Once McKay and his top team were committed to the journey they had to find a way to make the pursuit of this ambition be a Collective Ambition. This was a months-long effort involving multiple layers of leadership and teams from around the world. People were asked a simple question: "What words or phrases best describe why RBC exists and what we stand for as an organization?". RBC's HR leaders (Zabeen

Hirji, the company's CHRO and Per Scott, one of RBC's HR VPs) led this part of the journey. They created a "heat map" illustrating the most oft-cited terms, and then followed this up with a two-day, online *Values Jam* where employees could engage in an ongoing dialogue with McKay and the company's leadership team. They had hoped for several hundred responses from employees. They received more than 17,000! Engagement and ownership had taken hold!

Finally, McKay and his team knew that excitement wasn't enough to bring about a change that would stick. He took the outputs from the surveys, discussions and *Values Jam* and created a living document—a Collective Ambition Compass, that outlined RBC's purpose, its key performance indicators, and its refined set of principles and core values. The top team all signed onto the Compass, indicating that they would use it as a touchstone for decision making in the future. And, while a transformation journey is never really a completed one, RBC is well on its way toward making this a successful one, because they thought hard and worked hard on understanding and then cracking the culture code of what makes a company a truly great company—one that is purpose-driven; performance-oriented; and principles-led. **TQ**