

December 17, 2018

**LOL: Culture is not a project**

Too many leaders assign culture a project status, as if it has a beginning, middle and end. Or worse, they assign it to HR because it's a "people project." Rookie mistake. A project mindset dooms culture.

FCG encounters this mindset all too often. CEOs start the culture journey with a diagnostic that reveals the current state of the firm. Where is the culture healthy, where is it in need of change? Our experience of this first phase is typically very positive. Investment leaders like data and analysis, so they enjoy taking apart the lengthy (sometimes over 100 pages) culture report. They enjoy the next step as well: debriefing at a Town Hall with the entire firm. FCG uses real-time voting devices to collect additional data further clarifying issues that surfaced in the initial survey. The current status of culture and key areas for attention are well highlighted by the end of this process. Furthermore, we ask all the staff members at the Town Hall—again through anonymous voting—if they wish to be a Culture Champion going forward. Typically, between 15% and 25% of a firm's staff will indicate interest.

The real change effort begins at this point.

The next step is that the senior team and the Culture Champions must define and align around the culture plan. As you can imagine, this process takes some time because now we are talking about behavioral change, not just intellectual understanding, i.e. "I understand what the preferred culture looks like, AND I am modeling it in my daily behavior." Specifically, language is a big part of culture change. Are the key values and behaviors well defined and is there specific language that all staff members learn and use? For example, readers familiar with FCG's work will know that "above and below the line" is a key concept in culture work. Successful culture change means that staff members are using this concept and the language.

After a session or two with the senior leaders and the Culture Champions, the word "project" often surfaces. We hear: "This culture stuff seems to be going pretty well, but we're really busy these days. So, when are we going to—wait for it—**wrap up this project?**"

Here's a quote from a recent exchange. The CEO said, "Let me tell you a story that captures my view. I have a personal coach. At the end of our most recent session he said, 'Now just go do it!' I think that's where our firm is now. We just need to go do it."

I listened respectfully to his story, then responded, "That makes perfect sense. FCG would advocate the same thing: you must take action on behavior change. The new concepts must be practiced." He nodded in agreement as I said this. Then I added this question, rather pointedly: "So, after your coach told you to just go do it, did you stop seeing him?"

The CEO responded, "No."

My ego of course delighted in winning a debating point. But more importantly, I said, "I don't think the staff is ready to simply take the reins at this point. We're making great progress but there's more to go."

The CEO was respectful but added, "I think we're suffering from culture fatigue. We have a lot of urgent priorities right now, which you are aware of."

This was a fair point. Like many investment firms, they are under intense competition in an ever more challenging industry. But from FCG's perspective, they are making a rather predictable mistake of assuming that culture is a "nice to have" rather than a "need to have" advantage. All the firms that FCG deems "Focus Elite" (i.e. firms that have strong cultures and excellent results) would argue that culture is a core competitive advantage. If you want to stay competitive and thrive in this environment, you must have a healthy, strong culture. (Note: 97% of investment professionals agree with this view.) To assume that culture can be placed on the back burner, while you get the "real work" done, is to fall into the trap of viewing culture as a project rather than a foundational piece. FCG believes that culture and strategy are the two key foundation pieces. Without excellence in both, you will fall behind. (Obviously, a firm needs to produce results, and in our experience strong culture and strategy drive superior results.)

When dealing with firms that believe the culture project is near completion, we will often ask if we can test that view with the Culture Champions, who have been involved in and "close" to the work. In general, two-thirds believe that the formal work should continue. And a third say, "enough." Translating this outcome into numbers at a firm, about 10% of the total staff remain strongly committed. And from FCG's experience, the senior team plus this 10% is plenty of critical mass to significantly move the culture needle.

The upshot of this "testing the appetite for more" exercise is that we recommend ongoing work with the senior staff and the still-committed Champions.

To put this discussion in context, many of the Focus Elite firms have worked with FCG for over a decade on building and maintaining a strong culture. A simple analogy is physical fitness. Becoming physically fit is not a project. It is a lifelong commitment. You don't get in top condition, check the box, stop working out, and then return to the sofa with chips. We all know the outcome of this initiative: a rather rapid decline back into poor physical condition. Likewise, culture requires rigorous training at first then maintenance over time. Otherwise it deteriorates. One of our Focus Elite firms experienced this recently. They had been a top culture firm—based on our diagnostic—but had relaxed their maintenance as their firm grew in size, nearly doubling head count. When the recent culture survey was performed—almost four years later—the firm's results had plummeted. Negative behavior (FCG calls it "sludge") had grown from nearly 0% to 20%. The CEO of this firm was shocked—and of course disappointed—but he recognized at once that they had fallen off the maintenance program. Fortunately, as with an exercise routine, you can always pick it up again. If you fall off the wagon, just climb back on. This firm is back with the program and well on its way back to excellence.

Some readers may be wondering, "Okay, so what are the beginning steps in a culture program." (NOT project!) The opening steps are:

1. Alignment and commitment of the CEO and senior team to building strong culture
2. Diagnostic to provide an assessment of where the firm is currently
3. Analysis and debrief of the results with the senior team
4. Summary results presented at a town hall for the entire staff

5. Senior team—often working with the Champions--creates a culture statement: Vision, Mission, and Values and Behaviors. (In some cases the current culture statement is sufficient and simply needs tweaking or more clarity)
6. Senior team begins their work to define and practice the newly articulated culture, which includes metrics like peer review on how effectively you build trust or practice the behaviors
7. Culture Champions begin their work to understand, practice, and teach the core values and behaviors. (A big part of this training is how to do it effectively without becoming the Culture Police.)

Firms that are serious about building excellent cultures realize that these steps require hard work and—like a fitness program—may involve aches and pains at the start. And they realize that the key is follow-through. Culture is NOT a project but a serious, ongoing commitment to create a winning mindset and code of conduct. If this all sounds like a bit too much, then open a bag of chips and lie down on the couch. But don't expect your tummy roll to disappear. Sorry. No pain, no gain.

Curiously,

Jim