LEADERSHIP

The leader's role in getting culture right

Leaders are pivotal in building a company's culture. The model below provides them with a structure to do so.

What does a leader need to do and think about in order to get culture right? How do you manage culture? 97% of investment professionals who took part in research by Focus Consulting Group (FCG), agree that "Strong culture contributes to success".

Strong culture attracts talent, improves morale, enhances decision-making, and increases client satisfaction, according to our clients. But getting this right is difficult.

To help leaders get it right, FCG has effectively used a model we call ESAR (experiences, stories, actions, results) for many years. The model starts with the basic question: What are we trying to achieve? What are the firm's goals? What results will satisfy our stakeholders (clients, employees and owners)?

Culture exists to support the firm's goals, so without the end in mind, culture efforts are misguided.

For our purposes, we'll assume that leadership has done its work determining the vision, mission, and strategy.

In other words, they've answered these questions:
■ **Vision:** *Where* are we going? What does success look like?
■ **Mission:** *Why* are we doing this work? What value are we adding?
■ **Strategy:** *How* will we get there? What is our path to success?

Culture answers the question: Who are we? What is our code of conduct? Our values?

ESAR helps leaders identify and shape culture to get it right. The three key pieces are:

1. Experiences
What do people experience in their everyday work life? These statements would be largely factual, such as, "I heard colleagues grumbling that no one speaks up in meetings." Another example might be: "I've never heard leaders explain how the bonus system works at this firm."

2. Stories
How do people interpret their daily experiences? What stories are created to explain the experiences?

In the first example above concerning candour, people

might create various stories:
a. The leader has intimidated team members so that they are afraid to participate.
b. The team is bored with the topics, they don't participate because they have no interest.
c. The team is ill-informed, so they can't contribute intelligently.

As humans, we naturally interpret our experiences. Nature abhors a vacuum and so do our minds. We fill the gap with our own interpretation, right or wrong.

3. Actions
The stories that are created will drive our actions. For example, if the people in the meeting feel that they will be punished for speaking freely, then they will be silent.

Managing culture becomes an exercise in understanding how the experiences and stories in your firm are driving actions (i.e. behaviour). Feedback is an important tool because often leaders will not know what stories are circulating unless they receive real-time information.

For example, during a conference offsite a participant said, "One of the reasons why so many of us are nervous is because we have heard rumours that our new CEO is here to sell the business." The CEO – in the room – was shocked by this statement.

His response was an unequivocal: "No, that is not why I was brought in." In relatively short order that inaccurate story was cleared up, and the tension dissipated.

So, an important job for leaders is to listen for predominant stories: knowing the "buzz." Then, reinforce the good stories – the ones that drive good results – and address the bad ones that hurt morale and performance.

Fixing the narrative
A common "bad" story held by staff members is that their boss does *not* want to be challenged. In other words, candour is not appreciated or supported in the culture. Sometimes, of course, the story is true. Some bosses do punish team members for pushing back on ideas. If that is the case, then the experience created by the boss needs to change.

The ESAR model is pointing to the "experience", not the "story" as the source of the problem.

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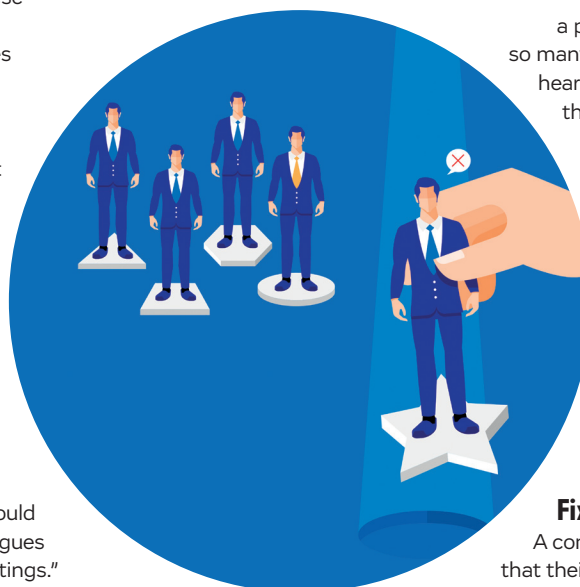
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On the other hand, we have often found that the story is inaccurate. Actually, the boss does want pushback but has given contradictory signals. She may roll her eyes or make a sarcastic comment when someone offers a different view. An effective way to correct this inaccurate story is for the boss to address it directly: "I do want to hear your views, even when they differ from mine. Please test me on this." Then as a skilful follow up, the boss can begin asking, "Does anyone see this point differently?"

Most importantly, the boss must align words and actions. When a different view is expressed, the boss must show clearly that she welcomes it. In the beginning, it is useful to make this point forcefully by mentioning later in the meeting that you appreciate so-and-so for their earlier pushback. In this way, the boss can correct the bad story and improve the dynamics of the team.

Managing mindsets

Managing culture effectively occurs when enough leaders and staff members understand and employ the ESAR model. Culture is the mindset of the firm. Mindset is the beliefs, opinions, expectations, and assumptions that are operative in a firm (i.e. the "stories"). The tricky part is that they are unseen. It is easier to correct culture violations that are seen, like coming late to work. It is harder to address the ones that are invisible, like distrusting your colleagues.

For example, the issue of distrust arose on one team because the leader was often absent, creating a story that he was selfish and detached from the team's success. The experience in this case was accurate: the leader was frequently away. And when the leader was present, he seemed uninterested in the team's work. The stories created by the team hurt morale and productivity.

We were asked to work with the situation and see if we could improve it. In interviewing the leader, we learned rather quickly that his wife had been diagnosed with late-stage cancer. They had three young children. The leader was in crisis. Rather than share this information with his team, he chose to keep it to himself.

When our interview was ending, we asked if he would be willing to share the news with his team. At first, he didn't see the point. It was a private matter, not involving work. We explained that in fact the situation was a work matter because he was taking time off and becoming detached from his duties. Rather reluctantly, this leader agreed to share his situation with his team. As you can imagine, this information had a profound effect on this team. The story that he was untrustworthy evaporated, and the team showed a genuine concern for him and a willingness to help in any way they could. By addressing the story, the leader resolved the situation. (There is a happy ending to this story. His wife has since recovered and remains in remission.)

Not all ESAR stories are this dramatic or so fully resolved. Nevertheless, the ESAR model is the core tool for addressing mindsets and behaviour in a firm. The best way to practice ESAR is to take situations at work and break them down into the components: experiences, stories and actions.

For example, say you overhear two colleagues gossiping that so-and-so got a poor job review because they saw him leave the HR director's office with an angry expression, muttering to himself. You can break down this situation as follows:

1. Experience: So-and-so was seen leaving the HR director's office.
2. Story: He was angry because he got a bad job review.
3. Action: Two colleagues then gossip about the event.

If your culture is built on trust and respect, then this action should be discouraged because gossip tends to erode trust. So-and-so would not be pleased with two colleagues spreading a story that he got a bad review. Whether it's true or not.

The proper action: find out the truth. Ask the person directly why he seemed upset after the meeting. Or, assume a good story. When you don't know the story, you get to make one up. In this case, you could make up a story that the conversation with HR had gone fine, but so-and-so had a bad stomach ache.

And, of course, refrain from gossip in all cases.

Too many leaders are passive around the experiences and stories that live in their firm. Actions and results are visible and therefore more easily addressed.

However, leaders who are unaware of – or unconcerned about – the underlying cause of the actions will not address the core issues. ∎

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MANAGING CULTURE: ESAR

EXPERIENCES	STORIES	ACTIONS	RESULTS
What are people experiencing in the culture?	What stories drive the actions?	What actions lead to the results?	What is our vision of success?