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## **LOL: Culture and teams**

How does a senior team build—or enhance—effective culture in their firm? FCG has been working on this riddle for two decades. As you can imagine, we’ve designed and revised our approach over time. In this blog, we’ll review our process and then add a new element: teams.

Our traditional approach starts with diagnosis. What is the state of the culture currently? Over the time period mentioned, we’ve upgraded our culture assessment to what clients believe is a very useful tool. Some of the elements include:

- The core values that the staff rallies around currently (“What we have”)
- The aspirational values that the staff would like to rally around (“What we want”)
- The firm’s ability to attract and retain top talent
- The staff’s level of engagement
- The staff’s view of culture tradeoffs, like: sales orientation vs. investment orientation (A balanced approach is fine. The point is: how does the staff view it?)
- The status of the firm’s purpose (compelling?) and its strategy (clearly understood?)
- Trust levels in the firm

Once the senior team has reviewed and discussed the results, we work with them to create a communication strategy for the entire staff, delivered at a Town Hall. The Town Hall serves several purposes:

1. Inform the staff about the current and desired culture.
2. Collect additional data using real-time polling. (Peeling another layer of the onion, after the initial results. For example, the staff wants more career development. Okay. What do they mean by that? Polling can further define what the staff is requesting.)
3. Present the senior team’s initial thoughts about follow up steps.
4. Finally, solicit volunteers who would like to be “Culture Champions” (CCs). The CCs become part of the culture initiative.

Senior leaders who wish to work on culture then team with the CCs to develop a culture statement which describes the desired culture: attitudes, values, and behaviors.

When these steps are completed, FCG uses a “Know, Do, Teach” approach to build/enhance effective culture in the firm. These phases are described as:

- **Know:** FCG works with leaders and CCs to develop the culture statement and clarify its meaning to all the culture change participants. This opening phase is designed to give participants all the knowledge and tools they need to be effective change agents.
- **Do:** Logically, the next phase is for the change agents to practice (“do”) the culture statement themselves and eventually evaluate themselves on their ability to model the core attitudes, values, and behaviors.

(Culture initiatives invariably fail when the change agents fall short of effectively modeling the culture statement.)

- **Teach:** When you teach something, you learn it more deeply. In the final phase, the change agents teach staff members the cultural norms.

Based on client feedback, this approach has worked well to improve culture. Of course, there are exceptions. Some firms have not seen improvement. The reason is usually the same: a lack of commitment by the senior team. For example, sometimes we hear, “When is this project finished?” Obviously, a red-flag question. Culture is ongoing. Firms must vigilantly maintain the advances. For example, the hiring process must carefully screen for cultural fits. And, once hired, new employees must be onboarded thoughtfully so they understand and practice the cultural norms. An analogy we use is maintaining a garden. If it’s not watered, fertilized, weeded and so on it eventually deteriorates.

All good, so what is the new insight about teams?

Teams leadership is the most effective means of transforming culture. Teams are the basic work unit in a firm. Employees identify with their teams much more than with the firm as a whole. The experience on their team is their view of culture. We see evidence of this phenomena in our culture surveys. Some functional areas can report cultural excellence, while others in the same firm can report just the opposite. Herein lies the problem. When you have culturally weak teams, their morale spreads to other areas of the firm. Contagion occurs. They infect the other areas. The rather colorful analogy we use is a public swimming pool, in which half the pool is designated as the “peeing section,” while the other half is the “non-peeing section.” Obviously, this approach does not work. Likewise, firms that allow some teams to violate cultural norms will soon see their culture decline.

The lynchpin is the team leader. And as we all know, the investment industry is not renowned for its excellent leadership. In many firms, good leaders are as rare as proverbial hen’s teeth. Therefore, our most recent insight: team leaders drive culture.

The solution, then, is to insist that all leaders who run teams must be part of the culture initiative. We no longer give passes to leaders—senior or otherwise—who indicate that they “are too busy” to participate in the initiative. Or, the ones who simply say that their engagement level for culture is low: “I’m all for a strong culture, but I’ll leave that to others.” Nope. For culture to be strong and effective, all leaders must be effective managers. Again, employees relate to their team, and if it is run poorly, then they experience bad culture. And, we are back to the swimming pool analogy.

So, as a C-suite member of a firm, your mindset must be; unless we have good team leaders, we won’t achieve a truly effective culture.

Team leaders should understand that culture building is a part of their role. They should have a working knowledge of teamwork. They should understand the basics, like the definition of a team:<sup>1</sup>

*A team is a small number of people with complementary skills who are committed to a common purpose, set of performance goals, and approach for which they hold themselves mutually accountable.*

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<sup>1</sup> HBR, *The Discipline of Teams*, pg. 3 by Jon Katzenbach, a well-known expert on leading teams.

And the elements that make teams highly functional:

*The best teams invest a tremendous amount of time and effort exploring, shaping, and agreeing on a purpose that belongs to them both collectively and individually. This “purposing” activity continues throughout the life of the team. By contrast, failed teams rarely develop a common purpose. For whatever reason—an insufficient focus on performance, lack of effort, poor leadership—they do not coalesce around a challenging aspiration.*

*The best teams also translate their common purpose into specific performance goals, such as reducing the reject rate from suppliers by 50% or increasing the math scores of graduates from 40% to 95%. Indeed, if a team fails to establish specific performance goals or if those goals do not relate directly to the team’s overall purpose, team members become confused, pull apart, and revert to mediocre performance. By contrast, when purposes and goals build on one another and are combined with team commitment, they become a powerful engine of performance.<sup>2</sup>*

Given FCG’s focus on metrics to track performance and progress, we use a Team Scorecard to measure a team’s functionality. The assessment reliably measures the level of effectiveness and engagement on a team. Researchers at Cisco used a similar assessment and found:

*Our study did show a statistically significant and meaningful difference between the best and the rest, suggesting that, at Cisco, the best teams harness the individual excellence of each team member, unlock the collective excellence of their team, and do so in an environment of safety and trust.<sup>3</sup>*

The authors go on to state the three things that good team leaders do:

*One way to think of these results is to imagine a team leader having three distinct jobs. Her first job is to ensure her team members feel connected to the purpose and the future of the company, even though she may not directly define those. Her second is to ensure that her team members, as a group, understand and support one another. And her third is to ensure that her team members, individually, understand what’s expected of them and how they can do their best work now and in the future, all while feeling recognized for who they are.<sup>4</sup>*

FCG’s experience indicates another factor: the right team members. Good cognitive diversity, high technical skills, and positive chemistry also are significant contributors. Team leaders must be willing to prune the team, so that team members agree, “I’ll go into battle with these people.”

Thus, team leaders must recognize that a set of skills is required to lead their teams well. Further, they should understand that they are a crucial vehicle for teaching and modeling effective culture. Lip service won’t do. Their team members must feel engaged.

Put simply: **strong cultures depend on well led teams with highly engaged team members. Good culture and good teams go hand in hand.**

And that’s why we’ve added teams to the formula for effective culture.

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<sup>2</sup> Ibid, pg. 8

<sup>3</sup> HBR, *Seven Things We Know for Sure at Cisco*, pg. 2, Roxanne Bisby Davis and Ashely Goodall

<sup>4</sup> Ibid, pg. 7