
Gallup's Approach to Culture

Building a Culture That Drives Performance

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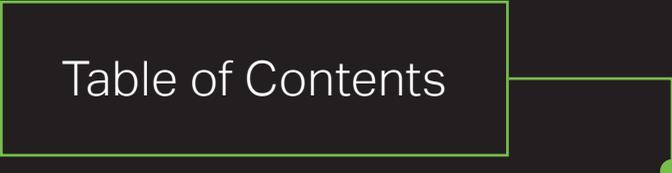
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Executive Highlights

Today's organizations face many challenges when it comes to building their culture — whether they are aiming to create a culture that is more inclusive, more innovative, more adaptable, more compliant or more digitally savvy.

Culture is key to unlocking an organization's greatest potential, yet senior leaders often struggle to identify and leverage the functional aspects of their organization's culture so its power can enhance their brand, improve business results and fulfill their organization's purpose.

Here are a few insights from this report based on Gallup analytics:

- **Culture is unique to every organization.** Every organization has a unique purpose and brand. Organizations that want to create or sustain a strong culture can only do so by understanding the ways in which *purpose*, *brand* and *culture* interact.
- **Culture attracts world-class talent to your organization.** The world's most successful enterprises clearly define, consistently execute and effectively align their culture throughout their organization, inspiring high commitment from employees. This approach to culture attracts talented employees and inspires them to consistently deliver on the organization's brand promise to its customers.
- **Culture creates alignment.** Culture makes the difference between engaged teams moving in different directions and engaged, aligned teams working toward a common goal.
- **Culture affects performance.** Organizations with a well-defined culture have a competitive advantage in the marketplace and are proven to improve performance outcomes across many measures.
- **Traditional culture surveys are not up to the task.** Leaders can shape and manage culture — if they identify and measure it correctly. Most culture survey tools put organizations into types or categories — but they cannot make the connection between a distinctive culture and business outcomes. Only a rigorous, science-based approach can validate that culture change is making a difference.

Gallup has been in the business of transforming organizational cultures for decades, helping to close the gap between where an organization is and where leaders dream it could be. Through a unique analytical approach, Gallup helps leaders define, achieve and sustain a strong culture that drives high performance.

Culture is key to unlocking an organization's greatest potential, yet senior leaders often struggle to identify and leverage the functional aspects of their organization's culture so its power can enhance their brand, improve business results and fulfill their organization's purpose.



Understanding Culture

What Is Culture?

Few things are as important — and sometimes as difficult to grasp — as an organization's culture. Senior leaders want to know what their culture is so they can use it to influence behaviors. Employees want to know what the culture is to determine whether they will "fit in." Customers want to know what to expect when they interact with employees. We all want to know where we came from, who we are and where we are going.

Not surprisingly, there are probably as many definitions of "culture" as there are people trying to define it. Some take a descriptive approach, defining culture in terms of its essential features, such as being "innovative," "performance-based" or "traditional." Others take a dynamic view, defining culture in terms of the interplay among different forces in the organization. Both of these approaches view culture as a sort of invisible hand that guides and shapes an organization.

We know there are endless definitions of the word itself, but Gallup believes that organizational culture simply comes down to **"how we do things around here."**

Gallup believes that organizational culture simply comes down to "how we do things around here."

Culture is unique to your organization.

What makes us different from everyone else?

Organizations spend a lot of time and energy self-diagnosing their culture and coming up with ways to change it. Frequently, they use standard surveys that force their culture into a predefined box or typology, categorizing it as "good" or "bad." These surveys neglect the unique aspects of each organization's culture. Just as importantly, they fall short of giving leaders an actionable path for achieving their ideal culture.

At Gallup, we take a functional approach to culture. Our experience has taught us that culture and its components are inherently neither good nor bad. Culture is emergent — unique to each organization. Each organization has its own history and goals for the future, and its culture should be true to both.

Defining the culture you want is the first step — and probably the easiest — on the cultural journey. But the "why" and "how" of an organization's culture matter most.

Culture begins with your purpose.

Why do we exist?

An organization's purpose should be a bold affirmation of its reason for being in business in the first place — from historical, ethical, emotional and practical perspectives. The purpose is the organization's compass, telling it why it's here and where it's going.

While an organization may neatly sum up its purpose in a mission statement, few mission statements (e.g., "To become the company of choice among our employees, our customers and our shareholders") actually represent the company's deepest identity. Gallup analytics find that when it comes to communicating an organization's purpose, words don't matter nearly as much as actions do.

Although most business leaders can articulate their organization's purpose, most employees feel disconnected from it. Gallup research shows that, across all industries, **41% of employees strongly agree that they know what their company stands for and what makes it different from competitors.**

This disconnect from an organization's purpose has direct consequences for employees' everyday work. **Less than half of U.S. employees — four in 10 — strongly agree that the mission or purpose of their company makes them feel their job is important.**

Notably, however, organizations that have invested in intentional cultural transformation achieve more than double that figure. Organizations that successfully embed a strong purpose into their culture go beyond communicating their purpose internally — they find ways to “live it.”

When it comes to communicating an organization's purpose, words don't matter nearly as much as actions do.

Culture determines your brand.

How do we want to be known to the world?

Successful organizations make a compelling brand promise to their customers — a commitment to quality, a standard of service, etc. — that differentiates them from the competition. Without a compelling brand promise that motivates customers, culture also seems undefined and feels uninspiring, making it unlikely that it will significantly affect business performance.

If organizations make bold brand promises but fail to deliver on those promises, the result is equally devastating. Unfortunately, this situation is all too common: According to Gallup's research, only **26% of U.S. workers believe their organization always delivers on the promises they make to customers.**

The cause of this failure is that customers and employees are disconnected from the brand. An organization's employees are responsible for translating brand promises into the reality that customers experience. In other words, the degree to which employees convey their organization's brand promise heavily influences customer experiences, for better or worse.

In spite of this reality, most organizations are lagging behind in internally communicating, socializing or differentiating their brand. As mentioned before, less than half of U.S. employees (41%) strongly agree that they know what makes their organization's brand different from that of competitors. But what difference does that make? A big one. An organization's performance improves when employees understand what differentiates their organization's brand: **Among employees who rate their team's performance as excellent, awareness of brand distinctiveness increases to 65%.**

The stakes for competitive organizations are even higher today than in past decades, as the purpose of an organization is a main reason that workers, especially millennials, switch jobs. **Seventy-one percent of millennials who strongly agree that they know what their organization stands for and what makes it different from its competitors say they plan to stay with their company for at least one year. That number falls to 30% for millennials who strongly disagree.** In short, if your employees don't know why you exist, they are likely to leave.

Culture brings your purpose and brand to life.

How does work get done around here?

Culture is the organization's GPS, giving its employees routes and pathways for living the organization's purpose and delivering on its brand promise. But unlike a typical GPS system, culture is not always obvious. It is communicated regularly by what leaders say but even more importantly by what leaders *do* and the *decisions they make*.

The most successful organizations that Gallup has studied don't see building a culture as a stand-alone initiative or program; instead, they develop a culture with an aspirational approach of *bringing the organization's purpose to life and creating a brand that uniquely meets customers' needs*. They make reinforcing their culture a constant priority, and they reward employees whose work supports their aspirations.

Why Culture Matters

Culture is the unique way that your organization lives out its purpose and delivers on its brand promise to its customers. For this reason, a strong culture functions as a differentiator in the marketplace.

It is the special way you attract customers, retain them and turn them into brand advocates. It's also the way you attract highly talented employees and turn them into brand ambassadors. In our experience with clients, **employees and teams who most align with their organization's culture consistently perform higher on internal performance metrics than those who least align.**

Culture attracts world-class talent to your organization.

Your organization's reputation is a primary reason why highly talented individuals want to work for you. Especially along millennials, a strong purpose and mission are important factors for determining where they work. People want to work for an organization that lives out its mission every day. Growing and maintaining a consistent culture across all business units is essential for winning over elite workers.

Culture creates alignment.

Organizations gain momentum when their employees are aligned — moving in the same direction toward the same goal. This momentum allows them to deliver a seamless, differentiated customer experience while creating a compelling employee experience.

Alignment means that everyone — from current and prospective employees and customers to shareholders, industry influencers and members of the media — thinks and talks about the company in the same way. It also allows the culture to provide direction for leaders, managers and individual contributors, clarifying how to prioritize their time, energy and resources.

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Culture focuses engaged employees.

We are often asked, "Is employee engagement the same thing as culture?" The answer is no. But they heavily influence each other.

Fundamentally, employee engagement centers on meeting essential employee needs. It helps leaders and managers focus on the actions that matter most to their team members and aims to create employees and teams that are poised for high performance. In this way, achieving high employee engagement is an important method for driving a high-performing culture and accomplishing the goals of the organization.

Culture, on the other hand, is a pervasive force that influences the way people work together, how decisions get made, which behaviors are rewarded and who gets promoted. Culture sets the tone for a workforce and can be a major influence on whether an employee is attracted or not attracted to a company.

In short, engaged employees are the fuel for your organization. Culture — driven by purpose and brand — sets the *direction*.

When their basic needs are not met, employees can be a barrier to changing a culture. On the other hand, when employees are engaged, they are more willing to buy in to changes and well-communicated messages.

Culture affects performance.

Because culture is difficult to define, it is often seen as “soft” — only loosely related to hard dollars and cents of business fundamentals. Gallup has discovered that this view is far from reality.

Our research shows a direct link between employees' understanding of their organization's purpose and culture, and measures of business health. Among U.S. employees, four in 10 strongly agree with the statement, “The mission or purpose of my company makes me feel my job is important.” **By moving that ratio to eight in 10 employees, organizations could realize a 41% reduction in absenteeism, a 50% drop in patient safety incidents and a 33% improvement in quality.**

While the benefits of a strong culture are obvious, it is worth noting that not all culture considerations necessarily drive performance metrics. For example, an organization's leaders may highly value having a “fun” culture. But does a fun culture actually drive business performance? It depends. That's why connecting culture metrics to internal key performance indicators is essential.

Our research shows a direct link between employees' understanding of their organization's purpose and culture and key measures of business health.

Culture can improve the following key performance goals of an organization:

- strengths
- diversity and inclusion
- safety
- innovation
- compliance
- high performance

To gain the benefits of a strong culture, leaders must correctly identify, measure and regularly monitor both their organization's culture and its relationship to its most important performance metrics.

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Building
Culture

Symptoms of a Broken Culture

A culture-related crisis reaches the executive team: The promises of a recent merger or acquisition fail to materialize. An expensive effort to create a new mission, purpose and values has little effect on employees. Or a bad customer experience goes viral in the media, leading to renewed self-reflection and self-evaluation.

Most leaders would agree that they want a better culture. They may even be able to describe the exact culture they want to create. Yet, for most organizations, culture change remains elusive.

Sometimes culture problems are not initially seen as culture problems at all. They may simply seem like a general but growing feeling of unease that "we are not who we once were." Warning signs may include:

- an eroding identity in the marketplace and within the organization
- declining customer engagement feedback
- the inability to attract world-class talent
- difficulty driving organic growth based on customer-employee interactions
- leadership initiatives stalling out

At its most extreme, dysfunctional culture eats away at your customer base as they lose trust in your brand promise or no longer share it with friends. And it eats away at your talent as employees fail to see the purpose of their daily work.

Why Culture Change Fails

What is typically called a "toxic culture" is most often a confused culture.

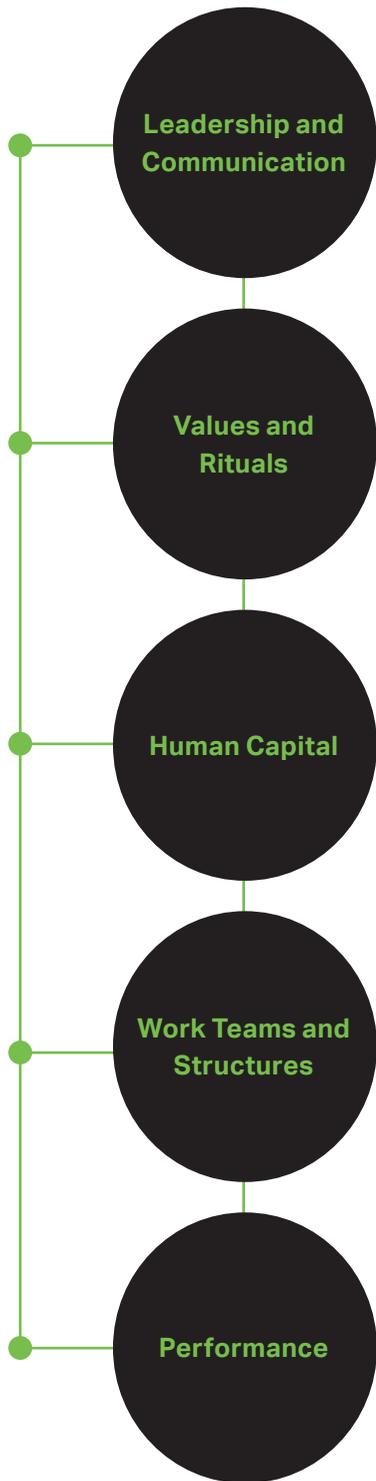
Culture becomes confusing when different aspects of your organization communicate conflicting messages. Marketing messages do not match employees' performance incentives. Onboarding information for employees does not match guidance given in management training. Or, leaders' behaviors do not match expected employee behaviors.

Culture becomes confusing when different aspects of your organization portray conflicting messages.

Misalignment is also why most culture change fails in organizations. New initiatives often change only one aspect of the culture while leaving the rest of the system intact. Or they remain superficial and do not change the hard rules of the culture, such as organizational structure, performance incentives or management expectations.

When executive teams fail to see their culture holistically and fail to identify the primary drivers of their desired culture, the result is a patchwork approach that does more harm than good.

THE FIVE DRIVERS
OF CULTURE



The Five Drivers of Culture

What are the primary drivers of culture, and how can leaders use them to accelerate culture change?

Based on our decades of experience with organizational change and transformation, Gallup has identified the five most significant drivers of organizational culture. These drivers collectively shape how employees conduct themselves, make decisions and accomplish their work.

Leadership and Communication

The way an organization's leaders define, display and communicate an organization's purpose and brand influences whether employees will exemplify those values, especially with customers. Actions always speak louder than words, and the most influential messages are conveyed by leaders' actions.

Leaders may tell their employees they want their organization to be innovative and offer cutting-edge products and services to their customers, but if they don't back up that spoken desire with supportive actions, misalignment occurs and culture suffers.

Actions always speak louder than words, and the most influential messages are conveyed by leaders' actions.

When Gallup conducted focus groups with a company in this situation, we discovered that mixed messages to managers stifled the innovation that company leaders claimed to want. Top managers said they were reluctant to take the risks required to be innovative because the company didn't reward risk-taking; managers feared that failure would be fatal to their career. A typical response was, "I'd rather stay just under the radar and do the same things as last year because that almost ensures I'll be here in five years. But if I take a risk, I might not be here next year."

Another type of mixed message happens in call centers. Company leaders often tell their call center employees, "Customers come first, so take the time you need to ensure you're solving customers' problems." This sounds good in theory, but in practice, most call center employees' performance is rated based on their "handle time," or the average number of calls they complete in an hour. If employees don't meet a standard rate, they're considered poor performers regardless of how well they solved customers' problems.

But some organizations get leadership and communication right: A major insurance company, for example, celebrated a call center employee who stayed on the line with a customer for more than an hour because that customer was going through a difficult time and needed someone to talk to. The call center representative was recognized for providing exemplary service, demonstrating the company's commitment to its customers and exhibiting behavior consistent with the organization's purpose.

Values and Rituals

Common and important social interactions offer a way to communicate an organization's desired identity and create occasions that strengthen it.

When it comes to organizational culture, values and rituals set and reinforce the tone for how employees interact with others when representing the organization. Values should be relevant to employees in everything from day-to-day tasks to meetings for the entire organization.

Recognizing work that highlights specific values communicates an organization's desired identity to employees, fostering a culture focused on what matters most to the company. For example, if an organization's identity includes a commitment to innovation, leaders should use organizationwide meetings to recognize workers who excel in new product development.

The problem is that most organizations don't successfully tie values to individuals' daily work. Our research shows that **just 23% of U.S. employees strongly agree that they can apply their organization's values to their work every day, and only 27% strongly agree that they "believe in" their organization's values.**

These findings should be alarming to leaders, as they raise fundamental questions about whether workers buy in to their organization's culture.

Human Capital

Organizations must select, engage and develop employees in ways that reinforce the organization's purpose, brand and culture.

Too many organizations establish and deliver their selection, engagement and development programs independently of each other, leaving employees without an understanding of how their programs collectively reflect and support the organization's culture. This approach is a major contributor to misalignment.

For example, a new employee might be attracted to an organization because it promises a culture of autonomy, but when they start, they are met with a demanding manager who micromanages projects. This experience is not only disengaging, but it's also disingenuous: The organization promised its employees one experience but delivered something else.

Additionally, selection and onboarding programs should identify unique types of people and talents that make an organization's culture and brand come to life. For example, an organization that Gallup worked with in Australia measured not only the talent of applicants for open jobs, but it also examined how each applicant's personality aligned with its desired culture. Subsequently, each hire the organization made naturally reinforced its culture.

Throughout the entire employee life cycle, from attraction and hiring to onboarding, development and promotion, organizations need to be consistent when delivering messages about what is unique and important to their organization.

Work Teams and Structures

An organization's internal structure should support its desired culture. Structure dictates who communicates with whom, how frequently and on what topics. Processes and structures also affect how customers and employees perceive and experience the organization.

Many organizations maintain structures and processes based on what has been done in the past rather than designing internal structures that bring their purpose to life and offer a competitive product or experience to customers. By intentionally crafting a corporate structure with purpose, brand and culture in mind, leaders can inspire employees to uplift the organization's desired identity.

For example, if a brand promises a relentless focus on customer service but customers who need support are constantly shuffled from representative to representative when they call for help, organizations can't expect customers to feel like they've received the highest level of personal service.

If a business goal is to produce a stream of innovative products, the organization's engineering, design, communication, marketing and customer service teams must be structured to encourage frequent interactions that, in turn, promote a steady stream of new, commercially viable ideas.

Performance

One of the most powerful influencers of human behavior is recognition. From goal setting to accountability to pay and other rewards, performance management practices must support an organization's purpose, deliver on its brand promise and reinforce its desired culture. When these are not in sync, misaligned measurements and incentives create conflicts of interest, confusion and inconsistency, which can translate into inconsistent experiences for customers.

For example, many of our clients state that they have a "customer first" mentality; however, customer-related metrics are not part of their employees' performance evaluations. While not all employees are customer-facing, leaders and systems should identify which aspects of the customer experience employees contribute to or are responsible for and then hold them accountable for those behaviors. This may mean that some employees should be held accountable for internal customer experience.

Similarly, some organizations' incentives are not in line with the values and desired culture of the organization's leadership. For instance, some organizations state that they want a highly collaborative culture, yet their employees are held accountable for and recognized at an individual level only. In the absence of well-balanced metrics and evaluation practices that assess individual achievement along with team collaboration, employees can become overly focused on their personal commitment and ignore the behaviors that cultivate strong partnerships.

The power in changing a culture lies in activating and pulling the right levers within these five drivers. When leaders and managers begin to live out a clear, consistent, aligned culture that inspires high commitment, employees begin to believe in and live out the organization's purpose in their daily work, ultimately delivering on their brand promise in a genuine and powerful way.

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Measuring Culture

Why Generic Culture Surveys Don't Work

Many culture survey tools attempt to fit organizations into certain cultural "types" based on predetermined views of "good" or "bad" culture.

By forcing an organization into a predefined box, these surveys fail to identify what is different about an organization. Instead, they direct it to be the same as others, causing it to lose its uniqueness in the process. If culture is unique to each organization, it must be self-defined — not merely categorized.

Furthermore, these surveys do not approach culture functionally — that is, culture as an organization's unique purpose and brand brought to life. Generic surveys leave leaders unclear as to which actions to take after they share the results with their associates.

If culture is unique to each organization, it must be self-defined — not merely categorized.

Finally, standard surveys compare organizational culture with external benchmarks rather than the leadership's own aspirations and goals. While these benchmarks might reveal how an organization compares with a generic standard, they fail to highlight what is most fundamentally unique and valuable within an organization's culture.

For example, many organizations identify "customer centricity" as part of their goals. But the ways they can achieve customer centricity vary tremendously by industry, market segment, product or service offering, and other variables. So, on a journey toward customer centricity, limiting measurement to standard items promotes only the most generic changes. It provides no gauge of progress toward a *differentiated* and *valuable* customer proposition.

Organizations need an approach to culture that is flexible enough to appreciate organizational distinctiveness, meaningfully tied to internal business processes and grounded in scientifically rigorous research.

A Holistic Alternative

Leaders ask Gallup, "What makes us unique? What are our strengths? And how can our culture drive our performance?"

They want to know the fundamental contributors to culture and how to move from insight to action. They want more than just another employee survey. Instead, they want to measure the aspects of culture that actually make a difference to their business outcomes.

Four Phases of Culture Change

- 1) Understand the current state of your culture.
- 2) Define the gap between aspirational and actual culture.
- 3) Align activities, initiatives and systems.
- 4) Establish accountability and ongoing evaluation.

To help organizations define, achieve and sustain a strong culture that drives high performance, Gallup uses a holistic approach to measurement and management, relying on quantitative, qualitative and observational aspects of research, as well as a clear action plan.

Understand the current state of your culture.

In the first phase of our analysis, we talk with leaders across the organization to help them align regarding their desired culture. For a company to successfully change its culture, leaders must be unified about what their aspirational culture truly is.

Define the gap between aspirational and actual culture.

In nearly all organizations, a gap exists between what leaders say their organization's values and culture are and what they actually are, according to employees. In the second phase, we evaluate areas of alignment and misalignment between leaders' desired culture and the culture that employees experience.

We provide leaders with a report indicating areas of consistency, alignment and clarity and reveal potential barriers to commitment. Our Strength of Identity Report compares leaders' aspirational culture with the culture that their employees experience. It also includes other metrics such as employee engagement and organizational performance data when available. This report provides a quantitative understanding of the often elusive relationship between culture and performance.

Align activities, initiatives and systems.

Changing a culture requires leadership buy-in and commitment. For this reason, we involve leaders in the third phase of work as we examine and discuss the findings within the Strength of Identity Report.

We work with leaders to develop an action plan for changing and shaping cultural expectations. For some organizations, this means realigning performance metrics to the desired purpose and brand; for others, it starts with improving their communication of key messages.

Regardless of an organization's starting point, our goal is to identify how quickly it wants to move and to cocreate a road map to get there.

Establish accountability and ongoing evaluation.

In our experience, changing culture takes time. While organizations who work on improving employee engagement often see positive results within one year, those who work on changing company culture usually see the strongest gains in three to five years.

To make consistent progress, Gallup and an organization's leaders establish effective monitoring and accountability metrics. Gallup offers a number of standard metrics, as well as customized metrics, to monitor and assess progress toward the desired state.

Consistently monitoring the right aspects of a company's culture is the most important step that organizations can take over the long term. Scientifically based measurement assesses how purpose, brand and culture are moving together — by geography, by business unit and by role. Effective measurement and monitoring tools identify business units lacking a strong connection to the aspirational state and identify units that are particularly susceptible to risk, whether it be turnover, low productivity, or compliance or customer service problems.

Consistently monitoring the right aspects of a company's culture is the most important step that organizations can take over the long term.

Leadership, with Gallup's guidance, should analyze culture metrics alongside other measures, including employee engagement and your organization's unique key performance indicators. It is only then that you can verify the ROI of your investment into changing culture.

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Your Partnership With Gallup

From Analytics to Action to Performance

Gallup helps organizations achieve their highest potential by bridging the gap between aspiration and reality. Through in-depth research and a practical action plan, Gallup's partnership paves the way for creating and sustaining a purpose, brand and culture that are clearly understood, consistently executed, effectively aligned and fully supported.

Through our analysis, we help executives answer important questions such as:

- How well do our purpose, brand and culture align?
- How clear are our purpose and brand to employees and customers?
- Are employees truly committed to our culture?
- Does our culture drive performance?
- Is our culture consistent across all units?
- Does our culture influence employees to do what is best for customers?

Our approach is based on a holistic method of measurement and management that helps leaders create a competitive advantage in every area, from recruiting and retention to productivity and profits.

Through Gallup's analytics and advice, leaders can accelerate their business performance and empower their employees to become an unstoppable force.

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GALLUP®

World Headquarters

The Gallup Building
901 F Street, NW
Washington, D.C. 20004

t +1.877.242.5587

f +1.202.715.3045

www.gallup.com