



Human Resource Management System

Mindset: a powerful booster of the performance of an organisation

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Today's economic and social environment is changing very rapidly; markets are increasingly global, deregulation is taking place everywhere, deflation (except for oil and its derivatives) is common in many sectors. The war for talent once again is at an all time high making it difficult to attract and even more difficult to retain talent. The shelf life of any product has dramatically reduced, consumers are becoming more discerning and their behaviour is increasingly unpredictable. Evidence of these changes are ever present in our daily life.

In such an environment, organisations are forced to continuously change by rethinking their business models, redesigning their product lines and reformulating their approach to markets and customers. The result is that very few of the organisations that were lauded as the champions of performance[1] five or ten years ago[2] are still considered so today. The few champions that have remained at the top are the likes of General Electric, Wall-Mart and IBM which have been able to constantly outperform their respective peers in the industry. The questions that clearly arise are: what do these organisations have that others do not have? What are the underlying factors that allow these organisations to consistently lead the way in their industry sectors?

In the last few years an increasing number of business leaders and management scholars have recognised that the collective attitudes and the mindset of a corporation (also referred to as 'corporate culture') can have a significant impact on the overall performance of an organisation[3]. Jack Welch, the legendary CEO of General Electric has stated on numerous occasions that a company can boost productivity by restructuring, removing bureaucracy and downsizing, but it can not sustain high performance without a strong culture. In fact, General Electric under Welch's leadership has been able to transfer and apply their culture into all the acquired companies raising their performance significantly within a short time, allowing GE to sustain continuous stocks with a value growth in double digits. Furthermore, scholars such as Kotter and Heskett[4] have brought additional (empirical) evidence that a link exists between performance and culture. They conducted a macro-level analysis on companies from 22 different industries and compared samples of 'strong culture companies' with 'weak culture companies' and found out that companies with a strong culture have a much higher likelihood of outperforming their peers in the industry.

The question is then, what are the characteristics of a 'strong corporate culture'. Although corporate cultures are by definition all very different from each other, some common cultural traits can be identified. In fact, high performing organisations seem to share the following traits:

Complete alignment around the vision and the core values of the organisation, meaning that most members of the organisation can articulate clearly where the company is heading and the path to get there, as well as fostering a shared understanding of core values. In these organisations, it is common to find at all levels members who can clearly answer the question "what is the strategy of the company and what is my contribution to it?"

Focus on execution which means that each member is focused on what he/she is supposed to do and is doing it to the best of his/her knowledge and capabilities. In practice, most members of such organisations are more focused on finding and implementing solutions rather than pointing out barriers to execution.

Strong accountability where both collectively and individually performance (through objective systems) is evaluated to ensure that people are accountable and take responsibility for business results. Typically, organisations with this cultural trait will have a few selected key performance indicators (KPI), that everyone shares, understands and are accountable for.

Capability of renewal where everyone has the skill and the courage to propose and change direction if there are ways of creating more value by doing new things. Or even new ways of doing the same things. In these organisations, simple processes are clearly defined to allow anyone to propose and evaluate ideas either about continuous improvement or radical change.

Finally, the question is; how do high performing organisations develop the above-mentioned cultural traits? In most cases these cultural traits are formed over a period of time, mainly due to the presence of a strong leader (e.g. Jack Welch, Sam Walton) who through his actions and those of his immediate executives has shaped and inspired the whole organisation to drive better performance. This generally takes years and the challenge for the company is then to survive these exceptional leaders. Surprisingly, such a challenge is addressed almost naturally, since these cultural characteristics have been so long nurtured and deeply entrenched that they have become part of the company's DNA. The Jack Welch way then simply becomes the GE way.

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