Strategy Management Maturity Deep Dive: Culture and Values

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The Strategic Management Maturity Assessment (SMMA) is designed to be inclusive, making it easy for all levels of the business to indicate how they assess the organization on the five levels of Strategic Management Maturity. You'll find the definitions of the eight dimensions of strategic management and the five levels of maturity in the appendix section.

For the Culture and Values Dimension, SMMA asks these questions, to be ranked on a Likert scale from 1 to 5. The respondent indicates how she or he has observed Leadership's actions regarding Strategy Execution for the Culture and Values dimension.

Dimensions	Level 1: Ad Hoc and Static	Level 2: Reactive	Level 3: Structured & Proactive	Level 4: Managed & Focused	Level 5: Continuous Improvement
Culture & Values	Values & vision undefined or not shared	Values & Vision published, but not lived	Values & Vision communicated & understood	Values & Vision collaboratively developed	Values & Vision fully integrated into organization culture

Culture and Values Dimension

"Like it or not, you are always leading by example" (Schrage, 2016)[1]. This dimension refers to the organization's culture and values, and it addresses leaders' and employees' shared understanding and agreement with the stated values. Most organizations put up a list of high-sounding words but don't necessarily follow them--that is, they're just words as opposed to actions the organization embraces.

What distinguishes an organization's maturity is the degree to which those values are communicated, understood, and practiced – by the leader as well as all employees. The hallmarks of a mature workforce culture and values include:

- Thoughtful applications of change management principles and practices by the leadership
- Employees who exhibit a high degree of ownership regarding the organization's vision and values
- Employee participation in shaping the organization's culture and ways of working
- A high level of trust, transparency, and freedom to communicate with candor, as opposed to a culture of fear and denial. (Trust was referenced in the whitepaper, *Strategy Management Maturity Deep Dive : Leadership*)
- The ability to embrace flexibility and willingness to change and align with new strategic priorities
- A high level of employee awareness and adherence to stated values and policies

By proactively cultivating this culture, (Taylor, 2017)[2] posits that you have an opportunity to align the behaviors of your people with the results that you desire, regardless of where your culture is on the spectrum right now.

Everyone has a culture. Within your culture, you have values, which are the things that you care about. Behavior is the result created from living and acting in line with your values. Culture is a combination of values and behaviors. But you'll encounter observable speedbumps as you work through culture and values combinations.

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Observable Speedbump 1: Culture and Leadership – Who's Driving the Bus?

One of the aspects of culture and leadership is how both elements are tied to where the organization is regarding its growth. The function of leadership as stated by (Schien, 2017)[3] is to manage the culture. But what we mean by leadership has to be understood in the context of organization or group's growth stage.

Leaders as entrepreneurs, prophets, and politicians create new groups, organizations, and movements, thereby creating new cultures. But once organizations have successfully established themselves, their beliefs, values, norms, and basic assumptions (that is, once they have created a culture), the culture will now define what kind of leadership will be valued and tolerated. The leader's role now shifts to maintaining and consolidating the existing culture. Whereas leaders initially defined the basic values of the culture, the culture now defines the desired characteristics of leadership!

(Schien, 2017)[3] continues, stating that cultures that are nested within other cultures create dynamic, changing environments for one another. Organizations may then find themselves with beliefs, values, norms, and basic assumptions that are—to some degree—dysfunctional and will thus typically require some "culture change." It will now fall to leadership to again identify the problem, assess how the existing culture will aid or hinder the required changes, and launch what can now be appropriately called a "culture-change program." The leaders must manage the direction of the evolution of the culture.

This aspect of culture and growth can be illustrated by (Baghai, Coley and White, 1999)[4] in Figure 1.
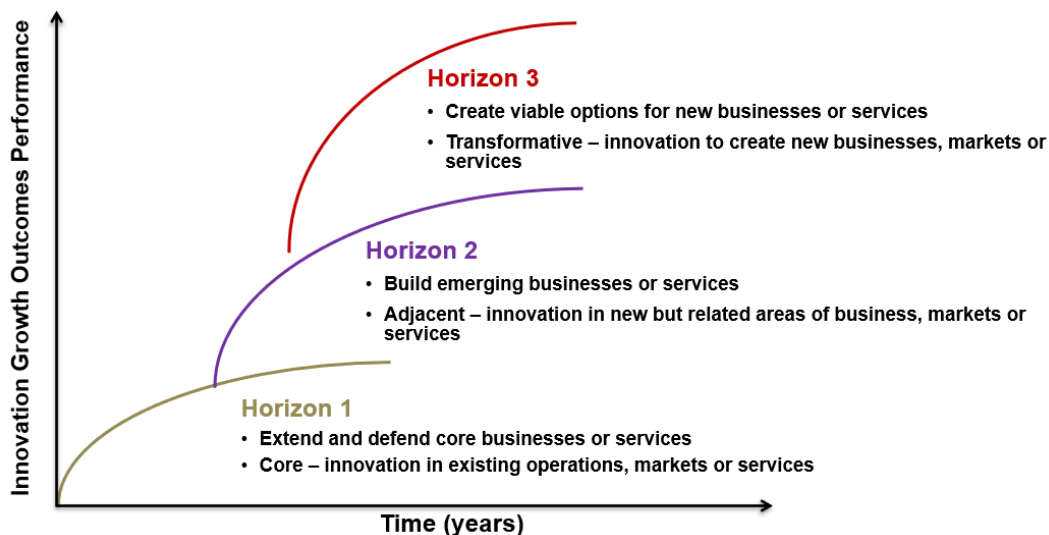

Figure 1: Horizons of Innovation Growth Outcomes

As organizations evolve in their needs to change within the horizons as shown in Figure 1, leadership will be confronted with the question of how it must alter its approach to achieve the organization's desired performance outcomes. Over the years, we have seen evidence of these changing cultures while working within the horizons when door entryways have signs that read, "You are Entering the Skunkworks Domaine," or "Park Your Biases to Change at this Doorway," or "We Think Differently in Here."

Observable Speedbump Observed 2: Do Values Need to Change?

Over several years, we have been approached by clients that felt they needed to revisit their values. They had experienced many changes in their respective business sectors and felt that their organizational values had not kept up with business sector needs.

Culture and values are explicitly linked at the organizational level. While individual values are present in everyone, leadership is tasked with nurturing a culture based on the values the organization needs to be successful. Changes along the business landscape have awakened the organization's need to realize that it needs a values change to remain competitive and relevant in its business sector.

(Waterman and Peters, 1982)[4] stated that every excellent company we studied is clear on what it stands for and takes the process of value shaping seriously. In fact, we wonder whether it's possible to be an excellent company without clarity on values—along with having the right sorts of values.

By the way, (Waterman and Peters, 1982)[5] also reported on a technique, Managing by Wandering Around, which provided the Waterman and Peters research data that the technique has a profound impact on strengthening culture and values-in-play recognition. If you don't know the technique, I highly recommend reading up on it. Also, note that the wandering can be physical or digital.

(Barrett 2014)[6] reinforces the need to revisit and understand the clarity of organizational values. There are four principles that need to be understood in relationship to culture and values. They are:

- Cultural capital is the new frontier of competitive advantage
- Organizations don't transform, people do
- Organizational transformation begins with leaders' personal transformation
- Measurement matters: Whatever you measure (focus your attention on a regular basis) tends to improve

(Barrett, 2014)[6] continues, stating that when you measure and map the values of an organization on a regular basis and act on the results, you will not only see a shift in values and behaviors but also a shift in the organization's culture. This shift will be evolutionary in nature—from a focus on the lower levels of organizational consciousness to a focus on full-spectrum organizational consciousness, where all levels of consciousness are fully reflected in how the organization operates.

There is no better example of how to conduct a total bottom-to-top retooling of company values, which continues today, than the IBM Corporation's ValuesJam in 2003. (Hemp, P. and Stewart, Thomas A., 2004)[7] interviewed then-CEO Samuel Palmisano on the history behind the need for the retooling. I, personally, can remember the ValuesJam and the condition of IBM because I was an employee of the company from 1985 until my retirement in 2009. So, you might say I was on the "front lines" of IBM's retooled values at the time.

In July 2003, IBM conducted a 72-hour experiment whose outcome was as uncertain as anything going on in its research labs. Six months into a top-to- bottom review of its management organization, IBM held a three- day discussion via the corporate intranet about the company's values. The forum, dubbed ValuesJam, joined thousands of employees in a debate about the very nature of the computer giant and what it stood for.

The question of what was worth preserving and what needed to be changed was at the heart of the ValuesJam. In 1914, when the company was making tabulating machines, scales for weighing meat, and cheese slicers, President Thomas Watson, Sr., decreed three corporate principles, called Basic Beliefs: "respect for the individual," "the best customer service," and "the pursuit of excellence." Theiry beliefs would inform IBM's culture and help drive its success for more than half a century.

By 2002, when Palmisano took over as CEO, much had happened to Big Blue. In the early 1990s, the company had suffered the worst reversal in its history. Then, under Lou Gerstner, the company fought its way back, transforming from a mainframe maker into a robust provider of integrated hardware, networking, and software solutions.

Palmisano felt that the Basic Beliefs could still serve the company but now as the foundation for a new set of corporate values that could energize employees even more than its near-death experience had.

After—and even during—the jam, company analysts pored over the postings, mining the million-word text for key themes. Finally, a small team that included Palmisano came up with a revised set of corporate values. The CEO announced the new values to employees in an intranet broadcast in November 2003: "dedication to every client's success," "innovation that matters—for our company and for the world," "trust and personal responsibility in all relationships." Earthshaking? No, but imbued with legitimacy and packed with meaning and implications for IBM.

Palmisano, in his interview with Hemp and Stewart, pointed out why the values had to change. The one interview question reply that resonated with me, and many other IBM employees all knew what the problem was. Per Palmisano's reply to an interview question:

"Unfortunately, over the decades, Watson's Basic Beliefs became distorted and took on a life of their own. 'Respect for the individual' became an entitlement: not fair work for all, not a chance to speak out, but a guaranteed job and culture-dictated promotions.

'The pursuit of excellence' became arrogant: We stopped listening to our markets, to our customers, to each other. We were so successful for so long that we could never see another point of view. And when the market shifted, we almost went out of business. We had to cut a workforce of more than 400,000 people in half. Over the course of several years, we wiped out the equivalent of a medium-sized northeastern city—say, Providence, Rhode Island.

If you lived through this, as I did, it was easy to see how the company's values had become part of the problem. But I believe values can once again help guide us through major change and meet some of the formidable challenges we face."

Now, that "IBM's retooling of company values, which continues today" statement made at the beginning of this section, Figure 2, is a historical look at IBM's values and continued retooling since 2003.

IBM's Journey through Values Changes

- 1914-2002: Thomas J. Watson (1914–1956) | Thomas J. Watson, Jr. (1956–1971) | T. Vincent Learson (1971–1973) | Frank T. Cary (1973–1981) | John R. Opel (1981–1985) | John Fellows Akers (1985–1993) | Louis V. Gerstner, Jr. (1993–2002) Respect for the Individual | Superlative Customer Service | Pursuit of Excellence in all Tasks

- 2003 – 2011: Sam Palmisano: Dedication to every client's success | Innovation that matters—for our company and for the world | Trust and responsibility in all relationships

- 2012 – March 2020: Virginia Rometty: Two badge lanyard. Badge One was the traditional photo identification encoded access authorizations
  - Badge Two – Side One: Values: Dedication to every client's success | Innovation that matters—for our company and for the world | Trust and responsibility in all relationships
  - Badge Two – Sides Two: Nine Leadership Principles: 1) Put the Client First | 2) Listen for Need-Envision the Future | 3) Show Personal Interest | 4) Share Expertise | 5) Relentlessly Reinvent – Our Company and Ourselves | 6) Dare to Create Original Ideas | 7) Treasure Wild Ducks | 8) Think. Prepare. Rehearse | 9) Unite to Get Things Done

- April 2020 to Present: Arvind Krishna
  - [from 2020 IBM 2020 Diversity & Inclusion Report] "I fundamentally believe that as we continue to uphold the values of diversity, inclusion, and equity, we will make IBM a better and stronger company."
  - [from Open Letter from Chairman/CEO November 2021] "As always, we remain dedicated to our clients' success, we pursue innovation that matters, and we set the standard for trust and responsibility. But IBM is now more strategically and strategically focused, more technologically capable, more committed to equity, inclusion and sustainability, focused, and more financially sound."

Figure 2: IBM Journey through Value Changes

Hopefully, you now have a better appreciation for why Culture and Values are not a "once and done" act in the total process of developing and implementing a strategy management and integrated performance system. People change, business changes, and customers and stakeholders change.

Conclusion

While you can't explicitly see "Culture and Values," they are powerful strategic elements that, if not taken into account and reviewed on a regular basis, will derail your strategy. In this age of rapid technology and business change, your organization could become an "also ran" in the competition instead of at the lead-of-the-pack position!

If you would like to learn more about strategy development, targets, KPIs and strategic objectives and Strategy Execution, reach out to the Balanced Scorecard Institute at info@strategymanage.com to speak with our consulting specialists in strategy development, implementation, and execution.

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About the author

Joe DeCarlo is the Senior Vice President, as well as a senior consulting associate, who has 50 years of extensive experience in business structuring, strategy formulation/implementation including balanced scorecard use, change management, and the design/execution of innovative operational business models/solutions in the private, public, and nonprofit sectors with first line and executive level management positions.

About the Balanced Scorecard Institute (BSI)

BSI provides consulting, training, and professional certification services to organizations worldwide related to strategic planning, balanced scorecard, KPI/performance measurement, and strategic project management.

Appendix

Dimensions and Levels of Strategic Management Maturity

The SMMM contains assessments of performance along eight different dimensions of strategic management; (1) Leadership, (2) Culture and values, (3) Strategic thinking and planning, (4) Alignment, (5) Performance measurement, (6) Performance management, (7) Process improvement and (8) Sustainability of strategic management.

For each of these eight dimensions, there are five levels of strategic management maturity (see Figure 5): Level 1: Ad Hoc and Static, Level 2: Reactive, Level 3: Structured and Proactive, Level 4: Managed and Focused, Level 5: Continuous Improvement. You can evaluate your organization by scoring the level of performance on each of the five levels of strategic management maturity.

Figure 3: Strategic Management Maturity Model™

Level 1: Ad Hoc and Static
It is characteristic of organizations at this level that they currently do not do any strategic planning or management in a formal sense, tending to plan only on the tactical or operational level in an ad hoc and uncontrolled manner, normally by senior management behind closed doors. Leaders spend a majority of their time addressing operational issues and "putting out fires" and never address long-term strategy.

Level 2: Reactive
It is characteristic of organizations at this level that some elements of effective planning and strategic performance management are being applied, only in an inconsistent fashion and often with poor results. Planning discipline is unlikely to be rigorous, and only happens in reaction to events or to temporarily please an individual leader. These organizations might measure performance or even use it to punish underperformers, but often these activities are done by individuals to meet a routine policy need and are not taken seriously.

Level 3: Structured & Proactive
It is characteristic of organizations at this level that there are formal structures and processes in place to comprehensively and proactively engage in strategic planning and management. These activities occur on a fairly regular basis and are subject to some degree of improvement over time. Measurements are somewhat aligned with strategy and employee accountability is taken seriously.

Level 4: Managed & Focused
It is characteristic of organizations at this level that strategy drives focus and decision making for the organization. Organization-wide standards and methods are broadly implemented for strategy management. Leaders formally engage employees in the process and a measurement & accountability work culture help drive strategic success for the organization.

Level 5: Continuous Improvement
It is a characteristic of organizations at this level that the strategic planning and management excellence are embedded within the culture of the organization and are continuously improved in a formal sense. This means that as performance is evaluated, the organization first analyzes how it is performing towards its strategic goals and then second studies how effective the strategic planning and management processes are and adapts as necessary. Excellence in strategic management drives the organization's competitive edge or performance success.