

CULTURE MATTERS

Six Common Misconceptions about Corporate Culture that May Be Holding Back your Business

I often consult with banks about "how they do things," their values, strategies, standards, practices, and tendencies – their culture – driving how they actually execute their business. One of the most important determiners of a bank's success, culture is often misunderstood, and consequently gets overlooked as a powerful business tool. Here are the misconceptions I encounter most often in the banks I work with.

1. "Culture is a nice, 'feel good' HR topic that doesn't really affect our business."

Few things have greater impact on your long term success than your corporate culture.

Culture is how you *really* do business, not how you *talk* about it. Culture is what your customers *see*, what your employees *do*, what generates the *returns* your shareholders expect.

Culture is what translates all those plans and strategies from the leadership level into action at the front lines. Without a *tight* culture that keeps everyone on the same page, your bank will be inefficient at best, and ineffective at worst. In a *tight* culture, management can accurately predict how any banker, in any location, will handle a given situation. In a *loose* culture, management sets expectations and hopes for the best, but they do not *really* know if what they *say* is what *happens* at the front lines.

2. "The most important aspect of culture is the values and standards we espouse in the bank."

What matters *most* about culture is whether it delivers on your leadership vision, *regardless of what that particular vision may be*. What matters most about culture is how *tight* or *loose* it is.

When I consult with banks on cultural issues, it is not my job to tell them to embrace certain values and goals, and reject others. My job is to help them apply their ideas and strategies as consistently as possible across every level of the bank, and in every geographical location.

In a *tight* culture, any given situation will be handled more or less the same way, no matter where it arises. The solutions front line staff come up with will be highly consistent with what the leadership teams *believes* the front line staff are doing. Actions match vision, across all levels. And no matter where customers walk into the bank, they will get much the same response (not forgetting that there may be variations in particular market needs and opportunities).

A *loose* culture has a lot of "leaks," places where energy and direction are lost as "how we do things around here" is transmitted from one level to the next.

Actually, a *tight* culture not only helps a bank with the *right* values and standards to *succeed*, it helps a bank with the *wrong* ideas and strategies to *fail* all the faster. A *loose* culture allows enough slack for a misguided bank to survive, but makes it impossible for even the best goals and strategies to generate meaningful long term results for the bank and its shareholders.

Jeff Judy & Associates

3. "Culture is basically a compilation of 'best practices.'"

Maintaining a *tight* corporate culture throughout the organization is in itself a best practice. Preferred practices, procedures, processes, and so on all *describe* the particular culture you have at your bank. Frequent communication, ongoing monitoring of practices, and continuous attention to the culture are themselves practices that will *tighten* your culture and give you more control over other activities that are crucial to your success.

4. "Harping loudly, broadly, and often on our values, standards, and practices, just makes it harder to change how we do things when conditions change."

One of the greatest benefits of a *tight* culture is that it allows you to *change* what you do, to implement *new* practices, much more quickly than does a *loose* one.

Effective, frequent communication, along with monitoring and immediate action when practices deviate from the direction set forth by the leadership, teaches everyone in the bank that a shared vision and shared approach are core elements of how things are to be done. When staff are aware that bank leadership is actively engaged in making sure front line action reflects board room vision, they take changes in policies, procedures, processes, and practices in stride.

When you make a big deal about consistency, about your culture, *only* in times of crisis or major shifts in strategies and practices, it is hard to push vision and expectations all the way down the line. Front-line staff will take a "wait-and-see" attitude until they know whether the new approach is going to "stick," or whether it is just a passing management fad.

The more often you combine communicating the bank's vision with enforcing execution of that vision, the more flexibility you have in tweaking, or even overhauling, how you do business. A *tight* culture gives your bank a nimbleness that is the envy of your competitors.

5. "We are a small- or medium-sized bank where we are in contact with each other all the time. We do not need to pay explicit attention to our culture the way a large institution does."

That *sounds* logical, but in years of working with community banks, I have found that many smaller institutions have significant cultural disconnects. It is the very *assumption* that frequent contact means shared vision and practices that undermines the culture in these smaller banks. Nobody notices the slippage, because nobody is really looking.

The only way to create a healthy, *tight* culture is to explicitly set out to do just that, in any size bank.

6. "Culture is an internal matter that can support better operations and greater efficiency, but it does not have much direct impact on our customers."

Your marketing department promises one thing, your bankers deliver another. Your customers get handed from one function to the next, and every time, it feels like they are starting over with a new bank. And at each step, they hear that their problems arise with some *other* employee or department.

Want to find out how *loose* and divided your culture really is? Ask your customers, especially those who have been with you a long time and use multiple products and services. They *live* your culture, and your customers have a way better feel for what really goes on at your bank than does your leadership team.

Learn more about what culture means to your business success at www.JeffJudy.com/cultureissues.html, or send an e-mail to Jeff@JeffJudy.com to request my full white paper on culture and your business.

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