A man and a woman are smiling and looking at a document on a table. The woman is on the left, wearing a striped shirt, and the man is on the right, wearing a blue button-down shirt. They are both looking down at the document with interest. The background is a blurred office setting.

THE TRUTH ABOUT STRATEGY EXECUTION

WHY THE MOST SUCCESSFUL
CEOS FOCUS ON CULTURE

**BUSINESS LEADERS
ARE BEGINNING TO
UNDERSTAND THAT**

**CULTURE
IS CRITICAL**

FOR DELIVERING RESULTS.

A survey by the Economist Intelligence Unit (EIU) of 500 senior execs in billion-dollar businesses found 90% of senior execs failed to reach their strategic goals because they struggled to put them into practice.¹ Cultural attitudes were the biggest barrier to success-and;

THEY RECOGNIZE

THAT THERE'S A GAP.

A Korn Ferry survey found that 72% of leaders think culture is important, yet almost a third say they're struggling to get theirs right.² Strategies aren't landing, good people are leaving, and customers are switching to new competitors.

So why are CEOs getting culture so wrong?

It starts with a fundamental misunderstanding of why culture matters and what value it brings.

The CEOs who get culture right understand that it's about nothing more-or less-than executing strategy.

1 The Economist Intelligence Unit's (EIU) survey of 500 senior executives from companies with annual revenues of \$1 billion or more, October 2017.

2 Real World Leadership, Korn Ferry, 2014.



YOUR PEOPLE AREN'T YOUR GREATEST ASSET

“

Culture, more than rule books, determines how an organization behaves.”

Warren Buffett

No matter how many times you say your people are your greatest asset, it isn't true. It's not the whole truth, anyway. Especially in a world where your in-house teams are getting smaller and you and your competitors are relying on the same pools of partners, outsource providers, and contractors.

Your organization isn't simply your people. It's the choices your people make. It's the way they deal with customers. It's the way they work with each other and make decisions and the speed with which they execute.

IT'S THE CULTURE

YOU CREATE.

PING-PONG TABLES WILL NOT GET YOU THE CULTURE YOU NEED



The stronger the culture, the less corporate process a company needs. When culture is strong, you can trust everyone to do the right thing.”

Brian Chesky, Airbnb

CULTURE DRIVES STRATEGY EXECUTION.

The rise of Silicon Valley and the visible differences in culture in companies in the tech sector—think ping-pong tables, free lunches, and heated toilet seats—have created a false myth that culture matters because it keeps people happy and engaged. While engaged employees do deliver more, this isn't why culture matters.

Culture matters because it's what determines what people do when no one is telling them what to do.

If you're shifting from selling products to selling solutions, you need your salespeople to stop cold-calling and start researching customers' businesses to create a story about how your solution will add value to them.

If you're shifting from centralized to frontline decision-making, you need your leaders to stop telling people what to do and start selling a vision and setting a direction so their people can make the right decisions in the moment.

Any time you're making a strategic change that requires people to do things differently, you need to change the culture. Because culture drives strategy execution.

To prove this, we did three things.

1. We used a common framework³ to identify three ways a business can compete in its market: being process-perfect (operational excellence), developing innovative products, and getting closer to customers (customer intimacy).
2. We used analyst reports and press coverage to see which high-performing businesses in our employee database (organizations that outperformed their peers) followed each of those strategies, creating three groups of high-performing businesses.
3. We compared the employee perceptions of culture in each of these groups, to see if there were real differences in culture that supported the execution of these three strategies.

What we found is that companies that outperform their peers through operational excellence have different cultures than those who outperform through innovative products and customer intimacy. And we built cultural success profiles for each strategy.

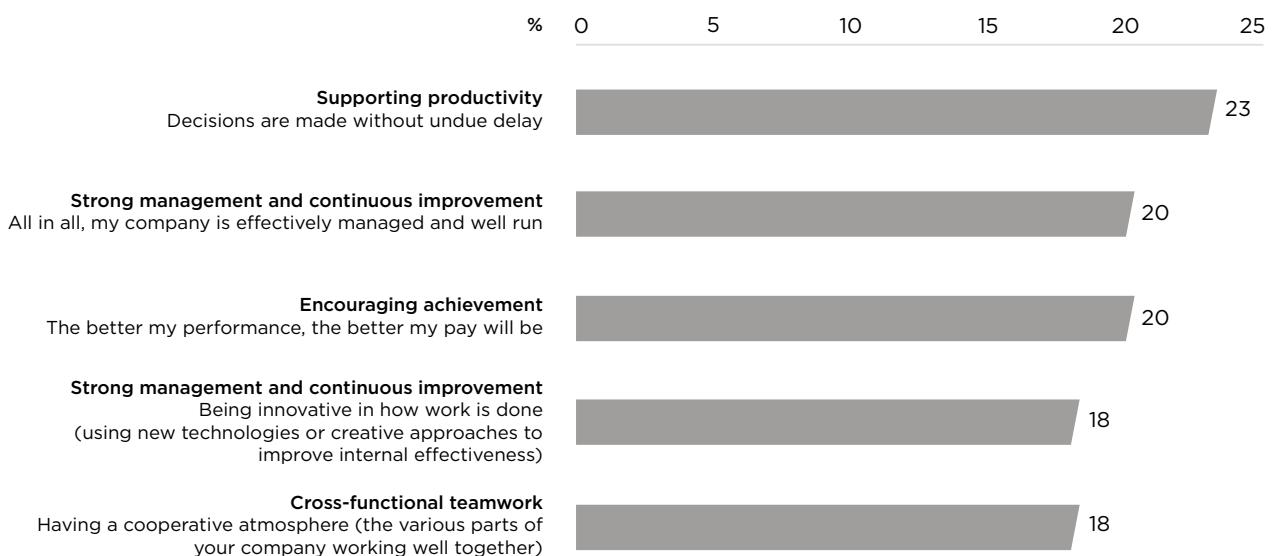
**CULTURE ISN'T JUST
ABOUT MAKING
EMPLOYEES HAPPY.**

It's about enabling them to execute your strategy.

3 The Discipline of Market Leaders, M. Treacy and F. Wiersema, 1995.

Operational excellence

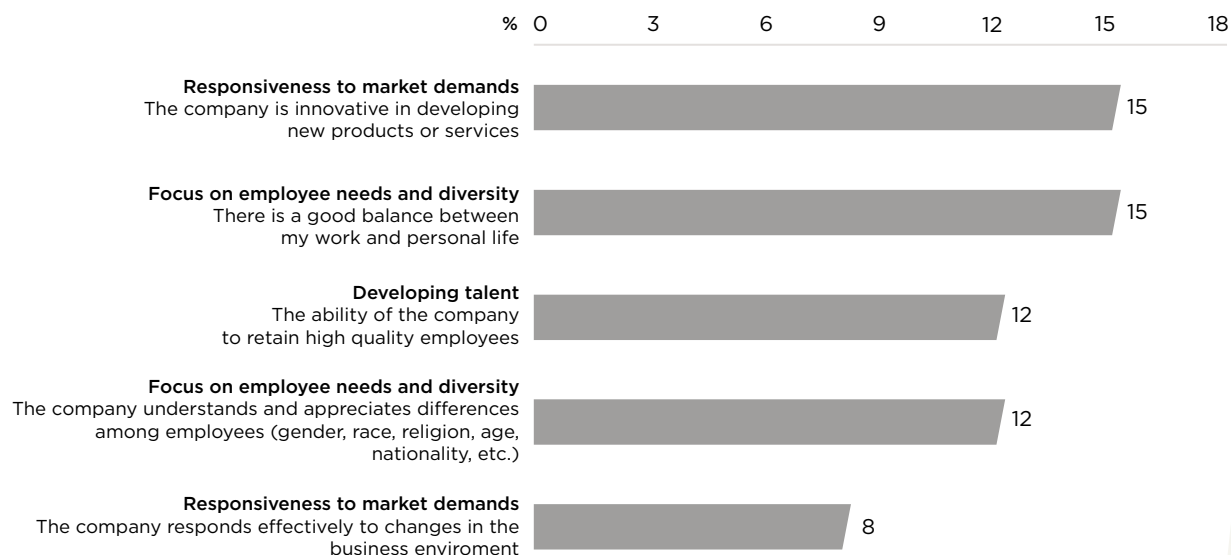
Organizations competing through operational excellence execute with a culture of fast and effective decision-making, process innovation, teamwork, and performance-based rewards.



Percentage point difference between operational-excellence companies and all companies in Korn Ferry's database

Innovative products

Organizations competing through innovative products execute with a culture based on responsiveness to change, work-life balance, and a genuine value for diverse perspectives.



Percentage point difference between innovation companies and all companies in Korn Ferry's database

Customer intimacy

Organizations competing through customer intimacy execute through cultures that are agile and ethical in their business dealings and encourage employee creativity.



Percentage point difference between customer-intimacy companies and all companies in Korn Ferry's database

CULTURE IS YOUR COMPETITIVE ADVANTAGE

“

I CAME TO SEE, IN MY TIME AT IBM, THAT CULTURE ISN'T JUST ONE ASPECT OF THE GAME, IT IS THE GAME.

In the end, an organization is nothing more than the collective capacity of its people to create value.”

Louis Gerstner, IBM

When your culture and strategy are in sync, your employees execute your strategy not because you've told them to but because they want to. Your people share the same purpose and motivation as you.

They're working with your systems and processes, not fighting against them. So you get things done faster, to a higher standard. And your profits are healthier.

THIS ISN'T

JUST THEORY.

We've got the research—covering over six million employees around the world—to back it up.

When we turned to our global employee opinion database to ask whether companies that fit one of the cultural success profiles we had identified performed better than their peers, the results were compelling.

Businesses that align culture to strategy and engage and enable their people to deliver see a 117% greater return on investment than those that don't. They get a 145% higher return on their assets and a 56% greater return on their equity, too.

In short, if you want to land your strategy profitably, make culture your priority.

How did we measure this?

We applied the cultural success profiles that we identified to the 100+ organizations in our employee opinion database.

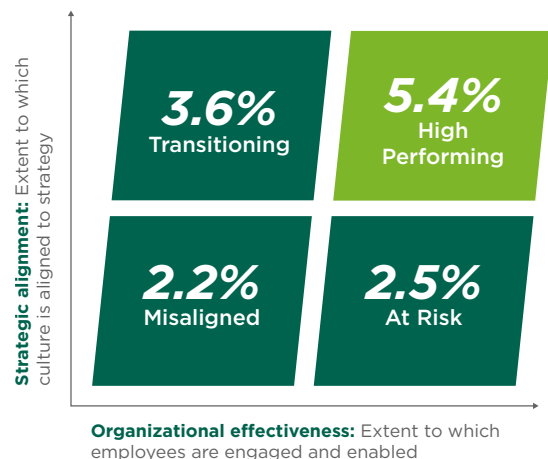
If a company scored above the norm on all the questions for any one profile, we said they had “strategic alignment”–culture and strategy in sync.

Knowing that employee engagement and enablement also drive results, we made this the second dimension: if a company scored above the norm on these two factors, we said they had organizational effectiveness–employees want to deliver and the organization makes it easy for them to do so.

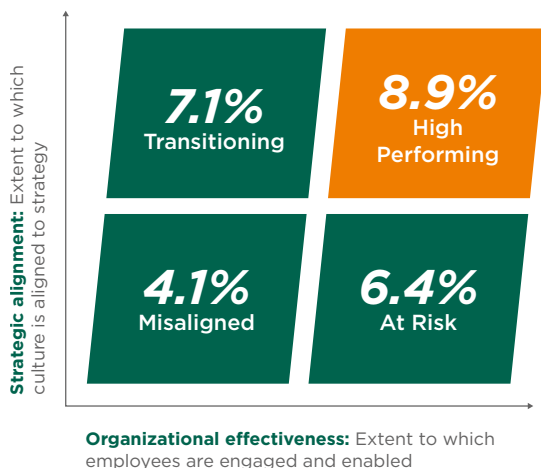
What did we find?

Businesses that get their culture and strategy in sync are reaping the returns.

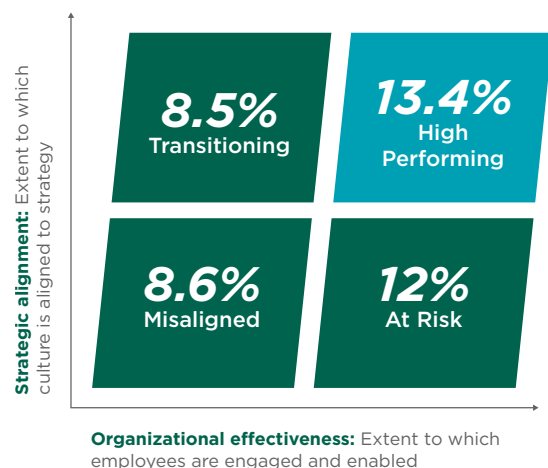
Average 5-year return on assets



Average 5-year return on investment



Average 5-year return on equity




CULTURE CHANGE

FAVORS THE BOLD

Because I've made culture change at Microsoft such a high priority, people often ask how it's going. My response is very Eastern: We're making great progress, but we should never be done.

**“ THIS IS A WAY OF BEING.
IT'S ABOUT QUESTIONING
OURSELVES EACH DAY.”**

Satya Nadella, Microsoft



Talking about the disrupted times we live in is a cliché these days. But businesses are facing new challenges and new competition faster than ever before. What you sell, how you work, and how you compete in your market can change almost overnight.

In the face of that disruption, products, processes, and even talented people come and go. Your organization isn't what you sell or who sells it. It's your culture.

And when everything else is changing, your culture is your one constant—predicting how your business will react and whether it can weather the storm.

You've seen the pitfalls of neglecting your culture.

ARE YOU READY TO BE ONE OF THE FEW

CEOS WHO ARE GETTING IT RIGHT?

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About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities. We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people.