LEAP OF REASON

MANAGING TO OUTCOMES
IN AN ERA OF SCARCITY

The Inescapable Importance of Culture, Part I

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Over the course of the past two years, I've used this space to focus attention on organizational imperatives from mission effectiveness to managing to outcomes to values-based transparency. Recently, a good friend pushed me to go further. He said, "You need to tie all this together…Take it further to stress what folks can to do change their organizational culture." His advice resonated strongly, because I believe an organization's culture makes or breaks its ability to deliver on all of the organizational imperatives I've previously covered.

In my business life, our firm was retained by organizations like Boeing, the US Navy, and Merck to deal with system failures, security breaches, serious data losses, and other thorny problems in large, complex computer networks. Technical glitches or failures were often the immediate cause of the problem, and we'd go in and fix them. But over time we learned that we were patching rather than solving the problems.

As we dug deeper, we discovered that technology was not at the root of the problems. Instead, the origins were almost always human. For example, it could be a technician who didn't care enough about the quality of his work or a manager who didn't provide relevant training or set clear expectations for his team. People, and the organizational culture in which they functioned, were the proper starting point in the chain of causality.

My experience in working with nonprofits mirrors this phenomenon.

How many times have you seen an organization announce ambitious reorganizations, develop new strategic plans, implement new methods, create checklists—only to see these efforts struggle to produce what was envisioned or, worse, flat-out fail? Nine times out of ten, the reason is that the organization's leaders did not have the willingness, insight, or courage to deal with the most fundamental aspects of their organizations. To repurpose a blunt campaign slogan from James Carville, "It's the people and culture, Stupid!"

Organizational Culture—What Is It?

There is no shortage of "organizational culture" definitions. I'm going to use one I'm quite familiar with that was offered in the publication *Effective Capacity Building in Nonprofit Organizations*, which McKinsey & Company produced for Venture Philanthropy Partners (VPP): "The connective tissue that binds together the organization, including shared values and practices, behavior norms, and most important, the organization's orientation towards performance."

Why is this important? Simply put, an organization's culture has a huge impact on whether the organization can achieve what it wants to for those it serves. To me, all organizations should strive not only to foster a healthy culture, where their people understand the mission and feel appreciated for their role in fulfilling it. They should also strive to set the example for and nurture a performance culture.

I use the term "performance culture" with some trepidation. I know this term is radioactive for some, especially those in the education field. My definition shouldn't be threatening. I simply mean that the organization should have the mental mindset to do what it does as well as it possibly can and continually seek to do even better. For example, there are many teachers I know who would not naturally see themselves as representing or contributing to a performance culture per se. And yet they constantly stay up late grading papers; stay late to tutor or counsel; care immensely about helping students learn and grow; even show up to cheer their students on at games, plays, and other events. These teachers may not inherently see what they do as being driven by a performance mentality, but their actions in serving their students speak louder than words.

An organization with a performance culture is focused on mission effectiveness (doing well what it says it does) and mission fulfillment (doing it well for as many as it reasonably—maybe even unreasonably—can). It allows and encourages, even at times pushes, the people who make up the organization to be the best they can be. A

performance culture enables an organization to maximize the benefit it delivers to those it serves and the positive social impact that ensues.

A Great Culture Starts with Great People

If you walk away with only one thought, this is it: Recruit, develop, and retain the greatest talent that fit with your core values. Failure to do so is, to me, literally a dereliction of duty of board and management—from executive director to line supervisor. Board and management need to "get the right people on the bus, in the right seats," in the famous words of management expert Jim Collins.

I'm a big believer that people are what make things happen. Best practices are wonderful things, but they are most effective in the hands of highly talented people. I'd take best talent over best practice and great plans any day of the week. Too many of us think that organizations and systems solve our challenges. They play a vital role, but the key lies in the people who execute those plans.

So this is the basic question: Do you have the right talent in place to execute your mission? Next to questioning the mission itself periodically, this is the most important question boards and management must ask themselves.

Asking and answering this "hot potato" question is difficult. It might require change and improvement on the part of those already on the bus—including the person driving. It might require bringing different people on the bus. Most often, it is a combination of the two.

The truth is we're not good at this type of change in our sector. We often sacrifice the quality of our programs and services in order to protect those who aren't doing their jobs well.

Why? For one thing, we generally lack effective ways to assess the performance of staff to help them improve or move on. More important, executives just don't want to deal with confrontation when it comes to getting the right staff in place. We avoid providing the honest,

constructive feedback people need to improve—and this phenomenon increases as one goes higher in the organization. When steps for improvement don't work, we are loath to make changes, especially terminations, lest we rock the boat. Too many of us allow appeasement and accommodation to override doing our best for those we serve.

It's a delicate balance when you're dealing with someone's career (and livelihood). Candidly, there are times I've made the go/no-go call too quickly. I've seen people develop to become solid performers, even leaders in their organizations, who I thought weren't going to make it. Fortunately, others saw something in them that warranted going the extra step. These decisions are never to be taken lightly. We should recognize there's no checklist for how to do this. It comes back to the quality of judgment of those making the decisions and being honest that intuition and instincts are an important part of the equation. But don't kid yourselves, whom you hire, develop, and retain is the most important thing you do as a leader, next to mission focus and clarity.

In the early years of VPP, I took the team to visit the offices of General Atlantic, LLC, a preeminent global growth-equity firm that invests to build great companies. In a discussion with one of the best executives I've had the pleasure of knowing, one member of the VPP team asked, "What's the most important thing you do to help the firms in which you invest?" He said simply, "Make sure the firm has a great CEO, and then make sure he or she has or gets a great number two. It's all about the people."

I can't begin to relate how true this has been in all aspects of my business and nonprofit careers. In 1987-88, as CEO of Morino, Inc., I led a bold move to recruit a new executive management team with the background and experience to lead our firm where we aspired to go. Trust me, this was not a popular action, but it proved central to allowing the firm to achieve what it did in the years that followed.

In 1989, we merged with another firm to create LEGENT Corporation. One of the smartest and best

actions we took was to recruit three new outside board members who were seasoned executives and "had been there, done that." Absolutely invaluable! In all too short of a time, I came to understand they had more insights about building great organizations in their little fingers than I possessed in my entire body (and I was heavier in those days). Being around them while we worked through the integration of the firms was invaluable professional development for me!

After I transitioned to the nonprofit world, recruiting Carol Thompson Cole to VPP was a defining action in 2003. She both fit into and helped change our culture in positive ways. It is the primary reason for Venture Philanthropy Partners' broad-based acceptance and success to date.

If we had more time and space, I could offer a dozen additional stories that emphatically illustrate the value of getting the right people with the right fit at the right time to help an organization succeed. But what is probably even more instructive is to acknowledge that each time I strayed from going after the right top talent, we paid a high cost. I inadvertently set these individuals up for failure and needlessly caused great angst for those around me and our organization. And it always took a toll on those we served.

I'm not alone in this feeling. One school president recently shared a sentiment echoed by many others I've met: "Believe me, I have tolerated a [lower performer] than we needed, and I paid the price for keeping a well-meaning but ineffective person around much too long."

Nurturing Culture Change

Another adage is worth mentioning: "You can lead a horse to water, but you can't make it drink." When it comes to improving organizational performance, you can't simply will or decree change. You have to create the openness to and readiness for change. For example, in our work at VPP we seek to support great nonprofit leaders who have a vision for change—change that allows for expanded impact. We have to make judgment calls early on about their leadership and culture.

Are the leaders truly committed to a vision for change, and do they have the courage to make the difficult decisions real change requires? Does the organization have the capacity to absorb the change? And, most important, will the organization's culture have the willingness to embrace the change?

A related caution: Leaders can't simply create the organizational cultures they desire by edict. The best we can do is to influence culture through our words and deeds. An organizational culture is a complex, organic system that shares a lot in common with a coral reef. In the words of high tech CEO Jim Roth, "Coral reefs are one of nature's most beautiful creations. Man has not figured out how to create them. What we do know is we can care for them and nurture them to survive and thrive or kill them through neglect and abuse." The same is true of culture.

In my April column, I'll illustrate seven specific ways that leaders can influence their organizational culture through words and deeds.

Until then, I encourage you to take a look at your current organizational culture. How would you describe it? What do you like? Does it help or hinder you in what you do? Is it encouraging or recriminating in nature? Are contributions valued, or is compliance and acceptance the desired behavior? If you could wave that magic wand to change the culture, what would it look like?

—Mario Morino