Leaders Guide

Creating a Productive Business Culture

At The H Factor, we define business culture as "the way things are done around here". It is the unwritten rules and protocols that establish why, what, how, when – and especially if – things get done in a group, team, business, or organisation.

We have observed and experienced that in productive teams, there is a highly effective established way of doing things. Every person seems to 'fit in', even despite varying personalities, experience levels, and backgrounds.

These teams consistently exceed the performance of others, because their leaders have consciously created the rules and protocols, which are mostly unwritten, and they have given clarity of how people can act and interact within them. Everyone has awareness of 'the way things are done around here'.

The Impact of Leadership on Team Culture

Wherever more than one person is involved in something, a culture will be established. Often that culture develops without even the conscious awareness of the people involved. Sadly, this is the case in many organisations or teams.

Things are managed, but *people (and therefore culture)* are led.

The culture of an organisation is crafted through the actions and interactions of the leaders – even if they don't realise it.

In any team people act and interact based on what they believe is allowed or not allowed, and encouraged or discouraged. They adapt their own actions and interactions based on their observations of:

- The leaders behaviour and communication, and
- How the leader reacts to the behaviour and communication of others.

From being children we learn to *fit in* to groups by adapting our behaviour from those we perceive as having authority. Those with such authority in the groups might be our parents, a sibling, a classmate, or a teacher. In this context a person's authority is not their position, it is their capacity to influence the behaviour of others, no matter their position.

As we mature we continually enhance and adapt the nuances of our behaviour.

At first we learn to fit in with our family members, then we learn to adapt to fit in with our classmates and teachers, and then we adapt further to fit in to our workplace.

At every stage, we identify those with 'cultural authority'. They are the people that influence, through leadership (good or bad) the behaviours that are acceptable in each situation.

The questions we pose to those with leadership roles within their organisation are:

Are you the cultural authority for your team?

How do you know?

If you are not the cultural authority, then who is, and how do you know that they are driving the established way of doing things in the right way, to achieve the outcomes that you are accountable for?

The H Factor Leadership Assessment Process

When you lead a team, it is often very difficult to read the reactions of your team members, and whether they 'get' the messages that you have sent.

We have identified 8 leadership dimensions that influence a person's cultural authority within their team. These factors apply irrespective of the size of the team.

A summary of each of the 8 dimensions is given below, with some practical examples to show how they influence.

The examples are actual situations that have been modified to preserve anonymity. Some may seem like simple scenarios but each one is revealing the culture at work, often without the leader's awareness of it.

The 8 Key Leadership Dimensions

1   Purpose

To be a leader, you must have followers who freely choose to follow your direction.

Direction is not about instruction - it is about reason. Where are you leading your followers – and why are you leading them there?

If you are the business or team leader, then why does the business or team exist? And why does it matter?

A feature of high performing teams is that everyone can explain how their effort contributes to the overall team objectives, and why those objectives are important. Therefore, in those highly successful teams the overall objectives are clear and well known.

To craft a culture of productivity and high performance, the leader must find clarity of purpose and naturally articulate it. In a high performing team, the leader naturally communicates the _emotive_ reason for the team to exist, why the work of the team matters, and the team's strategic objectives.

"Engagement only comes when followers see leaders connect the dots between their personal needs and desires, the goals of the team, and the greater good".

– Emotive Brand (emphasis added)

The desire to be a part of something bigger than our self is a driving human need. We all aspire to find and associate with those who share our beliefs and values. We are social beings that require strong emotive relationships in order to thrive.

In fact, humans are social beings that think, but too often managers treat themselves and others like thinking beings that feel. They down play the importance of the social bond and community feeling that we require in order to thrive.

Creating a clear and compelling purpose establishes a common bond between people, based on the shared belief in the importance of the work to be accomplished. It gives the reason for being together, and creates the context for describing performance and productivity.

2   _Permission_

Once people have come together to achieve a clear purpose, they need to establish how to work together.

People behave and interact on the basis of what they believe is allowed. Mostly, people want to avoid shame, embarrassment, and especially emotive conflict. They will therefore choose whom to guide them, in order to achieve emotional safety.

An effective leader thus establishes, via their communication _and their behaviour_, the permissions for their team members to take, or not take, actions and interactions. In doing so they encourage the development and maintenance of the established way of doing things.

Explicit Permission

Explicit permission is direct and unambiguous in both how it is given, and how it is revoked.

During her annual performance appraisal, her supervisor informed Mary that she must not contact the customer from her personal email address again. The policies and procedures of the company require all communication with customers to be made from official company email addresses only.

The General Manager informed Dominic that he must only use the fire exit if there is a fire. Previously Dominic had used the exit as a short cut to the car park but from now on, this behaviour would not be tolerated.

At the monthly team meeting, the Coach praised Yi for her effort in training and everyone applauded her on saving six goals in the game against the Titans.

These are all examples of explicit permission. Types of specific permission – to do or not to do – include: direction; instruction; urgency; policy; procedure; encouragement; and challenge.

Where the permission involves instruction, direction, urgency, policy, or procedure, it only remains explicit as long as it is enforceable – and actually enforced. If there is tolerance of behaviour that is not consistent with the explicit instruction, then the permission may become implicit - in the opposite direction.

Consider the contrast in outcomes from the two examples below.

Mary knew that, although she had been informed of company policy to send customers email only from her company email address, that there was no way they could enforce it. For the whole 10 years she had worked in the company, her supervisor had reminded her of the policy in every performance appraisal. "Of course I use my personal email. Sometimes it's more convenient, and, in any case, I know they have no way of knowing", she said.

Out of habit, Dominic used the fire exit to go to the car park. The General Manager issued him with a formal letter warning that he was breaching company safety and security policies by using the fire exit as a short-cut, and that he would be dismissed if he continued to use the fire exit, unless there is an emergency. Dominic no longer uses the emergency exit as a short cut to the car park.

Implicit Permission

Implicit permission is often more subtle, especially when it is being revoked. Implicit permission is often given or revoked subconsciously, particularly by behaviour, tone of voice, and body language.

As the Sales Manager, Joe used the weekly sales meeting to present the annual targets to her 8 Sales Representatives. The presentation was highly detailed. At the end of the presentation, Joe asked her team if they had any questions.

Jason, a Sales Representative, asked Joe about one of the points discussed. When she responded, Joe rolled her eyes, looked towards the door, and then said, "We'll take that offline, I'll talk about it with you tomorrow. Has anyone else got any questions?"

Jason and the other Representatives looked down at the table, said nothing, and the meeting ended.

Even though Joe had invited questions from her team, she did not actually give them permission. In her response to Jason, she implicitly removed their permission to ask questions. Seeing her response to Jason, everyone else sat in silence, rather than discuss the presentation that Joe had prepared.

Joe had guided their responses, possibly sub-consciously, through the implicit withdrawal of her permission - for the behaviour she had requested from them.

Types of implicit permission – to do or not to do – include: attentiveness; questioning; listening; body language, and tone of voice.

Effective leaders have awareness of their use of implicit and explicit permission, and make conscious decisions based on the outcome they desire.

3   *Balance Authority and Responsibility, and give Autonomy*

Knowing where and when to give and revoke permission is critical. Cultural authority does not come from control. It comes from influence.

The desire for control often undermines the free will of people following. It is important to acknowledge that people desire autonomy; it is paramount to freedom.

To effectively be held accountable, people need to feel confident that they have the autonomy to decide how to do things, and have the authority to actually do them. Without these conditions, they will not give their actual permission to be held accountable, despite what might be said.

In creating a productive organisation culture, the leaders authority is not the power to make decisions: It is their influence in the decisions of others. Effective leaders delegate with confidence because they give others in the organisation the autonomy to own their roles. They align the authority required to achieve the desired outcomes with the people responsible for achieving them.

Often, cultural authority in the organisation does not reflect the organisation chart. This can happen intentionally or unintentionally.

As CEO, Xiao Ming often requested help from his assistant, but he often felt he was 'on egg shells' when requesting her to write-up the weekly time sheets. Eventually Xiao Ming started writing up the time sheets himself because "it was just easier".

Although Xiao Ming is the CEO, his assistant actually has the authority to choose the tasks she will assist him with. Xiao Ming

has given her that authority by his implicit permission - by accepting that it is easier to do things himself.

An effective leader not only acknowledges that there may be other cultural authorities in the team; they positively encourage them. They encourage others to grow their leadership capability so that they too can establish the organisational permissions, thus strengthening the established way of doing things, and therefore the team effectiveness.

Realising that he had inadvertently given his assistant responsibility for a task, but had not given her the authority to complete it, Xiao Ming advised his assistant, "It is your role to write up the weekly time-sheets. To enable you to do that, you have my full support in requesting the information from the consultants. So that it is clear, I have met with the consultants this morning and advised them that you will be driving this from now on. They have committed to giving you their full co-operation."

Xiao Ming has now more widely dispersed the team leadership, by giving his assistant autonomy and authority. He has confirmed the way things are done, and his assistant can now proceed with confidence. In doing so, he has expanded the cultural authority of both himself and his assistant.

4   Outcome Orientation

In productive teams, the context for providing autonomy is the outcome to be achieved.

Caroline was completing her quarterly review meeting with Matt, her Melbourne MD. As CEO, she had encouraged her Board to invest in the Melbourne market, and had high expectations for growth. Unfortunately, Matt had encountered a number of issues in establishing new clients, and growth was not meeting the expectations that Caroline had set.

"Matt, we are just not progressing as we need to here. Frankly, I'm shocked by these results and I expect better. You know that we need a greater market share here," she said.

That night, Matt commented to his partner that "Caroline just makes it all about me. She thinks I'm not good enough to do this, and I'm starting to think she's right".

By focusing on Matt, and not on her desired outcome, Caroline has undermined Matt's self-confidence. Worse, as the leader, she leaves the meeting with no understanding of the barriers to his success. She assumes that Matt is the barrier, without giving him the opportunity to explain his perspective.

If Caroline could change her approach to clearly describe the desired outcome, and then ask Matt, "how will you achieve it, and

what do you need from me?", then she would empower Matt and understand the barriers to achieving her outcome.

Through this approach, leaders transfer ownership of the outcome to the team, and the team make choices, based on their own skills, experience, and preferences as to how they will proceed. The leaders job is not done, however.

The accountability for the outcome ultimately rests with the leader, so although she has given her team autonomy in how they achieve it, she is obliged to make sure the hurdles are clear for them to actually succeed.

An effective way to ensure the path is clear is for her to regularly repeat asking, of both the team and individuals, "If this is what we are accountable for, then how can I, or the business, help you achieve it?"

When the team members are free to imagine and then describe their own desired outcome, set the path for achieving it, and negotiate the permission to proceed, then they are fully giving their permission to be held accountable for it.

5   Service

"Being powerful is like being a lady. If you have to tell people you are, you aren't".

– Margaret Thatcher.

Productive leaders use their authority to serve. They view their role as serving those that report to them, so that together they can achieve the things for which they are accountable. These leaders are acutely aware that, ultimately, it is them who are accountable for achieving the team outcomes.

Jordan is the Management Accountant at a large manufacturing company. Afiya is one of his accounts assistants. It is always very busy at the start of each month, as all the financial reports have to be provided to managers by the tenth working day. There is a huge amount of data entry, and Afiya often struggles to complete it on time.

Jordan organises pizza and wine night every first Monday of the month so that he and Afiya can stay back at work "and smash out the data entry together". "It's great", says Afiya, "without Jordan's help on those Monday nights there is no way we'd meet our deadlines – and we make it a bit of fun too."

Through such a simple act of service, Jordan has not only helped Afiya achieve her objectives, but Afiya also sees the overall objective - meeting the reporting deadline – partly as her own responsibility.

To effectively hold someone accountable for something, you need his or her permission. Serving others is the foundation for gaining that permission.

Many employers make the mistake of assuming that by giving an employee an employment contract and a job description they are gaining the employees permission to be held accountable. However, usually the employee's choice in that situation is to either sign the contract and accept the job description, or not be employed at all – especially if he or she is a new employee.

If the employee effectively has no choice but to sign the employment contract, and accept the job description, then their agreement has not been freely given, and therefore the level of commitment will be substantially degraded.

Instead, by using their authority to serve their team, a leader can achieve a deeper commitment from their team members.

Team members respond to being given the freedom to establish how they will contribute to the team objectives, based on their own unique personality, strengths, skills, and experience - and how they perceive they complement the others on the team.

Therefore, a leader driven by the desire to serve helps each team member identify their own strengths and weaknesses, embrace their unique personality strengths, and develop the skills and experience to progress in and beyond their role. In doing so, they create willing contribution to team outcomes through discretionary effort.

6   *Acceptance of Risk*

Even in high performing teams, sometimes people fail to meet expectations.

The tolerance for failure has to be consistent with the organisation purpose. For example, it would be sensible for the culture at a pharmaceutical research company to have a greater risk tolerance than that of a bank.

A productive business culture will discourage behaviour that is inconsistent with the leaders tolerance for risk – driven by the leader giving and revoking permission, establishing effective risk management procedures, and giving clarity of their expectations (purpose).

Michael was the Lending Manager at a bank. He received a bonus every quarter if he signed up more than $20 million of loans. Michael found this easy to achieve as he had many contacts in the building industry. In fact, he was almost famous for being 'the man to see', by building contractors wanting to buy new cars, tools, and equipment.

One afternoon, Michael was called to a meeting with the banks Auditor and Senior Lending Manager. At the meeting, although he had always received the quarterly bonus and excellent comments in his annual appraisal, Michael was advised that the bank had lost several millions of dollars through unpaid loans, and he was dismissed for misconduct.

The leaders at the bank had allowed risky behaviour by Michael through their ill-conceived bonus structure, their lack of oversight of his work, and the reinforcement of his behaviour through his annual appraisal.

Shung worked in the same team with Michael, and he had also been successful with writing new loans for the bank. He was surprised to see Michael dismissed, because … "we were all doing the same thing. We thought this was what we were supposed to do".

Until Michael's dismissal, the communication and behaviour of his team leaders had been inconsistent with the actual risk tolerance of the bank. With the implicit permission to proceed, and the implied tolerance of risk, the business culture itself then encouraged more risky behaviour. Nobody counseled or corrected them, so Shung and his colleagues assumed it was "just the way things are done around here". Most importantly, they could have done nothing differently without incurring a personal loss, through lower bonuses.

7 Moral Compass

The giving or revoking of permission, of itself, suggests that there must be some way of determining which behaviour and interactions are acceptable. In highly productive organisations, the behaviours and interactions that are permitted are not only consistent with why the organisation exists in the first place. They also follow a moral consistency.

A code of ethics does not necessarily ensure that all behaviour is moral or just. It may not even be possible to create a code to cover every conceivable moral risk or give guidance for every possible moral conundrum. It may not even be possible to enforce such a code, if it could be created.

"How does one know what is right ... and where does personal responsibility enter the discussion? How do individuals shape their lives so they make wise and good decisions?

- Anthony Howard

Giving moral clarity is the leader's obligation to their team. It is not enough to say the purpose for which the organisation exists. People must have confidence that they can approach their leader for clarity of the rules for achieving it, and that those rules will be applied - at any cost.

The company values of a supermarket chain state their "long standing objective is to deliver a satisfactory return to shareholders. Guided by this principle, (the company) has developed a unique, highly-focused and disciplined business culture. Underlying this, we adhere to four core values: integrity; openness; accountability; and boldness".

It's interesting that the supermarket chain identifies their values only from the perspective of making a profit. Pause to reflect and consider:

- Based on the wording of the company values, do they meet the "at any cost" criteria?
- Have their leaders only given conditional permission for their staff to practice their values?
- Should there be a conflict between company values and shareholder returns, is it clear or ambiguous that the priority is the morality of the organisation and its people?
- How does any employee know that their interpretation of words like "integrity", "openness", "boldness", and "accountability" is the same as their colleagues?

The supermarket has a history of investigation by the Australian Competition and Consumer Authority, and was fined $2.5 million for false and misleading advertising in April 2015, despite integrity being a core value.

A clear moral compass maintains trust between the leader and their followers. That trust is critical to achieving the accountability of every person. It is that trust that enables the leader to give and revoke permission.

Willing followers allow the leader to hold them accountable for their actions and interactions, as long as they believe he or she will 'do the right thing'. When that trust is lost, they will either leave the organisation or find a new 'cultural authority' within the organisation to guide them, because he or she will have ceased to serve them.

8   *Long-Term and Short-Term Orientation*

"Long-term oriented societies foster pragmatic virtues oriented towards future rewards, in particular saving, persistence, and adapting to changing circumstances. Short-term oriented societies foster virtues related to the past and present such as national pride, respect for tradition, preservation of 'face', and fulfilling social obligations".

- Geert Hofstede & Geert Jan Hofstede

To be productive, a team must have clarity as to the leaders preference for achieving short or long-term outcomes, and how progress towards those outcomes will be monitored.

At every manager's meeting, Bren asks each Manager to highlight his or her weekly achievements. As Managing Director of a digital marketing company, her leadership style is to have her managers break up everything into weekly goals. She is highly energetic, very driven and motivated by success.

She was surprised when one of her Managers, Lucy, requested a meeting to discuss a project that she believed was stagnating, despite the project having a lot of energy and resources put into it, by several Managers. "Lucy, I am confused that you think the project is stagnating. Every week we go through the actions that we've accomplished against this, and it seems we are making great progress", Bren advised.

Lucy produced the original project brief, and went through it with her. "You see? The client contracted us on this project to provide a consistent platform for consumer engagement with their customers through social media, website, and blogging. Over the last year, we've created 8 different web platforms, 4 social media accounts and written blogs on 25 topics. I don't think we are meeting the brief, and the client has indicated to me that they think we have no direction on this."

Bren's desire for visible action and short-term success had blinded her to the possibility that by driving short-term outcomes, she was also driving counter-productive behaviour from her Managers. Nobody wanted to let her down, so they kept creating new short-term actions that kept feeding her desire for success.

Long-term orientation is the leaders compass. It keeps leaders assured that their team's activities are consistent with the overall business purpose. Usually, the people in the organisation are heavily focused on the day-to-day activities for which they are accountable, so it is critically important that the leaders are free to communicate the long-term strategy and then guide the short-term actions that will achieve it.

Excessive focus on long-term outcomes can create equally counter-productive behaviour.

Cindy prides herself on being a big picture person. As the Chief Executive, at every team meeting she reminds everyone of why the charity exists, and the importance of its work for society.

The Board of the charity commissioned a review of the organisation's activities. The review concluded that, of the 150 cases the charity had attended, 140 of them had exceeded their budget, 100 of them had exceeded the accepted time-scale, and 20 of them had resulted in another organisation having to intervene in order to achieve the client outcomes.

Cindy felt let down by her case managers. "Every week I tell them how important our work is, and I reinforce with them our strategic objectives".

Bayani, a Case Manager, told the Reviewer "I've never worked on two cases with the same issue. We involve with different experts, as they are required. Cindy always tells us what the high level objectives are, but she is reluctant to allow us to step back to create the standards and procedures for achieving those outcomes. We go straight from the team meeting, back to dealing with the experts, who all work independently, and we can't be really sure how to assess our progress, or the quality of our outcomes against any organisational standards."

Cindy's reluctance to discuss the short-term details required to deliver the long-term objectives left her team without direction and unsure of how to monitor their effectiveness.

The balance of communication and monitoring between long and short-term objectives is very important. That balance provides the consistency between actions done today and the outcomes needed in the future. It therefore enables the application, development and maintenance of the established way of doing things.