Organizational Culture and Its Impact on Business Results

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Culture has often been perceived as the "soft" part of business, but the culture of an organization has a very definite impact on its business results and its ability to successfully sustain itself for the future. In fact, culture affects all measures of business performance such as customer satisfaction, quality, innovation, individual performance and productivity, ROI, profitability, shareholder value and more.

In one study, Kotter and Heskett researched organizations over an 11-year period and found that firms with a strong cultural capacity for managing change:

- Increased revenues by an average of 682% (vs. 166%)
- Expanded workforces by 282% (vs. 36%)
- Raised stock prices by 901% (vs. 74%)
- Improved net incomes by 756% (vs. 1%)

Key factors for successfully transforming a culture include:

- Clearly defined desired outcome. What will the future state be?
- Driven from the top. Strong leadership commitment.
- Strong internal involvement from HR and all levels of the organization.
- Systems perspective. Look at all parts of strategy, systems and structure.
- Benchmark others while still respecting uniqueness of the organization.
- Link culture to performance. Measure and evaluate.
- Address paradoxes and contradictions such as stimulating progress while still preserving the core.
- Use external experts as catalysts, facilitators and to provide objective perspectives.
- Stay the course; true culture change takes time.