

# CED

August 2017

## Construction Equipment Distribution

Published by AED: Business Fuel for a More Profitable Dealership

# 2017 Mid-Year Business Outlook

*AED's 2017 Mid-Year Business Outlook shows members are ahead of the curve*

### ■ A Closer Look

*On target with TARGIT*

### ■ Emerging Leader

*For Gus Wilson, the equipment industry runs in the family*

### ■ New Member Spotlight

*Mustang Cat celebrates 65 years with a new AED membership*



# ORGANIZATIONAL CULTURE



By Brian Gareau

Business results fell well short of expectations again. As people leave the meeting some are perplexed, others are frustrated – and a few are angry. Significant time, money and resources had been dedicated to executing your dealership strategy. But, unfortunately, one fundamental element was inadvertently overlooked: organizational culture. It is, in simple terms, the accepted or perceived way we do things here. Your organization's culture ultimately influences how individuals in an organization think, feel, act, interact, and react. Manage organizational culture or it will manage you.

But how could something so foundational be missed? Here are four common ways:

1. Blind spots. We tend to see what we expect to see. It's human nature. We also tend to establish routines, so we talk to, run ideas by, and ask questions of the same people. These behaviors create natural blind spots.

2. Beliefs. Beliefs are powerful. When we believe something, no proof is necessary. But the opposite is also true – if we don't believe something, then no proof is enough. A very common excuse used by some leaders who believe business culture is intangible or significantly less valuable than things like new assets, processes, and technology is "Remember, we are different."

3. Sophistication bias. Author Patrick Lencioni describes it this way: "We believe that differentiation and dramatic improvement can be found only in complexity – not something simple and straightforward."

4. Passive engagement. When asked, people confirm their agreement with and commitment to strategy execution and changes needed. But their actions and behaviors are much more compliant than

*Is Yours Helping  
or Hurting  
Performance  
Improvement?*

little proactivity, extra effort, or willingness to address resistance.

Still not convinced? Consider these research findings on business culture and the impact of the human factor on business performance:

- ▶ "As much as half of the difference in operating profit between organizations can be attributed to effective cultures." (Harvard Business School – Haskett)

- ▶ "Companies with effective culture stand to outperform unremarkable competitors by a margin of 20 to 30 percent." (Harvard Business Review)

- ▶ "Nine out of ten of the key barriers to the success of change programs are people-related." (PwC)

- ▶ "Some 85 percent of a company's assets are related to intangible capital like knowledge and human talent." (Brookings Institute)

► "96 percent of respondents say some change to their culture is needed." (Strategy&)

## Areas to Focus Your Efforts

Edgar Schein, a former professor at MIT, said, "There is no right or wrong culture, no better or worse culture, except in relation to what the organization is trying to do and what the environment in which it is operating allows." So, bottom line: start with your business strategy. What individual and collective behaviors do you need consistently done to make your business strategy a reality? What behaviors and habits would enhance your brand, reputation, business performance, and overall work environment?

One practical way to look at this is by brainstorming and making a list of all the actions and behaviors about which your organization would quickly and consistently say, "That's not how we do things here." Your employees make hundreds of decisions each day on their own. Whether these decisions are big or small, all are important and should be guided by your culture. For example, would any of the following be tolerated in your organization?

Walking by someone doing an unsafe act and not addressing it ... Delaying the sharing of information with a customer because they would be upset ... Deviating from procedure because it's believed no one really follows it ... Filtering information going to upper management because it isn't what they want to hear ... Skipping a few process steps in favor of work volume ... Remember, leaders get the behaviors they model and tolerate. Is your organization consistently reinforcing strategically aligned behaviors?

Next, focus on what specific behaviors must be reinforced. These behaviors should describe what right looks like in your dealership, based on its values, and should answer four basic questions:

1. What is the right thing to do? (aligned with both goals and values)
2. What is the right time to do it? (timeliness)
3. What is the right way to do it? (following prescribed policies, procedures and processes)
4. What is the right reason to do it? (compliance, commitment or norm)

One major challenge with many organizations' values is that they are described at the 50,000 foot level. Very few employees, if any, are going to disagree with the importance of high-level values like integrity, customer service, quality, teamwork, and innovation. But I guarantee that your employees will have different definitions of what exact behaviors are needed. In fact, it's very common to hear employees say they are living the company's values but someone else isn't. Ideally, values need to be viewed and documented via specific behaviors from unique perspectives in the organization. Why? Because it's hard to walk a general talk, or measure it.

One practical technique I use with my clients is the Values Funnel. This process helps flush out and provide clarity on a small number of specific behaviors that individuals, departments, or functions are accountable for achieving. For example, what specific behaviors is your dealership looking for regarding teamwork between the sales and service departments? What does customer service specifically look like at the parts counter when a customer is upset? What does integrity look like when frank, not filtered, feedback needs to be

given to address an individual's performance issues? Bottom line: get values right and culture will follow.

A third key focus area with business culture is organizational cultural processes (OCPs). There are 12 people-related processes that must inform, teach, and reinforce desired behavior. Here's a quick summary:

► **INFORM processes** – Communication; Policies; Processes; Measurements

► **TEACH processes** – Onboarding; Leadership; Formal Learning and Development; Decision-Making

► **REINFORCE processes** – Selection; Performance Management; Recognition; Reward

But too often these OCPs get neglected, delegated or derailed. Too many organizations do the following:

► Go out of sequence. For example, processes that inform must be done before those that reinforce.

► Skip, shortcut, substitute, or simply treat OCPs as HR transactions rather than important interactions between employee and leader

► Delegate OCPs to HR exclusively instead of also holding all leaders accountable for successful execution

► Declare victory too soon. Changing behavior is hard work. In fact, research indicates a behavior has to be reinforced a minimum of 21 times before it becomes a new habit.

When OCPs are not properly managed, inconsistent messages and behaviors creep in. There is a lack of clarity as to "how we do things around here." Confusion, frustration, doubt, and poor choices create waste and underperformance.

Finally, there's measurement. Based on more than 15 years of studying and assessing organizational effectiveness, performance, and business culture on five different continents, I believe that for any organization there are three critical people-related elements that must be measured, with timely feedback provided and actions taken. All of these impact performance.

1. Employee perceptions and beliefs. Measurement of this is traditionally done through employee surveys, which provide a snapshot of factors like safety, quality, customer service and engagement.

2. Organizational cultural processes (OCPs). This measurement should focus on the existence, understanding, and consistent execution of organizational processes that INFORM, TEACH, and REINFORCE. A self-assessment audit tool can be used here.

3. Overall business culture. Unlike a survey, a cultural assessment is a "full physical," looking for which behaviors are producing desired and undesired outcomes – and then what is potentially causing these behaviors to be tolerated or reinforced. Cultural assessments are done less frequently than traditional surveys. They are ideal when performance has stalled or major change is about to take place.

Your dealership's organizational culture matters. It guides behavior and the decision-making of the entire workforce every day. If you are looking to drive purposeful consistency, it demands intentional attention. Are you doing the right things to manage your culture? Is your culture helping or hindering higher performance?



# CED

## Construction Equipment Distribution

Published by AED: Business Fuel for a More Profitable Dealership

Are you receiving the new and improved CED Magazine? Each issue is filled with a variety of educational topics to enhance your day-to-day activities within your dealership! When you subscribe, you'll also receive the 2017 Membership Directory.

NAME \_\_\_\_\_  
COMPANY \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
CITY \_\_\_\_\_ ST \_\_\_\_\_ ZIP \_\_\_\_\_  
PHONE \_\_\_\_\_ EMAIL \_\_\_\_\_

**Member Subscription**

\$39 US / \$109 International

**Non Member Subscription**

\$79 US / \$179 International

---

### SUBSCRIBE ONLINE IN THREE EASY STEPS!

1) Visit [bit.ly/cedsubscribe](http://bit.ly/cedsubscribe)

2) Select *Paid Subscription to CED Magazine/  
Paid Subscription to CED Magazine International*

3) Click add to cart

Have questions? Please contact CED's Subscription Manager,  
Martin Cabral, at [mcabral@aednet.org](mailto:mcabral@aednet.org) or 630-468-5118.