

# Why Culture Trumps Strategy

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In recent editions of *H&HN Daily* we've seen arguments by knowledgeable authorities both for and against the proposition that culture eats strategy for breakfast or lunch (e.g. "Overestimating the Importance of Culture" by Daniel Beckham, August 16, 2012 and "The CEO's Primary Agenda" by Ralph Jacobson, September 13, 2012). There is, of course, no arguing that an organization with both a great culture and effective operating strategies will be most successful, but the healthcare leader who focuses on strategy without also working to create a strong culture does so at the peril of the organization.

Culture is to the organization what personality and character are to the individual. Every hospital has a strategic plan into which countless hours of management time have been invested, but it is the rare (very rare!) organization that has an equally clear and well-developed culture plan. They should. As David Maister argues in his book *Strategy and the Fat Smoker*, we all know what the strategies are (quit smoking and lose weight; give great service and be highly productive) The problem is that we lack inspiration and resolve to implement the strategies, and these are qualities of culture.

Here are ten reasons why culture usually trumps strategy. Each is a compelling argument for healthcare leaders to complement their strategic plan with an equally robust culture plan.

## **People are loyal to culture, not strategies**

Southwest Airlines has the highest loyalty in the airline industry, but its people are not loyal to the company because of such strategies as fuel price hedging, free bags, and first-come first-served seating. Rather, they are loyal to a culture that honors individuality, fellowship, and having fun. With experts predicting the likelihood of serious shortages of healthcare professionals in the years to come, hospital leaders should begin now working on fostering a culture of ownership that attracts the best people and earns their loyalty.

## **Culture provides resilience in tough times**

When Starbucks ran into serious trouble several years ago, founder Howard Schultz returned to take the helm as CEO. In a remarkable turnaround effort that is still ongoing, they implemented numerous great strategies. But what saved the company during its darkest days was not strategic brilliance, rather it was cultural resilience. As Schultz put it in a *Harvard Business Review* article (July-August, 2010), "the only assets we have as a company [are] our values, our culture and guiding principles, and the reservoir of trust with our people." It's quite clear that the healthcare environment will get a lot more challenging in the years to come – the most successful organizations will couple creative business strategies with resilient ownership cultures that buffer them against the uncertainty and anxiety of a turbulent and hypercompetitive world.

### **Culture is more efficient than strategy**

Another example from Southwest Airlines: during fuel shortages caused by the first Gulf War in 1991, Southwest's employees voluntarily donated money from their paychecks to help the company purchase fuel. The company could have achieved the same end with a strategy of a mandatory pay reductions, but that strategy would have come at a much greater cost. Watch the reaction of a typical nurse who has been told that he or she must "do more with less" and you'll probably see a gag reflex. At the hyper-successful online shoe store Zappos, though, "do more with less" is one of the company's 10 core values. This value has been engrained into a uniquely positive culture, and Zappos employees take pride in finding ways to honor it.

### **Culture creates competitive differentiation**

In the Pacific Northwest, Les Schwab dominates the retail tire industry. They sell the same tires you can buy at any other tire store, but they're the only tire store where a technician *runs* out to your car to greet you the minute you pull into the parking lot. Texas Roadhouse is America's fastest-growing steakhouse chain; employees proudly wear T-shirts proclaiming that they "heart" their jobs, and on every shift they stage a pep rally (called the alley rally) in the center of the restaurant. Many a hospital has been disappointed when a "customer service" program consisting of giving people a script and a happy face pin has failed to achieve the desired result of increasing patient satisfaction (in fact, poorly implemented this strategy will actually reduce patient satisfaction and employee engagement). Patients don't remember what was said (the script) nearly as much as they recall the spirit in which it was said, and more than anything that spirit is influenced by the culture of the organization.

### **A great culture can galvanize a counterintuitive business strategy**

In his book *Delivering Happiness*, Zappos CEO Tony Hsieh says that people in the company's call center do not have quotas or time limits when taking calls. This is in stark contrast to most call-center operations where productivity is monitored to the micro-second. Hsieh says the record length of a single call is more than seven hours: this is a company selling shoes, but some people call them for psychotherapy! In fact, over the past year I've told thousands of people in my speaking audiences about how a Zappos call center employee named Mary Ann (when's the last time you remembered the name of the person answering your call to a call center?) handled my call in such a way that I actually didn't want the conversation to end. That is the sort of advertising money cannot buy and strategy will not earn.

What on the face of it appears to be a highly inefficient business strategy has been turned into a source of incredible competitive advantage by people operating within a culture of ownership. The company went from startup to billion-dollar enterprise in less than eight years, and was recently acquired by Amazon.com – but the sale was made only after Amazon CEO Jeff Bezos promised to not mess with the Zappos culture.

### **Culture humanizes strategy**

Hospitals across the country are adopting lean process improvement strategies. This is a good thing, but if there is not simultaneous work on fostering cultural commitment it's likely to be perceived as simply speeding up the assembly line, creating employee resistance and increased risk of failure. At Virginia Mason Medical Center, which has pioneered lean in healthcare, the lean strategy has been coupled with a no-layoff policy. Jamie Orlikoff – who sits on the medical center board – says they have learned that you should not try to fix cultural problems with structural solutions, and have thus coupled the lean strategy with a culture that honors employee job security.

### **Cultural miscues can be more damaging than strategic miscues**

When Dave Carroll, lead singer of an obscure band called Sons of Maxwell from Halifax, Nova Scotia, asked United Airlines to reimburse him for damage done to his Taylor guitar during a flight, he got the runaround. When he threatened to write a song about them if they didn't pay for repairs, they ignored him – to their subsequent regret. To date, more than 20 million people have viewed his video “United Breaks Guitars” and its two sequels. Not only that, the Taylor guitar company made their own video on how to pack a guitar so United won't break it. This is a classic case of self-inflicted public relations disaster. If United had the sort of customer-centric culture for which companies like Nordstrom (or, for that matter, Virgin Airlines) are known, this multi-million dollar PR black eye would never have happened.

### **Strategy can be copied but culture cannot**

At one time or another, every major airline has attempted to copy strategies implemented by Southwest Airlines (some of which, as Beckham points out in his article, Southwest copied from others). These copycat efforts have had marginal success at best, largely because they were imposed upon a culture that was not receptive. A competitor can copy your strategies for promoting a women's health program, and can recruit away your best OB nurses, but they cannot copy or steal your culture. And if you get culture right, your best people won't want to leave anyway.

### **When strategy and culture collide, culture will win**

When Robert Nardelli took the helm at Home Depot, he implemented logical cost-cutting strategies. These strategies increased sales, profits, and stock price, but at the cost of trashing the employee-centered culture that had been nurtured by company founders. Nardelli was eventually fired, but his failure to honor the Home Depot culture when pushing through his strategies inflicted wounds that will take a long time to heal. By contrast, when Louis Gerstner led the turnaround effort at IBM, he honored the culture that had been created by Thomas Watson senior and junior. In his book *Who Says Elephants Can't Dance?* Gerstner wrote that he learned “culture isn't just one aspect of the game, it *is* the game” (emphasis in original).

### **In the real world, culture trumps strategy**

In making his case that strategy trumps culture, Beckham refers to the movie scene where Indiana Jones uses strategy (firing a pistol) to kill an Arab warrior who is steeped in a culture of the sword. But a more realistic analogy would be the frustration, and often futility, of sending a modern high-tech army to fight in a country that has a culture where people are willing to blow themselves up to kill their enemies, and where their time horizon for the conflict is not measured in years but in generations. In such a war, culture will eventually devour strategy.

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