



Joseph Grenny

First presented
October 16, 2013

Four Crucial Skills of a High Performance Cultural Operating System

Introduction: Organizational Cultures – the Good, the Bad and a Cockroach

Every organization has a cultural operating system, a basic way of functioning that, according to leadership expert, business strategist and author Joseph Grenny, ultimately determines how effectively the organization and the people who comprise it execute and innovate around a mission, however trying the circumstances.

Trying circumstances can bring out the best in people and the systems of which they are part, as they did Nov. 26, 2008, at the Taj Mumbai, a high-end hotel in India, when 24-year-old banquet manager Mallika Jagad found herself, along with hundreds of hotel staff and guests, under terrorist siege. As gunfire crackled and grenades exploded, recounts Grenny, Mallika took charge, directing measures to keep banquet guests safe amid bloodshed that would cost several hundred people their lives.

She and the entire Taj Hotel staff of some 600 remained at their posts overnight as the siege continued, until they and the surviving hotel guests finally were able to evacuate the following day. For a hotel and a staff that pride themselves on providing superior service, it was more than “mission accomplished.” It was a testament to their supreme ability to both execute and innovate, even when literally under the gun, and to the wherewithal of the human system created by hotel leadership to empower employees to rise to the occasion.

The ability to create a culture in which an organization and its people are capable of responding so positively when presented with a novel challenge, according to Grenny, “is the essence of leadership.”

Grenny, co-founder of the organizational training and development company VitalSmarts and co-author of such books as *Change Anything* and *Crucial Conversations*, saw



that same mark of leadership manifest itself one day when observing the goings-on at the Gramercy Tavern, a New York City restaurant owned by highly successful restaurateur Danny Meyer. A situation developed that gave Grenny, who was there seeking to discern the systemic traits that make Meyer's restaurants stand out, exactly what he was seeking.

Upon entering the restaurant, a woman who is due to host a group meal there approaches the maître'd, then promptly realizes she's left her purse and phone in a taxi that has just pulled away from the curb. Grenny watches as the maître'd calmly and reassuringly guides the panicked woman to her group, quietly asking for her mobile number along the way. Once she's seated, the maître'd instructs a colleague to keep calling the woman's mobile phone, which the taxi driver finally answers. The Gramercy employee and taxi driver hastily arrange to meet to hand over the woman's purse and phone, which the maître'd delivers to her as the meal is drawing to a close. Needless to say, the outcome produced by the Gramercy human system turns the woman into much more than a satisfied customer.

When that stamp of leadership is absent from an organization's human system, however, the outcome can be starkly different yet just as revealing, as Grenny illustrates using an experience he and his family had at another New York City restaurant just weeks prior to his visit to Gramercy Tavern. Moments after the main course arrives, Grenny's daughter shrieks, having found a cockroach in her rice. As the intruding bug scurries away, the Grenny's waiter arrives at the table and asks, "What's wrong?"

Once they fill him in, Grenny recalls, the waiter stuns the family by saying, almost accusatorily, "It must not be *our* cockroach. If it was ours, it would have been cooked and dead."

The stark differences in how organizations respond to these kinds of novel challenges to their human systems speak to the "default leadership system" an organization relies on to achieve its mission and solve problems when they arise. They also raise fundamental questions that leaders need to ponder, according to Grenny, particularly if they want their organizations to be more like the Gramercy Tavern and the Taj Mumbai:

- How do you create a human system that is supremely capable of achieving its mission?
- What are the basic capabilities of a human system that are most essential to its capacity to execute flawlessly and innovate consistently?

- In terms of an organization's default system, "how would you start there" — at the cockroach restaurant — "and move there," to the Taj or Gramercy?

The Mechanism

There's little question of the value a human system has to an organization, says Grenny. "We all believe the human system has enormous potential to contribute to performance."

So why don't organizations and their leaders direct their efforts toward developing "a cogent, coherent, intentional way of dramatically improving how people contribute, of getting to the Taj Hotel level rather than the cockroach restaurant level?" he wonders.

Differentiation at its core comes not from factors such as geography or technology, as it once did, but from the organization's culture, its human system. That system determines an organization's ability to execute and to innovate, assert Grenny. The impetus to improve that system necessarily comes from leaders within an organization, he says, using a passage from a book by historians Will and Ariel Durant to illustrate his point:

"The influence of geographic factors diminishes as technology grows...Only the imagination and initiative of leaders, and the hardy industry of followers, can transform possibilities into fact...and only a similar combination can make a culture take form over a thousand natural obstacles. Man, not the earth, makes civilizations."

The ability to turn possibilities into facts, to rally people to accomplish a mission, is the mechanism with which leaders build the healthy, sustainable human systems that he says are more vital than ever to an organization's ability to accomplish what it sets out to do. "It's all a human system," he says. "It's not the technology, it's not the infrastructure, it's not the products...that transfer possibility into facts."

How to measure the overall effectiveness of an organization's leader(s) and its human system? The two yardsticks are:

1. **The capacity to execute** — how well an organization carries out its declared mission. This, says Grenny, is mostly a function of an organization's ability to meet "today's goals."

2. **The capacity to innovate.** This is “about staying relevant to those you are attempting to serve in the future,” he says.

“Is there such thing as a high-performance culture that is capable not just of executing supremely well on today’s intentions but also innovating consistently to stay relevant for the long term?” Grenny maintains there is. For organizations that have the capacity to both execute and innovate at a high level, the whole often becomes greater than the sum of its parts. Because of its human operating system, people consistently do outstanding things that produce outstanding outcomes, he says.

If an organization can indeed execute and innovate consistently, “what are the composite characteristics of that kind of an organization?” wonders Grenny. Research has defined those characteristics, he says. It’s the leader’s job to apply them within their own organizations.

Apps to Execute and Innovate Better

For computer and smartphone users, the operating system affords access to apps for accomplishing specific tasks. Likewise, an organization relies on apps — a unique set of skills, processes, structures, practices, products and traits — to achieve its mission, says Grenny.

But apps only have utility if the operating system underneath them is strong. It’s the operating system itself, not the apps, that empowers an organization to execute and innovate, he asserts. At the organizational level, what characteristics give an operating system its power? The answer, as organizations such as software developer Menlo Innovations and its leader, Richard Sheridan, have discovered, lies not in processes or products (the apps) but in people and “a specific set of interpersonal agents” — their ability to communicate and collaborate face-to-face, to pursue ideas, to hold one another accountable, and to believe in one another.

These are some of the core traits that help an organization’s human system execute and innovate, says Grenny. Brought to bear by Sheridan at Menlo Innovations, these traits have helped the company achieve an astounding 100% customer satisfaction rate, virtually unheard of in an industry where customer dissatisfaction is the rule.

Too often, he says, organizations and their leaders, in an effort to improve execution and innovation, overlook their true drivers. “Almost none of us say, ‘We have a way of thinking about driving human behavior and creating a cultural system that is profoundly affecting our capacity to execute and innovate.’ We hardly hear that.”

Sheridan named his company after Thomas Edison's laboratory in New Jersey, which Edison had meticulously designed and built to produce innovation consistently. Similarly, leaders who make the effort to meticulously design the operating system within their organization put their organization on a path to consistent execution and innovation, Grenny says. "The leadership concept I'm trying to express here is that when you're creating new policies or products or systems, or executing a merger or a new policy, that's not leadership. Those are important roles, but leadership is isolated to systematic acts of intentional influence, and your acts of intentional influence ought be aimed at creating a human system that will help you accomplish your desired result."

Leaders tend to focus too much on "tip-of-the-iceberg" stuff, Grenny adds, when what they really should be focusing on is developing a human system that will allow the organization to maximize the power of its people and its apps to accomplish its mission.

People Matter More Than Process, Product

Apps matter to an organization. But according to Grenny, they're useless without a robust human system as a foundation. That operating system controls the inputs and outputs for an organization. It determines the extent to which an organization succeeds or fails in its mission.

Here again, how people function within the system designed by the leader is the determining factor. For example, "If the behavior of your people doesn't match the message of the brand, then ultimately you fall short," says Grenny.

Likewise, "You can create terrific products, but if the behavior of your people doesn't match the quality of the product, then ultimately you fall short.

"You can create terrific processes," he continues, "but if the behavior of your people doesn't execute on the process flawlessly and we don't get compliance with the process, the process doesn't matter."

Four Dimensions

At the heart of a thriving organization is a healthy cultural operating system (COS). If the performance of their people is any indication, the Taj Mumbai and the Gramercy have healthy cultural operating systems. Not so the cockroach restaurant.

Four dimensions measure the health of a COS, Grenny says. The first is **the extent to which people within the organization are contributing at the level of their full potential** – “the ability to optimally carry out what the organization needs.” The maître’d at Gramercy and Mallika Jagad at Taj represent the gold standard here. They’re the type of people on which a cultural operating system depends – and helps create.

What happens when there’s a deficit in this area? “The ideal starts to sound ludicrous,” says Grenny. “We have such low expectations of our organizations, we assume low or mediocre numbers are just how it’s going to be.”

What if there were clear steps a leader could take to improve their organization’s cultural operating system to make people work closer to the level of their full potential? “What might happen to our capacity to execute and innovate if we knew how to work on these problems?...That is what leaders do. This is the definition of leadership. It’s solving that problem,” Grenny says.

The second dimension by which to take the measure of a culture operating system is **the extent to which people in the organization speak up and hold senior leaders, peers or anyone else at any level accountable when they see things that affect results**. This is about “directly and effectively confronting issues hindering execution or innovation,” even it means addressing it with the most senior leaders, he explains. “I’m talking about direct conversations” – calling the CEO directly to raise a critical issue, for example.

If that kind of direct approach seems outrageous to most people within your organization, that’s evidence of a deficit in the cultural operating system that a leader needs to address.

The third dimension by which to gauge a cultural operating system is **the extent to which people in the organization believe they can say anything to anyone at any level if it will help improve results**. As a leader, how often do people in your organization approach you with ideas, suggestions, constructive criticism, even when the subject is politically or emotionally sensitive?

Like the second dimension, this is about accountability, openness and transparency, traits that are necessary to a healthy cultural operating system. Because, as Grenny points out, “it’s important for us to get the right ideas and the right information out on the table and to the right people.”

The fourth dimension for sizing up a culture operating system is **the extent to which the people in an organization have high confidence that management's latest program will succeed**. This is peoples' shared belief that their leaders are doing the right things to help people fulfill their potential and their organization to achieve its mission.

What does a deficit in this area look like? Grenny saw it in Toyota's effort to develop an accelerated three-year car development cycle in place of the typical five-year cycle. The employees he encountered who were charged with the undertaking "had absolutely no belief the culture change that would have to happen in order to execute on the three-year car would ever occur," he recalls. "They had zero confidence their leaders would be able to lead the real behavioral change" required to make the undertaking successful.

Collectively, those four dimensions point to the existence of "just a few attributes, a few capabilities, that profoundly affect your ability to execute" on organizational apps. "All the apps run better if you have these enabling characteristics underneath them," asserts Grenny.

Four Viruses: Virus 1 – Culture of Resistance

Can the aforementioned four competencies of a cultural operating system be measured in terms of their impact on an organization's innovation and execution? Grenny and VitalSmarts sought to find the answer by looking inside a wide range of organizations around the globe.

After surveying some 11,000 executives, managers and employees from all types of industries, Grenny and colleagues were able to identify not only some of the traits common to a healthy cultural operating system, but also **four viruses** that plague unhealthy COSs.

A couple things to note about these viruses: First, says Grenny, "you don't get to vote on whether or not you have one. It's just there." And second, "if you aren't actively working on an antidote, you have this virus." That's because the four viruses are "part of the human condition. We bring them with us to an organization. So unless [as a leader] you're creating a social system that is actively working on an antidote all the time...the virus starts to creep up again."

The first virus his research identified is a **Culture of Resistance** – a virus that's personal in nature. For some reason, the organization's culture operating system causes people to resist rising to the level of their full potential and prevents them from overcoming their career-limiting habits.

The virus comes with some telling and damaging symptoms, says Grenny. “The stronger your performance management system is, the more likely it is you have this virus. The more we tend to emphasize hierarchical accountability – top-down accountability – the more evidence there is that we expect people to resist.”

In a culture of resistance, leaders tend to rely too heavily on their “go-to” people to solve difficult problems. That creates resistance and detachment. People are expected to drag their feet. Their engagement suffers. They tend to do the minimum to get by. Organization-wide, it’s seen as management’s job to get people to change.

The opposite is true in a COS not afflicted by this virus, says Grenny. “The differentiator in very healthy organizations is, there’s a culture of self-directed change, where people tend to be continually revisiting, analyzing, exploring, and looking at their own performance, and they are the activators. They are the agents of change primarily. Supervisors become helpers and assets.”

Countering a Culture of Resistance

The virus that leads to a culture of resistance can be rooted out in either of two ways, says Grenny.

The first is to **own it yourselves**: Create a top-down strategy where you draw up a list of preferred competencies to which employees must measure up.

That’s a useful but perhaps not optimal approach to curing the virus, says Grenny. “The organizations that we find are stellar in their performance don’t tend to do that. They create an environment where people are responsible for self-directing change... You get more of those people in an organization and it innovates more, it executes better.”

What makes it so hard to rid an organization of a culture of resistance is that neither employees nor employers believe people on their own can overcome their career-limiting habits. For leaders, the answer isn’t to compensate for the lack of self-directed change by imposing it on people, but rather to **empower people to control their own behaviors by managing their environment**, their sources of influence – “taking control of things that control us,” Grenny suggests.

Putting salad or fruit at the head of the buffet line likely will lead more people to eat more healthily. Take a similar approach with a cultural operating system. “Those who are better at creating self-directed change are those who understand there are these little environmental factors that overpower you. So, they take control of the environment. They change the environment so it will change [people]!”

For leaders trying to encourage self-directed change in a workforce, that means “examining their habits and intervening in a way that helps them align their habits with the needs and missions of the organization.”

Failing to take that approach taxes an organization in very tangible ways, says Grenny. For organizations with an identifiable culture of resistance virus, research indicates the tax is 24% on execution and 22% on innovation.

Four Viruses: Virus 2 – Culture of Silence

The second virus that often afflicts an organization’s COS is interpersonal in nature – a Culture of Silence. You know it’s present when employees avoid speaking about emotionally and politically risky issues. Accountability goes out the window.

The unwritten rule within organizations afflicted by this virus: “We value harmony over results,” even if it’s a false sense of harmony in which employees are taking refuge. As a result, “important points of view are being shut down or not being expressed,” Grenny says.

Even the highest reaches of an organization are susceptible to the virus that causes a culture of silence, as Grenny discovered from a conversation with Dame Stella Rimington, the former director general of MI5, the British intelligence agency. Rimington relates to Grenny a briefing she held with then-Prime Minister Margaret Thatcher about an IRA bombing. Statements by Thatcher during the meeting make it clear to Rimington the Prime Minister has inaccurate information about the bombing. Should she speak up, knowing Thatcher’s reliance on inaccurate information could have disastrous consequences?

Had Rimington been part of a cultural operating system where people were encouraged to offer up new information, even if politically or emotionally sensitive, she might have spoken up. Instead, Rimington tells Grenny she opted, for the sake of harmony, not to say anything to Thatcher, despite the potentially profound consequences of withholding valuable information.

Similar situations unfold inside organizations everyday, albeit usually on a less visible stage. In fact, research suggests that while 85% of project managers say they have been given projects that, due to deadlines, resource limitations or other factors, were designed to fail, just 14% felt it safe to speak up and challenge the project plan. Projects are destined to fail if the people managing them are skeptical of achieving the mission from the start.

As a result, organizations afflicted with the culture of silence virus end up trying to work around problems rather than trying to solve them. The problem-solving buck is passed. "Unless you have a cultural operating system where people are raising problems directly, then you have embedded the weakness in the system," says Grenny.

And once again, the tax on the system, and the entire organization, is measurable: a 16% drop-off in execution and an 18% decrease in innovation. Those taxes, Grenny says, underscore a crucial COS reality: "that people come into your organization already concerned about hierarchy, wanting to fit in, worried about offending people...If your leaders are not taking active efforts to create a culture of candor and accountability, then this is what you're getting."

Four Viruses: Virus 3 – Culture of Collusion

The virus that causes a Culture of Collusion commonly affects organizations at the team level, where people who share an unwillingness to raise issues and information that's relevant to the mission adopt a code of silence to protect themselves and their teams, even if that protection comes at a steep cost to the organization.

Grenny offers a first-hand observation of a culture of collusion at work within an organization, in this case a manufacturing outsourcing organization that had been hit hard by the recent economic downturn. Company executives gather for a retreat to plot a strategic response, and as part of the resulting plan, commit to make deep reductions in discretionary spending across the company's various operating units, starting with spending on consultants. Within a couple weeks of the retreat, one unit learns through the grapevine that one of its counterparts isn't adhering to that commitment, and instead has re-upped with a consulting firm. The leader of that unit then decides to delay implementing the agreed-upon spending cuts as well, instead waiting to see if his boss will reinforce the commitment. That never happens, recounts Grenny, "and pretty soon every one of the commitments [made at the retreat] started to go by the wayside."

Again, it's a problem within the human system, where accountability is top-down, if there's any accountability at all. If there is, it usually comes too late in the process to forestall the problems caused by the culture of collusion. Had that virus been absent in the aforementioned situation, the leaders of the two units would have spoken directly about the issue, strengthening their relationship in the process, instead of waiting for their superior to intervene. Instead, the "it's not my job to intervene" mindset won out – reinforcing the unwritten rule of, "Don't confront me and I won't confront you."

The Culture of Collusion virus exacts its own tax on an organization: reductions of 16% in execution and 19% in innovation.

Four Viruses: Virus 4 – Culture of Cynicism

When leaders make promises, or announce bold new plans or programs, but fail to deliver on them, the result is the fourth virus that may afflict a cultural operating system, the Culture of Cynicism. When they see good ideas consistently amount to nothing, employees lose confidence in their leader's ability to lead— to do what's needed to achieve a mission. To cynics within the organization, it's just the latest program/project/promise of the day/month.

The unwritten rule thus becomes, "Wait it out." Sit back and watch the wheels come off the undertaking. It's just a matter of time before this latest project is deep-sixed. Such an attitude "becomes a self-fulfilling prophecy over time," says Grenny. "It might have been a right-headed idea but the fact we don't think our leaders can execute on this becomes the challenge."

Leaders hold the antidote, not only to a culture of cynicism but to the other three viruses that affect organizational cultural operating systems, he maintains. "The most important capacity we have as leaders is the ability to create systematic behavior change. That's what qualified you for the title of leader...The most important capacity you possess is your ability to influence behavior."

The antidote is simply to find effective ways to control the workplace environment so people are empowered to execute and innovate. "The reason so many leaders are incompetent and create a culture of cynicism is they don't know how to draw on all the sources of influence that influence behavior," Grenny posits. "The way people behave in your organization is a function of many difference sources of influence. What we know is, in organizations where people know how to think systematically about behavior, you don't have cynicism. The leaders understand it's their job to influence behavior change and they're capable of thinking systematically about it."

Back in the 1960s, social psychologist Stanley Milgram used experiments to show that when exposed to certain sources of influence, people will do things they know are distasteful, painful to others, even downright immoral, in the name of obedience to authority. That leads Grenny to speculate about the role of leadership: “If you could get good people to behave really awfully, could you also help good people behave in wonderful ways, like at the Taj Hotel, or like at Gramercy Tavern?”

The answer is a resounding, “Yes!” Introducing or emphasizing different sources of influence while deemphasizing or removing others can make a world of difference, he says. Case in point: the University of Michigan alumni solicitation call center whose revenue jumped 170% after leadership there brought in a student and a professor to share with call center employees their stories about how they put funds raised by the call center to good use.

“There are many sources of influence that shape our choices,” Grenny observes. “The function of leadership is to intentionally influence the cultural operating system of your organization. If leaders are saying that’s the job of HR, or that’s the job of training, they’re abdicating the fundamental work of leadership.”

The result of abdication are taxes on the organization. When the virus in question is a culture of cynicism, the tax amounts to 16% on execution and 19% on innovation.

The Metrics of a Healthy COS

Just as research allowed Grenny and his colleagues to quantify with actual numbers the toll COS viruses take on an organization, so it also allowed him to quantify the innovation and execution gains an organization stands to reap simply by making incremental improvements in any of the four competencies that constitute a cultural operating system.

What if you work on it – if you intentionally focus on those four things?” What if leaders made the effort to address:

1. **The personal** – “Can you create a culture where people are continually engaged in self-directed change? Can you actually do that and if you do, what would happen?”
2. **The interpersonal** – “Can you create a culture where anyone can say anything to anyone if it’s in the best interests of execution and innovating around our mission?”
3. **Team** – Can anyone hold anyone accountable? Does most accountability happen laterally and up, rather than down? If not, we have the disease [in this case a culture of collusion] embedded in the system.”

4. **Organizational** – Are leaders skilled at influencing rapid, profound and sustainable behavior change?"

When leaders make the effort to address shortcomings in a COS, "you don't pay the tax, you get the bonus," maintains Grenny.

Address the personal by empowering employees to make self-directed change and the bonus amounts to 45% in innovation and 41% in execution. Address the interpersonal by building a culture of candor and the bonus grows to 62% in innovation and 53% in execution. Address accountability at the team level and those gains swell 60%, respectively. Pull it all together at the organizational level by addressing the culture of cynicism and the total benefit grows to 111% in innovation and 91% in execution. Leaders thus have the ability to nearly double the levels of innovation and execution within their organizations, if they focus on the four aspects of the cultural operating system as they relate to people, not products, processes and the like.

Engineering a Healthy COS

There are three main pathways to developing a healthy COS, says Joseph Grenny:

1. **Start fostering this within your team.** Pick one of the four COS competencies to focus on and "start working on it." Then address each of the other competencies in turn.
2. **Take the tactical approach** by "going where the pain is" – identifying an organizational COS problem – and taking steps to address it. "Let that drive which of the four dimensions of the cultural operating system you go after first," he suggests. "Do it with a longer-term view, not just to solve a cultural problem. Make sure you're thinking about this as a long-term developmental commitment [in order to] make it a sustainable part of the culture."
3. **Take a strategic organization-wide approach** that works on multiple levels to systematically align the organization, its leaders and its employees with the four core COS competencies.

Grenny's parting advice: Try one of the paths, mindful that "you don't have to fix everything at once.

"You can focus intentional effort on driving new behavior in the organization," he says, "with the long-term view of creating a human system that serves your customers and all your constituencies better than ever before."