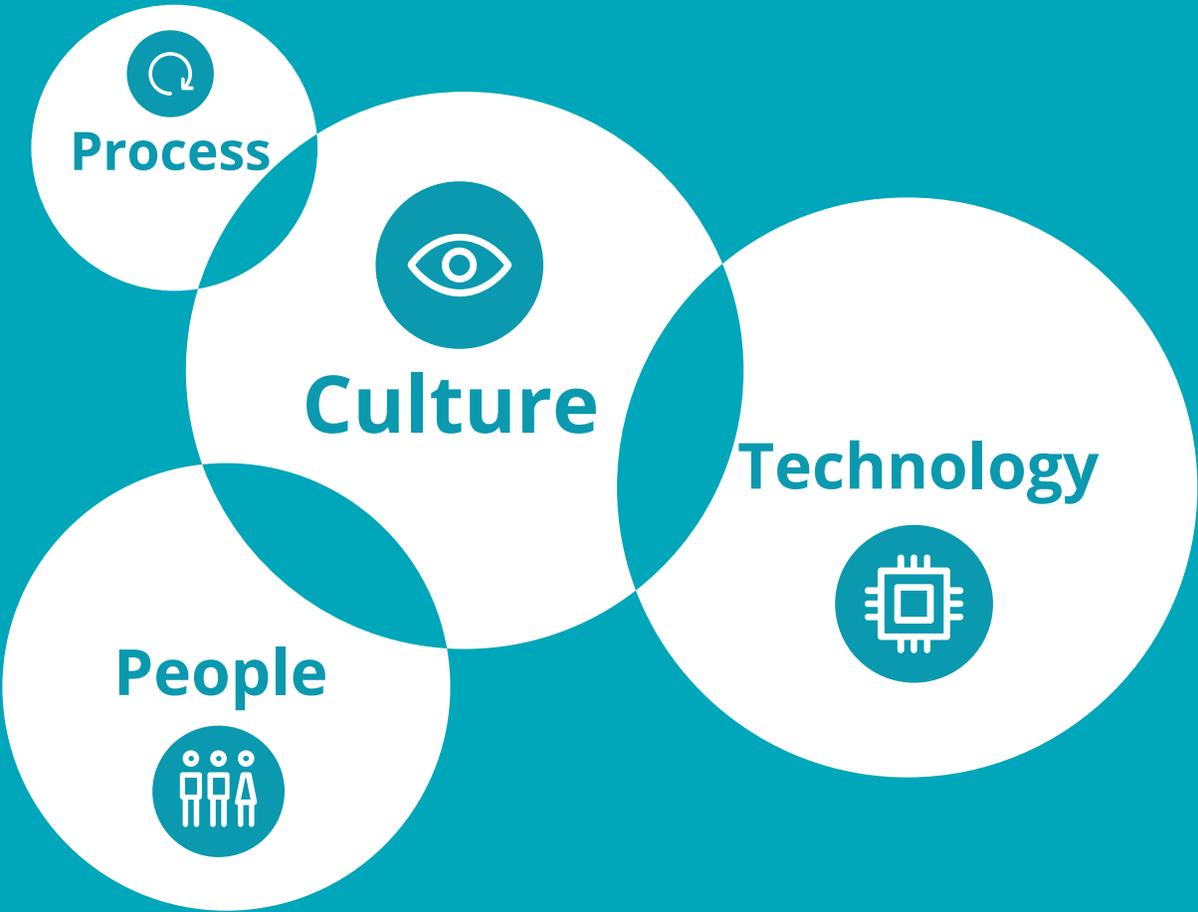




**The fourth element:
How addressing culture can improve
mission performance in government**

by John Forsythe,
Laura Baker, and Kristin Stamilio



As government looks for ways to improve performance amidst increasingly complex challenges, the importance of addressing workforce culture should not be overlooked. The rise of millennials in the workforce, the call to do more with less money, and the exponential increase in mission complexity are adding new pressures to government agencies. Most solutions address people, process, and technology for any mission improvement in today's workplace. We suggest that by designing a strategy and set of initiatives around an additional "fourth element" of culture, agencies can make significantly more progress with both individual employee adoption and the overall organization's ability to execute the mission.



Culture matters when moving in a new direction

In 2003, the National Aeronautics and Space Administration (NASA) experienced one of the most devastating accidents in its organization's history. During re-entry into the Earth's atmosphere, the Space Shuttle Columbia exploded, killing all seven crew members. While the organization was reeling from the tragedy, which was caused by a piece of broken insulation foam¹, the Columbia Accident Investigation Board (CAIB) uncovered something even more heartbreaking. The CAIB's report stated that NASA's organizational culture and structure created "blind spots" that were as much to blame as the failure of the external tank insulation foam². This included a culture of not voicing concerns or building on lessons learned, an approach that relied on results from past successes instead of testing for data, and a complicated bureaucracy that caused warning signals to slip through the cracks³. Looking back, it is difficult to overestimate the impact that NASA's culture had on the Columbia accident.

This example emphasizes the need for agencies to take a comprehensive look at their culture, in addition to people, processes, and technology, when evaluating performance and driving change and transformation. In its most basic form, culture is the values and behaviors modeled by leaders and tolerated by those around them. Culture produces two powerful elements that can help improve mission performance – it acts as both an "accelerator" for success by binding behaviors to strategy and a "signpost" indicating the level of alignment between mission and the people, processes, and technology of an organization.

In fact, as the issue of culture has loomed larger and larger, leaders in both the public and private sector have increasingly devoted research to understanding its impact:

- For hiring and retention, an attractive culture enables organizations to offer 7% less in starting salary while maintaining a 30% lower turnover rate⁴.
- In business operations, it is an indicator of better results – aligned strategy and culture can account for as much as a 20-30% difference in performance⁵.
- More than 86% of leaders surveyed recognize the impact of culture and 82% believe that it provides a competitive advantage⁶.
- Yet only 15% of leaders say their culture is where it needs to be according to researchers⁷.

Our goal in this article is to help government leaders understand the "fourth element" of culture and harness its potential to pinpoint where the issues are that are holding them back and then use these insights to develop a calculated culture-driven strategy that recalibrates the people, processes, and technology needed to produce a mission-driven culture that lasts. We will look at some common barriers in government, provide practical guidance on ways to address them, and share examples of how culture has impacted an agency's mission. Through this article, we hope you will be better equipped to produce a strong culture that aligns with your organization's purpose, driving greater mission success.

Successful culture shifts typically face three main barriers

NASA remains one of the leading examples of excellence in government, but the findings of the CAIB beg the question: why was NASA, an organization conducting some of the world's most exploratory—and dangerous—work, unable to implement airtight safety procedures? Why were the same root causes of safety risks so hard to address?

Prior to the Columbia disaster, the agency was under significant pressure. The politicization of the space exploration program⁸, a reduction in funding after the fall of the Soviet Union⁹, high ambitions for a new space station¹⁰, and the outsourcing of safety oversight¹¹ created a difficult environment that created internal process gaps, work arounds, and short cuts. The desire to push the mission forward without addressing these areas produced a culture of “mission first,” encouraged unrealistic timelines, and jeopardized safety initiatives – ultimately contributing to the Columbia disaster¹².

It is easy to criticize in hindsight, but if leaders in government agencies such as NASA struggle to address culture, what hope is there for others? The everyday reality is that culture is hard to describe, difficult to measure, and even harder to change. In fact, Deloitte's Global Human Capital Trends 2016 reported that only 12 percent of executives believe their companies are driving the “right culture” and fewer than one in three leaders say they understand their culture well¹³. Before we answer how leaders can address culture, let us look next at the three main barriers that should be recognized and addressed to enable peak mission performance.



Barrier #1: A high-performance culture looks different for each organization

As previously stated, culture is complicated. It is both an outcome of specific business processes, yet also a critical enabler of mission that reinforces the new strategy or process and provides the traction needed for success. In order to have an effective organization, you need to understand your culture. But, how does a leader of a federal agency even get started on understanding and articulating culture and its relationship to the business processes that drive it? One of the real challenges to understanding culture is that no universal “good” or “bad” culture exists for comparison. It’s all about the level of alignment between the mission and culture.

A high-performance culture looks different for every organization but it should be well-suited to the organization’s purpose. Can you imagine attorneys trying to adopt IT developers’ culture of informal, rapid experimenting, or financial investment firms trying to adopt the nuclear submarine crews’ antirisk and rigorous safety culture? Because no universal archetype of culture exists, leaders need organization-specific tools capable of evaluating culture and effecting meaningful change.

Barrier #2: Historically, few “culture” measurements exist

Despite having demonstrated tangible value, finding a way to measure culture and connect it back to the business processes that are affecting it is generally difficult and elusive. Culture stubbornly remains one of the last frontiers to be assessed and understood by executives and strategists. In the world of manufacturing, efficiency techniques, such as Lean Six Sigma, and standard operating procedures, such as the ISO9000, have helped create a universally accepted way of mechanizing and measuring a process. Up until now, cultural

assessments have not effectively measured the alignment between an organization’s mission and its culture.

W. Edwards Deming, the famous mathematician and consultant credited with architecting Japan’s post-WWII recovery, once said, “Without data, you are just another person with an opinion¹⁴.” Measurement is critical to assess culture to gather the insights needed to implement the right people, process, and technology interventions for your organization.

Barrier #3: Navigating government bureaucracy is complicated

There is no doubt that government leaders face incredible odds at effectively pivoting an organization’s behaviors to match the mission. Forrester Research notes that more than 70% of “big shift” projects (i.e., change management efforts) fail¹⁵. In government, barriers come in all sorts of shapes and sizes – many unique to operating at the federal or state level. Legal barriers, such as union agreements and complicated policies, continuing resolutions in funding,

and entrenched bureaucracy resigned to “waiting out” change initiatives, represent just a small portion of the challenges often faced by government leaders. Federal bureaucracy prevents many leaders from even attempting to boost mission performance by addressing culture change.



Overview of changing business activity of subdivisions of main company



The given analytical report allows to estimate to the value

Scaling the barriers involves building a culture-driven strategy

Though challenging, it is possible to understand an agency's culture-mission alignment and build better processes that can elevate performance to the next level. To do this, the most effective leaders should follow four basic steps to create and implement culture-driven strategies and agency-wide shifts.

Step 1: Define the ideal mission-culture relationship

First, the ideal mission-culture relationship should be defined. This will help you know if you have achieved success and connect why you exist (mission) with the mindset and behaviors needed to get you there (culture). Working with the management team to answer these questions helps create clarity and also begins to generate the buy in needed for any future process or organizational adjustments after data is collected. As you do this, ask some basic questions about your organization's mission. For example, is your agency more of an enforcement and regulatory agency with a required set of strong risk and governance behaviors, or a customer service-based agency that should include more externally oriented behaviors?

Step 2: Analyze the current culture to determine alignment with mission

After defining where the organization should be, it is important to determine where you are today. Culture is a powerful "indicator" of any misalignment between the mission objectives and people, processes, and technology. A culture assessment that includes qualitative and quantitative measures will provide the most complete data to inform the eventual fixes. Perform targeted root cause analysis using the data collected to identify low-scoring areas and pinpoint the "problem processes" that are driving and incentivizing the culture. This is particularly important during mergers or reorganization efforts.

At Deloitte, during mergers or reorganization efforts, we use our culture data analytics tool called CulturePath to identify any people-related issues across eight indices that include several of the previously mentioned elements, such as External Orientation, Risk and Governance, Commitment, Inclusion, Change and Innovation, Shared Beliefs, Courage and Collective Focus. This gives us targeted analytics when building a strategy, redesigning business processes, implementing technology, or restructuring an organization.

Step 3: Build a strategy that uses culture to drive the mission objectives

Make culture explicit in your strategy. Now that you have the data collected on broken processes or behaviors from Step 2, cast a vision for the future state that explicitly states the desired behaviors and aligns the processes, organizational structure, and technology to this direction. For example, if an organization desires a culture of flexible and responsive customer service, but your culture analytics show a more rigid, governance-driven culture, you will probably need to deploy some targeted interventions. This can include adjusting individual incentives, creating more line-level empowerment, developing more customer-centric training, and reconfiguring business metrics to collect external customer satisfaction vs. more internal "transactional" data (i.e., number of issues closed) to begin the shift toward better service.

Step 4: Dodge bureaucracy by using pilots and quick wins, then measure

The execution within a bureaucracy is where the rubber meets the road, and where the best laid plans often get laid to rest. We mentioned earlier that most "big shift" projects have massive failure rates. A culture-driven strategy is not for the faint of heart. To help overcome the gravitational pull of bureaucratic inertia, select and start the changes that can most quickly and easily be done to get those "quick wins" completed and build momentum. After you start, periodically assess culture to take the temperature and see if the process changes are producing the desired behavior change and

adjust as needed.

Again, change is a difficult thing to measure, but frequent measurement is absolutely necessary to measure and maintain progress. As these initial efforts gain traction, expand the scope and link your efforts to the bottom line to identify game changing mission impacts then communicate them back into the organization to reinforce and sustain the change. Let us look at how the FDIC did this and the impact it had on their culture and overall organizational performance.

How FDIC turbocharged mission and organizational success

Leaders at the Federal Deposit Insurance Corporation (FDIC) especially understand the value of the culture-driven strategy. The FDIC has the critical mission of maintaining public confidence in the banking system by enforcing banking laws, regulating financial institutions, and protecting depositors¹⁶. To help it achieve this mission, the FDIC requires a culture of financial rigor and effective information security controls that need to be driven by strong risk and governance behaviors. Its leaders and employees need a culture that values change and innovation to be able to make decisions and solve problems quickly, and to innovate new ways of managing complex regulatory environments under increasing cyber threats. Most importantly, employees need to have a deep commitment and buy-in to the organizational mission and be motivated to achieve it.

In 2005, the FDIC was struggling. Several Government Accountability Office reports cited gaps in information and financial security systems, and the Best Places to Work survey, co-produced by the Partnership for Public Service based on the Office of Personnel Management's Federal Employee Viewpoints Survey data, reflected low scores across many categories, including all five leadership categories and strategic management. In 2006, FDIC leadership decided to make some drastic changes. They created a Culture Change Council made up of employees from all divisions and levels to develop ideas for new processes to change behaviors that were threatening the FDIC's mission. The FDIC also created a new two-way communication channels to improve the clarity and frequency of top down and bottom up dialogue¹⁷. Pushing forward in 2009, FDIC leaders worked with the National Treasury Employees' Union to implement a new pay-for-performance system that is perceived to be more transparent and fair to employees.

Also in 2009, the organization delivered training to its Corporate Managers on trust. It offered leadership enrichment activities that provided continual learning. Culture Change dialogue sessions were held across the country, with approximately 5,500 employees participating. The question-and-answer mailbox and quarterly all-employee teleconferences with the Chairman continued so that employees could provide input, make suggestions, and ask questions¹⁸.



As culture change initiatives continued, clear mission successes linked to the FDIC's culture-driven strategy began to reach beyond individual engagement scores and start to impact the bottom line. The FDIC reported only 18 bank failures in 2014 - significantly lower than the disastrous era of 2010 when 157 banks failed¹⁹. In addition, the number of banks on the problem bank list (banks rated 4 or 5 on the CAMELS rating scale) dropped from 888 in March 2011 to only 291 at the end of 2014²⁰. Perhaps most telling, the strength of the FDIC's organizational performance and internal controls was noted by GAO, with audits showing significant improvements in addressing security weaknesses²¹. As a result, the FDIC is successfully performing its mission and is on track to meet its statute-mandated 1.35% reserve ratio goal by September 2020²².

Conclusion

Whether your organization is an innovative, exploratory agency like NASA or a financial, regulatory one like FDIC, the stronger the connection between the strategy, policy, people, business processes, technology, and culture, the more likely the success of the organization. Examining an organization's culture as a "fourth element" to inform improvements, such as clarifying or redesigning practices, aligning people, shaping your mission narrative, or even influencing the design of physical spaces can support the beginnings of a breakthrough in mission performance.

We hope this article has been an informative introduction to ways that government leaders can define and address organizational culture. By recognizing the common culture barriers in government, and taking some of the practical steps we described above, you can begin building the basic foundation for a culture that aligns with your organization's purpose to drive greater mission success.

Contact Information:

John Forsythe

Managing Director
Federal Organizational
Transformation
Deloitte Consulting LLP
joforsythe@deloitte.com
M: +1 202 669 9979

Laura Baker

Senior Consultant
Federal Organizational
Transformation
Deloitte Consulting LLP
laurbaker@deloitte.com
M: +1 202 763 6332

Kristin Stamilio

Manager
Federal Organizational
Transformation
Deloitte Consulting LLP
kcrafft@deloitte.com
M: +1 703 477 6789

Endnotes

¹ Columbia Accident Investigative Board, Report Volume I, pg. 9. http://www.nasa.gov/columbia/home/CAIB_Vol1.html

² Columbia Accident Investigative Board, Report Volume I, pg. 12. http://www.nasa.gov/columbia/home/CAIB_Vol1.html

³ Columbia Accident Investigative Board, Report Volume I, pg. 9. http://www.nasa.gov/columbia/home/CAIB_Vol1.html

⁴ "Culture-Based Recruiting: Hire for the Organization, Not Just the Job." Monster.com. <http://hiring.monster.com/hr/hr-best-practices/recruiting-hiring-advice/strategic-workforce-planning/hire-for-the-organization.aspx>

⁵ "What Great Companies Know About Culture." Harvard Business Review. <https://hbr.org/2011/12/what-great-companies-know-about>

⁶ Deloitte Consulting LLP. Human Capital Trends 2016. <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/gx-dup-global-human-capital-trends-2016.pdf>

⁷ "Why Your Company's Culture is Crucial to Its Value." Inc Magazine. <http://www.inc.com/will-yakowicz/company-culture-can-make-break-company-study.html>

⁸ Columbia Accident Investigative Board, Report Volume I, pg. 11,21-23. http://www.nasa.gov/columbia/home/CAIB_Vol1.html

⁹ Columbia Accident Investigative Board, Report Volume I, pg. 179. http://www.nasa.gov/columbia/home/CAIB_Vol1.html

¹⁰ Columbia Accident Investigative Board, Report Volume I, pg. 179. http://www.nasa.gov/columbia/home/CAIB_Vol1.html

¹¹ Columbia Accident Investigative Board, Report Volume I, pg. 179. http://www.nasa.gov/columbia/home/CAIB_Vol1.html

¹² Report of Columbia Accident Investigation Board, Volume I, August 26, 2003.

¹³ Deloitte Consulting LLP. Global Human Capital Trends 2016. <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/HumanCapital/gx-dup-global-human-capital-trends-2016.pdf>

¹⁴ <http://www.forbes.com/sites/silberzahnjones/2016/03/15/without-an-opinion-youre-just-another-person-with-data/#16679288fca0>

¹⁵ http://blogs.forrester.com/claire_schooley/12-12-30-why_do_so_many_change_management_initiatives_fail

¹⁶ <https://www.fdic.gov/about/strategic/strategic/mission.html>

¹⁷ http://www.washingtonpost.com/local/dc-politics/how-the-fdic-made-it-to-no-1/2011/11/23/gIQAfjFypN_story.html

¹⁸ https://www.fdic.gov/about/strategic/report/2009annualreport/mgmt_dna4.html

¹⁹ FDIC Annual Report 2014, pg. 5. https://www.fdic.gov/about/strategic/report/2014annualreport/2014AR_Final.pdf

²⁰ FDIC 2014 Annual Report. https://www.fdic.gov/about/strategic/report/2014annualreport/2014AR_Final.pdf

²¹ <http://www.gao.gov/products/GAO-08-564>

²² FDIC Annual Report 2014, pg. 5. https://www.fdic.gov/about/strategic/report/2014annualreport/2014AR_Final.pdf



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a U.K. private company limited by guarantee (“DTTL”, its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about for a detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte’s more than 200,000 professionals, all committed to making an impact that matters.