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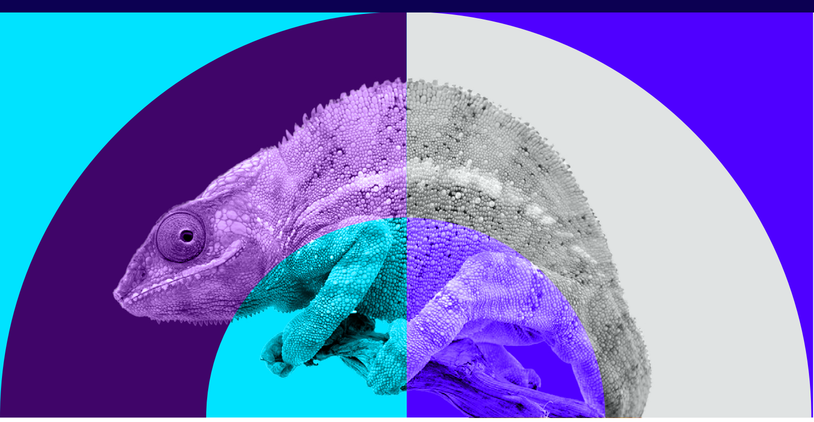
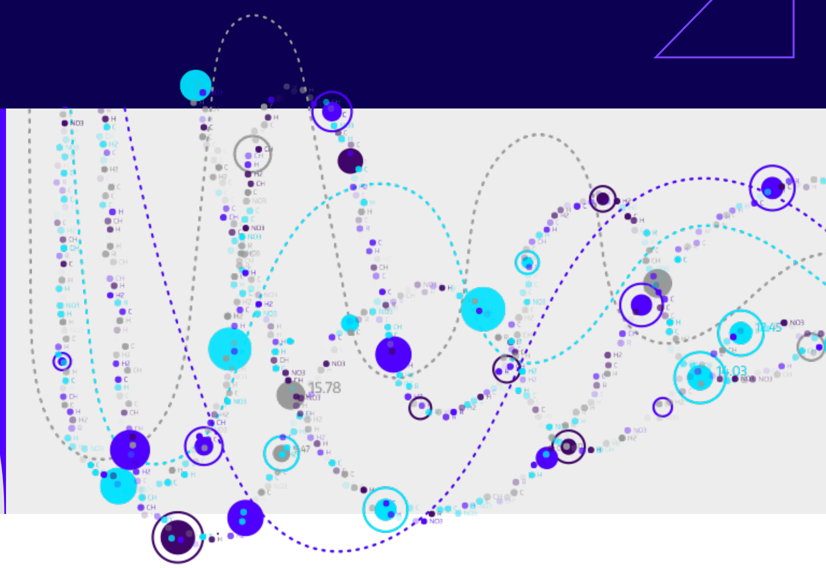
Adaptive Alignment on Purpose, Strategy, and Culture is the TRUE Driver of Business Results





Create a *Culture* That Means *Business*

Executive Summary

Purpose of Report

In the current climate of economic uncertainty, the advent of artificial intelligence, and shifting dynamics in the labor force, company leaders are at a crossroads for the future of their organizations.

From CEOs to managers, leaders want to know:

How can I face market volatility with confidence?	How can I stay ahead of the competition now and in the future by improving business outcomes?	How can I create a workplace culture that meets employee expectations and drives business results?

This report provides leaders with a clear lens and actionable approach to answer those questions. Contrary to conventional business wisdom, which prioritizes strategy above all, our research clearly shows that **organizations with strong, adaptive cultures fully aligned across purpose and strategy experience greater revenue growth** than those that are misaligned or where culture is not a focus.

Methodology

In collaboration with Stanford University, we explored the relationship among purpose, strategy, and culture and how that impacts revenue growth through a series of regression models analyzing a survey with **243 respondents from various industries**.

Firm size ranged from 100 to 350,000 employees, and revenue growth percentage reported ranged from -75% to +1,000%.

The survey asked respondents to gauge the strength of their organization's culture and the degree of both their culture's alignment with the current strategy and the organization's purpose/mission. Afterwards, it asked respondents to describe their culture based on eight cultural dimensions:

Adaptiveness	Results-Oriented	Customer-Oriented	Transparency
Collaborative	Integrity	Detail-Oriented	People-Oriented

The regression models then assessed how alignment among purpose, strategy, and culture alongside these cultural dimensions influenced revenue growth over the past three years.

Findings

We found that **full alignment across purpose, strategy, and culture was the single greatest indicator of revenue growth**. However, alignment between culture and any of those individual areas (strategy and purpose) also had clear impacts on revenue growth. Comparatively, organizations with misalignment between any of these areas experienced significantly less revenue growth than their aligned peers.*

Purpose and Culture Revenue Growth	Strategy and Culture Revenue Growth	Purpose, Strategy, and Culture Revenue Growth
Aligned: **39.3%**	Aligned: **42.7%**	Aligned: **44.5%**
Misaligned: 6.8%	Misaligned: -0.1%	Partial/no alignment: 10.7%

*Revenue growth calculated over a three-year period.

Additionally, **only *adaptiveness* proved to be a statistically significant cultural dimension affecting revenue growth**. Adaptive cultures grew revenue by nearly 50% while non-adaptive cultures only grew revenues by 17%. In other words, companies with an adaptive culture—those that adjusted to align purposes, strategy, and culture and as needed—experienced 192% greater revenue growth than those unable to adapt to changes.

Recommendations for Shifting the Focus to Culture

This calls for a new paradigm around the role culture has historically occupied in the minds of leadership, where it has often been equated to yet another organizational initiative to budget for.

Instead, these findings demonstrate how a culture focus has the power to transform organizational budgets as a prime indicator of revenue growth.

Executives can begin to shift their paradigm about the role culture plays by:

- Operationalizing their culture so it can adapt to changes, as necessary.
- Not getting attached to one culture and pivoting to the right culture at the right time.
- Taking accountability to develop a strong culture that adapts to purpose and strategy.

The remainder of this report explores the relationship among purpose, strategy, and culture as it relates to adaptability, leadership, and improving revenue growth. We'll break down more of Culture Partners' findings and methodology from our analysis, as well as provide actionable takeaways to help leaders start applying the cultural principles that will drive change today.

Compared to their unaligned counterparts, organizations with full alignment among purpose, strategy, and culture experienced:

316.0%

Greater revenue growth

Companies with an adaptive culture experienced:

192.0%

Greater revenue growth

Overview

When it comes to purpose and strategy, most organizations put in countless hours of work to define their "Why" (their purpose) and their "How" (their strategy). However, when it comes to the "Way" organizations put both of those into practice (their culture), few have spent enough time analyzing how their culture combines with strategy and purpose to drive results. Fewer still have operationalized their culture so that it can adapt as purpose and strategy change over time.

At Culture Partners, we've created a framework to help businesses understand how and where culture fits into the broader picture. We call it the Culture Equation™. In it, culture is the amplifier for purpose and strategy, serving as the ultimate driver (or missing link) between an organization's purpose, strategy, and results.

The Culture Equation™

$$(P+S)^{C}=R$$

$$(\text{Purpose} + \text{Strategy})^{\text{CULTURE}} = \text{Results}$$

Our analysis with Stanford validates this approach to achieving desired outcomes. **Alignment between strategy, purpose, and culture increased revenue growth by 44.5% over three years**. Cultures with an adaptive mindset (those that were able to align the variables of the Culture Equation) grew even more, by 49.8% in the same period. If driving results is your goal, then understanding the role each variable plays and the importance of aligning each with your culture is the way to unlock growth.

Old Idea, New Paradigm

Aligning purpose, strategy, and culture to improve business outcomes isn't a new idea, but one that warrants more attention and understanding. While research has long validated the idea that better cultures result in better outcomes, a link connecting the two remains missing in the collective business psyche in regard to actually taking action.

Unfortunately, it's easy to see why. When leadership touts profit as the most important metric for executives to focus on, anything culture-related too often falls by the wayside. However, longstanding research shows a profit-first mindset is exactly the wrong way to increase profits.

For example, landmark Harvard research (conducted over 30 years ago) proves that putting profit over people has dire consequences. Conversely, putting people first resulted in impressive organizational outcomes.

The study, which examined 207 public companies over 11 years, found that:

- Profit-focused companies increased net income by just 1%, representing a 74% increase in stock price.
- Meanwhile, people-focused companies increased net income by 756%, representing a 901% increase in stock price.

In a world where company lifespan is continually decreasing (it's now down to just over 20 years), putting employees at the top of the priority list is no longer something leadership can afford to wait on—not if they want to increase revenue and stock price, that is.

At the core of the employee experience is culture. Culture comprises the experiences that drive the way employees think and act, which in turn drives their actions and results. Therefore, a people-focused company is a culture-focused company. If culture is the door to unlocking a people-driven company, then understanding how to effectively transform culture is the key.

Culture As Connective Tissue

Companies that understand culture understand its power to connect purpose and strategy. For example, during a qualitative interview with one of the thriving companies we identified in our analysis, the company shared its unique way of keeping culture and purpose top of mind.

Rather than have a "Chief Human Resources Officer," this innovative company had a "Chief Purpose Officer." This company understood how powerful it can be to drive meaning through purpose.

This research reinforces the notion that adopting a culture of adaptability to align with strategy and purpose is key to driving results. The key to alignment is operationalizing culture through the right experiences. After all, experiences are the driving factor behind beliefs, actions, and results. We call this framework the Results Pyramid.

People-Focused Companies

756.0%
Net income

901.0%
Stock price

Source: Harvard research

What is the Results Pyramid?®

The Results Pyramid is Culture Partners' validated framework that describes the relationship between culture and business outcomes. Employee experiences influence perceptions, which determine beliefs. Beliefs influence behavior, which drives actions. Actions are influenced by intentions and end up driving business results. To change results, experiences must be changed first.

We know from experience that transforming any organization requires leaders to be able to influence employee experiences and beliefs through culture. Too often, when faced with a cultural problem, leaders attempt to fix it by changing actions—or strategy—alone. This approach can lead to a cycle of actions that never reach the core experiences or beliefs that need to change. When this happens, we call it the Action Trap.

Our new analysis, conducted with Stanford, validates the idea that adaptive organizations aligned on purpose, strategy, and culture experience better financial results than non-aligned organizations that focus on other cultural dimensions. In fact, **we found that organizations not aligned on culture and strategy experience negative financial growth**. In other words, organizations caught in the Action Trap (focusing on strategy separate from culture) experience lower revenue growth than those that focus on alignment instead.

As we proceed, we'll explore how alignment with the Culture Equation is the hidden amplifier behind revenue growth, demonstrate our findings through real-world examples, and share actionable insights for leaders looking to apply these concepts to their organizations.

First, let's explore a case study from a real client demonstrating how impactful—even lifesaving—an adaptive culture is over a non-adaptive one.

What is the Action Trap?

The Action Trap occurs when leaders get caught in a continual cycle of implementing new processes and systems (taking new actions) to change results rather than addressing the underlying experiences leading to those results.

ER Culture Transformation:
When Aligning Strategy & Culture Saves Lives

A major hospital had a problem that needed fixing. Team members in the emergency room were only gathering next-of-kin information for 42% of their patients. The ER director believed they could do better and went about improving the result the way most leaders do—by changing actions, or the strategy, around the form.

The actions the ER director took included:

Revising the form with new questions to make the information gathering easier.	Translating the form into multiple languages to accommodate non-English speakers.	Training all key team members in the department on the new form.

Altogether, she spent over three months working on the new form to drive better results. Unfortunately, a key ingredient was missing.

Misalignment Between Strategy & Culture Only Improved Results By 5%

Rather than spending her time adjusting *the cultural experiences and beliefs* surrounding the form, the ER director spent months changing *the strategy* around the form. Not aligning the two did little to change the end result (a result further validated by our research).

After all that time and effort, the ER only saw a marginal improvement in filling out the next-of-kin form while strategy and culture were misaligned. Form-gathering increased just 5%, from 42% to 47%. Needless to say, the ER director was disappointed and frustrated.

So, what was missing? Despite the added training and making the form easier, it was the beliefs behind the form that needed changing. Employees clearly saw the form as unimportant and unnecessary. To truly shift their beliefs and their actions, the ER director needed to change the experience surrounding the form. She needed to align the strategy with their culture.

Alignment Between Strategy and Culture Improved Results By 45%

Rather than shift their firsthand experiences, the ER director began telling two stories. These stories were experiences she created with the intention of shifting their behavior.

1. She told the story of a college student who was hit by a car and was brought to the ER. While the ER team was treating her, she became unconscious and unresponsive. They had not gathered her next-of-kin information before she lost consciousness, and they had no clear indication as to why she was unresponsive. After trying different things to resolve the situation, the patient died. Later, the ER team found out she had a medical condition of which they were unaware. Had they known about it, they would have changed their treatment plan and may have been able to save her life.
2. Then the ER director told the story of an older gentleman transported to the ER. However, in this case, *the ER team did gather his next-of-kin information as part of his intake*. Just like the other situation, he became unresponsive during treatment. This time, the ER team was able to call his daughter and quickly review the medical history he had given. They found out he'd had a recent medical procedure that wasn't on the list, and that he had been taking a prescription medication that directly conflicted with the medication they were treating him with. They were able to reverse the reaction and save the man's life.

After using these two powerful stories to change the employee experience around the next-of-kin form, the ER team went from filling out the form 47% of the time to 92% of the time in just three weeks. By focusing on shifting the beliefs her employees had with a people-driven narrative, the ER director was able to drive greater impact than she did when focused on details and actions alone. After aligning strategy with culture, improved results followed.

From Frustration

47.0%

of the time

The rate at which employees completed a next-of-kin form, despite redesign and training

To Elation

92.0%

of the time

The improved rate of completion for next-of-kin forms thanks to better alignment between strategy and culture

Study Findings

Organizations that are fully aligned across purpose, strategy, and culture experience more revenue growth than those that are misaligned. Adaptive cultures are better equipped to stay aligned with purpose and strategy, experiencing greater revenue growth.

In collaboration with Stanford University, our study analyzed the effects of purpose, strategy, and culture on business performance. To measure this, we conducted and analyzed a survey with 243 respondents from a variety of industries, including manufacturing, services, healthcare, hospitals, and retail.

In our survey, we asked respondents to indicate:

- the strength of their organization's culture,
- their culture's alignment with the current strategy,
- and the current culture's alignment with their organization's stated purpose/mission.

We also asked respondents to describe to what degree their current culture exhibited each of eight dimensions of culture derived from Stanford's Organizational Culture Profile. These culture dimensions included:

- Adaptive
- Collaborative
- Results oriented
- Integrity
- Customer-Oriented
- Detail-Oriented
- Results-Oriented
- People-Oriented

Our analysis then contrasted these responses with revenue percentage change over the past three years through a series of regression models. Firm size ranged from 100 to 350,000 employees and reported revenue change percentage ranged from -75% to +1,000%.

Our findings prove the power of the Culture Equation to drive revenue:

$$(P+S)^{C}=R$$

$$(\text{Purpose} + \text{Strategy})^{\text{CULTURE}} = \text{Results}$$

Defining Purpose, Strategy, and Culture

Purpose:

The larger contribution to the world that the organization hopes to fulfill

Strategy:

The key results defined to measure success, plus the key decisions leadership has made to anchor those measures

Culture:

The experiences shaping beliefs, which drive actions across the organization and, in turn, drive results

Organizations that experienced the most revenue growth were aligned across purpose, strategy, and culture. Indeed, culture is the key to driving revenue growth. We found organizations with a strong culture averaged a 42.2% revenue change over the last three years. Those with a weak culture only changed 10.1%—a difference of 318%.

Alignment (and the level of alignment) between any of the variables in the Culture Equation had statistically significant impacts on revenue growth:

Full versus Partial Alignment:
Organizations that were "fully aligned" (on purpose, strategy, and culture) averaged a 44.5% change in revenue while those with "partial or no alignment" averaged a 10.7% revenue change. In other words, those that were fully aligned saw 316% greater revenue growth.

Culture and Strategy Alignment:
Organizations with aligned culture and strategy averaged a 42.7% revenue change. In contrast, organizations with misaligned culture and strategy experienced a -0.1% change in revenue—428% less than those with alignment.

Culture and Purpose Alignment:
Organizations with aligned culture and purpose averaged a 39.3% revenue change, which was 478% greater than those who were misaligned. Organizations with misaligned culture and purpose only had a 6.8% revenue change.

We also found that a single common cultural dimension had a statistically significant correlation to revenue change: **adaptability**. Adaptive cultures had a 49.9% average revenue change while non-adaptive cultures averaged only a 17.0% revenue change, a difference of 192%.

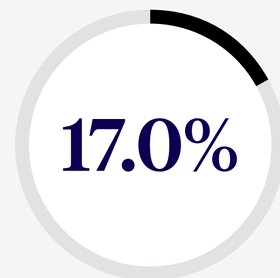
In summary, organizations with full alignment across purpose, strategy, and culture experienced greater revenue growth overall. Adaptive organizations that can shift their culture to stay aligned with strategy and purpose experienced greater revenue growth than other cultural dimensions. Conversely, cultures that were weak, misaligned on purpose and strategy, and unable to adapt to changes experienced less revenue growth.

Culture Impacts Business Outcomes

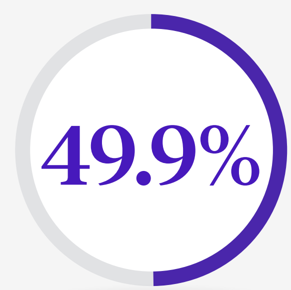
Overall, our findings are consistent with existing research on the intersection of culture and business outcomes. For example, other studies have found a clear link between organizational culture and financial performance, market valuation, reputation, analyst recommendations, and employee attitudes. In essence, cultures that are more adaptable and share consistent expectations about key results are more likely to be successful.

To explore how a culture focused on people can drive outcomes, let's break down a real example of how prioritizing people over details can result in tangible business outcomes.

Average Revenue Change



Non-adaptive cultures



Adaptive cultures

Client Case Study:
Aligning Strategy with Culture Led Bristol Farms to Improved Revenue Growth

Established in 1982, Bristol Farms is a leading Southern California grocery retailer of gourmet, organic, and natural foods. However, after the retailer underwent a series of buyouts, its company culture began to suffer because it wasn't aligned with new strategies. Bristol Farms recognized it needed to shift its focus to aligning its culture with its strategy before it could achieve key business outcomes.

The Problem

With every new buyout, Bristol Farms faced an increasing amount of change. Each new investment company brought with it new priorities and business strategies. Every time the company adjusted to the changes, it was sold again.

The constant change resulted in misalignment between strategy and culture. After years with so much turnover, their culture had become nonadaptive, dissatisfied, and weary. A culture of sarcasm had taken root.

To address this, Bristol Farms inadvertently got caught in the Action Trap by using typical leadership tools. They reorganized, hired and fired employees, implemented new processes, created steering committees, and more—all in the attempt to align the culture with their ever-changing strategies. However, Bristol Farms could see adjusting its strategy to try to adjust the culture wasn't going anywhere.

"There was old-school thinking, new-school thinking—thinking that didn't work," said Adam Caldecott, Bristol Farms President and COO.

Brighter Days at Bristol Farms

Problem: Constant change in the form of frequent buyouts led to misalignment between strategy and culture. And typical leadership tools failed to fully address the issue.

Approach: Working with Culture Partners, the company began the Culture Equation Journey—a comprehensive, three-year process to adapt their culture to their strategy.

Results: 7.7% increase in year-over-year sales, exceeding the company's stretch goal.

The Approach

Caldecott engaged Culture Partners to help the company adapt to these changes and align their strategy and culture once more. And that's when they began the Culture Equation Journey—a comprehensive, three-year process to adapt their culture to their strategy.

Along with senior leadership, Caldecott identified and determined the company's Cultural Beliefs and set the Key Results for the year: year-over-year growth of 5% sales and 15% point-of-difference (POD) products.

This was a big stretch goal for the company. However, because of the new emphasis on an adaptive culture, everyone felt the numbers were more attainable than ever before.

First, the company identified Cultural Beliefs that needed to change in order to align with the strategy. Then, through Culture Partners' proprietary process, leadership had explicit conversations about changing people's beliefs to influence culture rather than focusing on new strategies in a vacuum.

By understanding how their culture connected with their strategy, leadership adopted a new, multi-prong focus:

Strengthen Cultural Adaptability and Accountability:
One way Bristol Farms created a culture of adaptability was by giving and receiving feedback, championed first and foremost by Caldecott. As a leader, he held both himself and others accountable to create a Culture of Accountability that adapted as needed to the company's strategy.

Strengthen Culture and Strategy Alignment:
With Caldecott's support, the company established a common language to encourage people to interact, communicate the Key Results, and hold each other accountable. This created a new way to stay aligned on culture and strategy at every level in the organization.

Results

Through a focus on aligning culture and strategy, rather than strategy alone, Bristol Farms not only achieved financial health but also surpassed its stretch goals. They experienced massive growth in 2016, finishing the year at 7.7% in sales (a 2.7% increase over the previous year), and increasing the POD contribution to 22%.

As this case study demonstrates, a focus on culture and strategy together—particularly a culture where adaptability is the focus—has a positive impact on key business outcomes. Because Bristol Farms prioritized alignment between strategy and culture at their organization, their other key results fell into place. This is the power of an aligned and adaptive culture and strategy.

A Culture of Accountability Defined

A Culture of Accountability is one in which individuals make a personal, positive, and empowering choice to rise above their circumstances and demonstrate the ownership necessary for achieving key results.

Conclusion:
3 Takeaways to Align Purpose, Strategy, & Culture and Drive Results

Shifting to an adaptive culture will improve business outcomes.

Our analysis uncovers how culture is the exponential factor with the power to drive business outcomes like revenue growth. When aligned with strategy and purpose, culture has the power to unlock latent potential. Indeed, adaptive cultures find the most success as they are able to change according to shifting strategy and purpose.

For leaders who want to improve their financial outcomes, focusing on each part of the culture equation is the best way to get started. In this section, we'll share three takeaways that leaders can start implementing to make their culture more adaptive and start seeing results.

Takeaway #1: Operationalize, Don't Memorialize, Your Culture

As our findings reveal, the best-performing cultures are adaptive. However, putting "adaptive" in a neon sign at HQ and making sure everyone knows adaptability is a company value isn't how you make your culture adaptable. Rather, **culture only becomes adaptive when it is built into a clear process and framework to operationalize it**.

There's a difference between operationalizing and memorializing your culture. Memorializing your culture settles culture into stone, fronting it as a legacy rather than a living and breathing attribute of your company. Operationalizing your culture, on the other hand, makes culture yet another powerful tool at leadership's disposal to embrace and change as needed.

Without a method to operationalize your culture at scale, you'll be unable to adapt as needed to achieve the results you want. Here are some key questions to help you identify whether your culture is operationalized or memorialized:

- Do I have systems in place that allow my culture to adjust to changing business strategies and needs?
- Do I have processes in place that take my culture from ideas to experiences?
- Do I have frameworks that help me understand how culture impacts business results?

If you answered "No" to one or all the above questions, you're operating in a culture with limited adaptability. In turn, you're also limiting your capacity to achieve desired business results.

Takeaway #2:
Don't Get Attached to One Culture

If there's one thing we've learned over the last 10 years of guiding clients through a variety of culture shifts, it's that there isn't one winning type of culture. If anything, our research demonstrates just how important it is to adapt to change to be successful. Over the last decade we've worked with companies across a variety of culture dimensions, including:

Collaboration	Results-Oriented	Customer-Oriented
Innovation	Accountability	Trust

None of these is inherently better than the other. What is important, though, is that organizations **pivot to the right culture at the right time** to achieve the growth they need.

For example, a new company might start out with Innovation as a main cultural focus as they get on their feet. Then, as the company grows, the need to scale and standardize processes may become more important, and they might pivot to a culture of accountability instead. The important thing is being open to making a change when needed.

Takeaway #3:
Take Accountability for Change

Great leaders embrace change and take accountability for making change when it's needed. This applies to making cultural changes as well. Taking accountability empowers leaders to find a solution for the problem at hand rather than waiting for someone else to take the lead and do what needs to be done.

Leaders can take accountability and lead the charge for culture change in a variety of ways:

Define the strategy and the results.
Communicate both your strategy and results to the company in a way that constantly keeps everyone up to date on where you're all headed.

Clarify purpose.
Help everyone in the organization know how their role contributes to the strategy and the results to give them purpose. Without clarity about how it all fits together, it's hard to connect with the purpose.

Embrace community.
Break down silos and encourage a team mindset. This enables accountability at all levels of the organization and discourages blaming others when challenges inevitably arise.

Accountability empowers adaptability and makes it easier to develop a stronger culture with a clearly defined purpose and strategy.

Ready to Unleash the Power of Your Culture?

If so, Culture Partners can help. We are a workplace culture consultancy with over 30 years of experience helping organizations worldwide activate their employees to achieve their desired results. By creating an intentional and highly adaptive culture, we help companies increase revenue growth, profit, and employee retention, reducing churn.

Schedule an executive consultation
Visit: culturepartners.com

About Culture Partners

Using human industrial-organizational psychological methods, Culture Partners helps organizations achieve record-breaking results by connecting experiences, beliefs, and actions to those results through culture. Our culture management frameworks and tools help thousands of top organizations realize their potential by owning their growth.

Just a few of the successes Culture Partners clients have achieved by shaping culture for results include:

- **7,000%** return on equity investment; most successful "split-off" in Wall Street history
- **200%** increase in profit margin within 18 months
- **102-point** turnaround in employee net promoter score in less than a year
- **14** new products in 14 months
- **30%** reduction in administrative costs
- **81%** reduction in days lost due to injury
- **29%** improvement in annual HR survey

About the Author

Jessica Kriegel is the Chief Scientist of Workplace Culture for Culture Partners, leading research and strategy in best practices for driving results through culture. For 15+ years, Jessica has been guiding global, national, Fortune 100, and other organizations across finance, technology, real estate, and healthcare industries on the path to creating intentional cultures that accelerate performance.
As a keynote speaker, Jessica leverages her current research and 15+ years of global organizational culture innovation, providing leaders with the map and tools for how to build cultures that deliver results.

Connect with me on LinkedIn

Contributing research from Dr. Charles O'Reilly, Stanford University

Stanford

Learn more about what adaptive alignment can do for your culture—contact us now.

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