

# Creating a high-performance culture

Research shows that organizations that focus on performance and health are more successful and deliver better financial results. There are proven tools and techniques that can help.

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by Steffen Fuchs and Rafat Shehadeh

With a multi-billion-dollar construction portfolio comprising many thousands of projects, a state agency knew it needed to change. The question was, “How?” Done right, transformational change can get people excited while improving organizational health. But “done right” is rare: in large organizations, only about [one in four transformations achieve long-term success](#).

## A series on operations transformation in a public-sector organization

With demand for services rising faster than tax revenues, public entities around the world face unprecedented pressure to do more with less. Many think they must make a stark choice: cut service quality, cut availability—or cut both. This series of articles follows a large US public agency that chose another option: find radically better ways to deliver services by completely transforming its operations. Within 36 months, the agency booked nearly \$2 billion in cost efficiencies, while also building the capabilities of more than 10,000 people to make those changes sustainable.

A first step is a clear understanding of what needs changing. To assess its starting point, the agency adopted a benchmarking approach. Its chosen tool was the [Organizational Health Index](#) (OHI) survey, which measures 37 individual management practices and 9 outcomes against a global database of more than 1.5 million individual responses (exhibit, next page).

To build a detailed picture of its own organizational health, the agency surveyed more than 8,000 of its people, a sample that included staff from every operating unit and all levels of the organization.

The survey showed that there was considerable work to do. The agency’s performance was below average (third quartile) against global benchmarks. Its score for Motivation was 16 percent lower than the global median for similar organizations, Innovation and Learning was 14 percent lower, and Coordination and Control was 13 percent lower.

Further analysis revealed several ways to do better. Employee goals and metrics were not [aligned top to bottom](#), for example, so people were not clear how the organization’s strategy translated to the objectives they were supposed to meet at the individual level. Employees felt that that leaders could do more to encourage them, through praise or other forms or recognition for good performance. And the agency wasn’t making effective use of operational and financial metrics or targets to manage business performance

## Exhibit

The agency assessed its organizational health against 37 practices and nine outcomes.

37 management practices that drive ...	... 9 organizational outcomes
<ul style="list-style-type: none"> <li>• Shared vision</li> <li>• Strategic clarity</li> <li>• Employee involvement</li> </ul>	Direction
<ul style="list-style-type: none"> <li>• Top-down innovation</li> <li>• Bottom-up innovation</li> <li>• Knowledge sharing</li> </ul>	Innovation and learning
<ul style="list-style-type: none"> <li>• Authoritative leadership</li> <li>• Consultative leadership</li> <li>• Supportive leadership</li> <li>• Challenging leadership</li> </ul>	Leadership
<ul style="list-style-type: none"> <li>• People performance review</li> <li>• Operational management</li> <li>• Financial management</li> <li>• Professional standards</li> <li>• Risk management</li> </ul>	Coordination and control
<ul style="list-style-type: none"> <li>• Talent acquisition</li> <li>• Talent development</li> <li>• Process-based capabilities</li> <li>• Outsourced expertise</li> </ul>	Capabilities
<ul style="list-style-type: none"> <li>• Meaningful values</li> <li>• Inspirational leaders</li> <li>• Career opportunities</li> <li>• Financial incentives</li> <li>• Rewards and recognition</li> </ul>	Motivation
<ul style="list-style-type: none"> <li>• Open and trusting</li> <li>• Internally competitive</li> <li>• Operationally disciplined</li> <li>• Creative and entrepreneurial</li> </ul>	Work environment
<ul style="list-style-type: none"> <li>• Role clarity</li> <li>• Performance contracts</li> <li>• Consequence management</li> <li>• Personal ownership</li> </ul>	Accountability
<ul style="list-style-type: none"> <li>• Capturing external ideas</li> <li>• Customer focus</li> <li>• Competitive insights</li> <li>• Business partnerships</li> <li>• Government/community relations</li> </ul>	External orientation

McKinsey&Company | Source: Organizational Health Index by McKinsey

## Visualizing a new culture

[Shifting the culture](#) of any organization takes time, effort, and commitment. But it begins with clear, visible changes in behavior, especially by the leaders of that organization. The agency embarked on a program to transform its culture, starting with a new strategic vision.

The agency built that vision through an intensely collaborative effort. A period of dialogues and group work involving its management team, customers, and external stakeholders culminated in a two-day change leadership forum with the its top 40 corporate and field leaders. During the forum, those leaders developed a strategic vision for the improvement in the agency's operations. The aspiration was a ten-year plan that would allow the agency to meet its service goals and accomplish its strategic objectives. The team also crafted a [change story](#) to help leaders communicate the need for change to the rest of the organization.

## From vision to action

The agency's next step was to translate its aspirations into tangible actions that its leaders could begin adopting immediately. Building on the results of the OHI survey, small groups defined priorities and designed detailed initiatives. Selecting and syndicating the chosen practices and proposed initiatives helped to ensure that there was a clear link to the desired broader transformation.

To make the change sustainable and improve the chances of success, these supporting initiatives needed to address four critical elements: role modeling, communications, skill building, and reinforcing mechanisms. Ultimately, the 40 executives decided on the exact details of the change program, including:

- Leaders and supervisors were given training in effective communication, to help them share the new organizational vision clearly with their staff. Then managers sat down with their teams and explained how their individual roles contributed to the agency's strategic goals.
- To reinforce effective behaviors such as collaboration, problem solving, and customer focus, managers trained in coaching and mentoring techniques, and encouraged to provide in-the-moment praise or development advice to their staff. Employee achievements were celebrated in other formal and informal ways, for example in internal newsletters and public recognition in meetings.
- Leaders also encouraged a new focus on the importance of key performance indicators, discussing them at regular staff meetings and explaining to staff exactly how their performance of their units contributed to the financial and operational success of the agency as a whole.
- To encourage the adoption and dissemination of best practices, both from inside the organization and elsewhere, the agency established online community forums and trained staff in how best to structure and communicate new ideas. It also established

a best-practices council in each department to collect, evaluate and share ideas developed elsewhere.

- The agency developed tools and support mechanisms to make the implementation of new ways of working as straightforward as possible. For example, it created “meeting in a box” materials with simple steps to implement; it integrated initiatives and check-ins into existing procedures; and it assigned a single point of contact for all questions.

To monitor progress, the agency created a tracking system for each initiative. It evaluated the impact of its efforts on staff mindsets and morale using regular surveys. Feedback from those surveys helped the agency to adapt and improve its ongoing initiatives, and to introduce new ones where necessary. Over time, this tracking and evaluation process has become the basis of a continuous improvement engine that is helping the organization to build a truly high-performing culture with a focus on excellence in execution of its complex construction portfolio ■

***Steffen Fuchs*** is a partner in McKinsey’s Dallas office and ***Rafat Shehadeh*** is an associate partner in the Washington, D.C. office.

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