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E-Briefings

Leadership Culture and Its Connection to Organizational Performance

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Every organization has a culture, whether by design or default. Culture moves within and through organizations like an invisible hand,¹ and it has a direct, pronounced effect on organizational performance.

Leadership “owns” culture, meaning leaders are accountable for the culture of the organizations they serve. Said otherwise, culture is the leaders’ choice. Here, “leadership” is defined as those who are seen by employees as the decision makers of the organization. These people dictate the mission, values, direction, strategy, and performance requirements of the organization—those who hold power and control over the decisions that affect the employees and their jobs. Employees see leaders as being responsible for the culture of the organization, and experience

demonstrates that employees hold strong opinions on the state, status, and direction of the culture of their organization (e.g., whether the culture of the organization is as good as it should be). Employees attribute accountability for culture to leadership. Simply stated, employees believe the culture is what the leaders want it to be and employees don’t distinguish between the board and senior management when it comes to this accountability. For example, employees don’t differentiate between the board chair and the CEO when it comes to who is responsible for culture.

Since employees hold leadership accountable for culture, it follows that there is a leadership culture in

every organization. In this article, “leadership culture” is defined as “employees’ collective views, opinions, and expectations of leaders’ behaviors, motivations, intentions, and alignments of behaviors with the organization’s implied mission, values, beliefs, and duties and obligations of leaders to all stakeholders served.”

Case Study: Evaluating the Leadership Culture of the Organization

The support for the assertions above is presented in the form of the following case study.

A specialty medical and surgical group practice with employees

1 Adam Smith, an 18th-century philosopher and author, references the “invisible hand” in his first book titled *The Theory of Moral Sentiments*, and defines it as a force that operates to self-regulate free markets and societies.

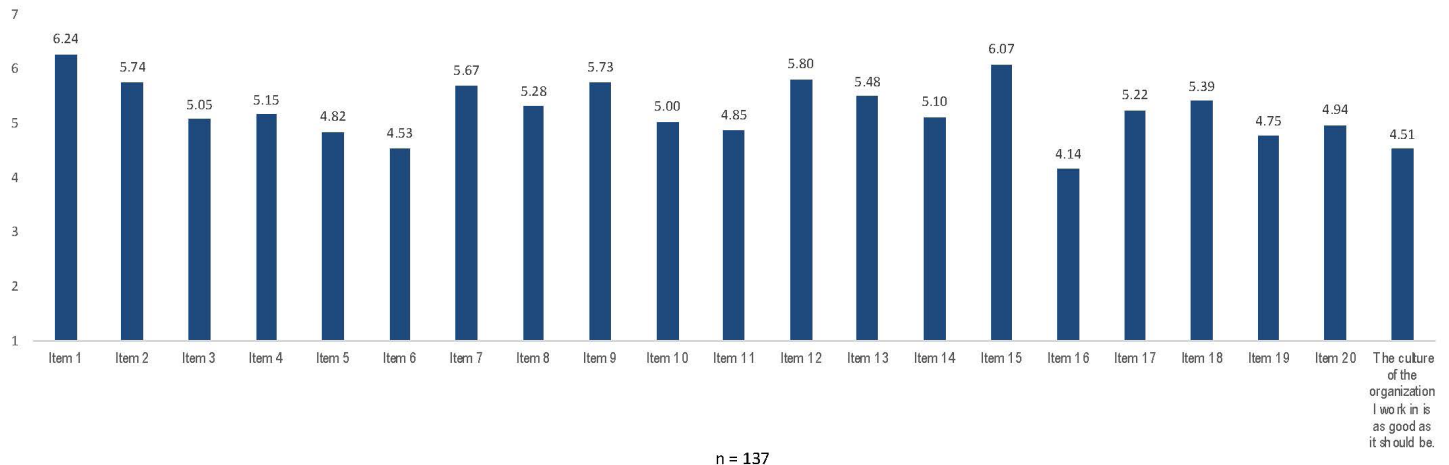
Key Board Takeaways

- Boards “own” the cultures of the organizations they govern; meaning, the people of the organization assume the state and status of the culture is what governance wants it to be—good or bad.
- Senior leaders operate on behalf of the board to set the tone for the culture of the organization. People in organizations see senior leaders as extensions of governance when it comes to culture. Consequently, there is a “culture of leadership” in every organization.
- Boards should know and understand the state and status of the leadership culture of the organizations they serve. This knowledge provides fertile ground for close collaboration and cooperation by boards and senior leaders, with the central, principal goal of creating a healthy and productive culture to best serve organizational missions and visions.



Exhibit 1: Average Group Scores Per Item

Average Response Score



Note: See sidebar “CulturePULSE™ Item Detail” for the wording of all 21 items.

operating within 14 professional and organizational support job categories, across six sites in two states, was preparing for the launch of a complex growth and expansion strategy. Given the level of investments of funds and human resources required to execute the expected strategy, the board (the physician owners) elected to evaluate the leadership culture of the organization to determine how related factors and dynamics might affect the performance of the strategy being readied for execution.

The goal was to receive actionable information to answer two important and practical questions related to the leadership culture and its potential to affect the performance of the envisioned strategic plan:

1. How might the perceptions of the culture affect the performance of the proposed strategy?
2. What is required of leaders to ensure the leadership culture best aligns the behaviors of all staff with the new strategic direction?

The CulturePULSE™ was

administered to all professionals and staff, producing more than a 90 percent response rate.² Respondents were categorized according to their roles (jobs) in the organization to facilitate evaluations at the group and leader levels.

Exhibit 1 displays comparisons of average scores and item response distribution, per item with all responding groups combined. **Exhibit**

² CulturePULSE™ is a 21-item, electronically administered leadership culture evaluation tool designed to provide leaders (governing boards and management) practical and specific insights to address and enhance the leadership culture of the organization to improve mission, strategy, and operational performance. The CulturePULSE™ is provided by Management Essentials, LLC.

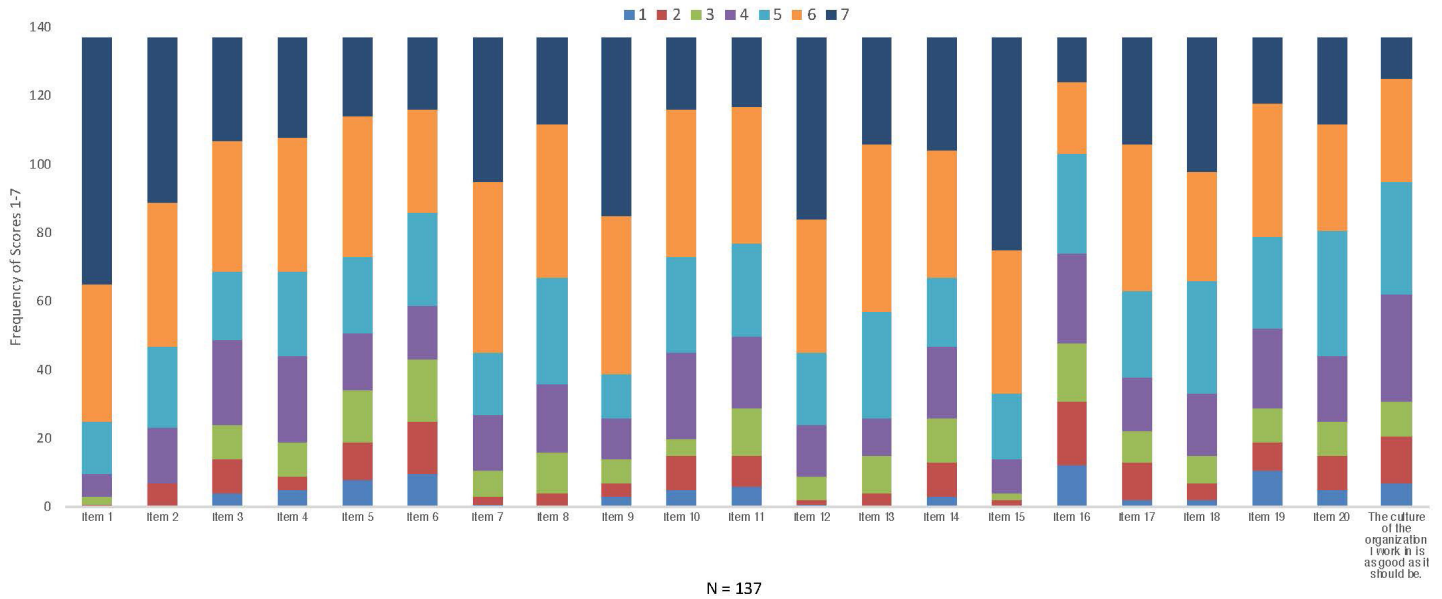
2 on the following page, displays frequency of scaled response per item. With this initial perspective on the results, there are four noteworthy findings:

1. On a seven-point scale, there is no aggregate average response group score lower than the scale midpoint of 4.0, a favorable finding.
2. The two items with the highest average score (6.24 and 6.07) relate to respondents expressing their beliefs regarding their understandings of the “mission and purpose of the organization” and their understandings of how each respondent “makes a meaningful contribution to the mission of the organization,” respectively. Respondents understand the mission and know how what they do “makes

Leadership “owns” culture, meaning leaders are accountable for the culture of the organizations they serve.

Exhibit 2: Frequency of Scores Per Item

Frequency of Respondent's Score by Question

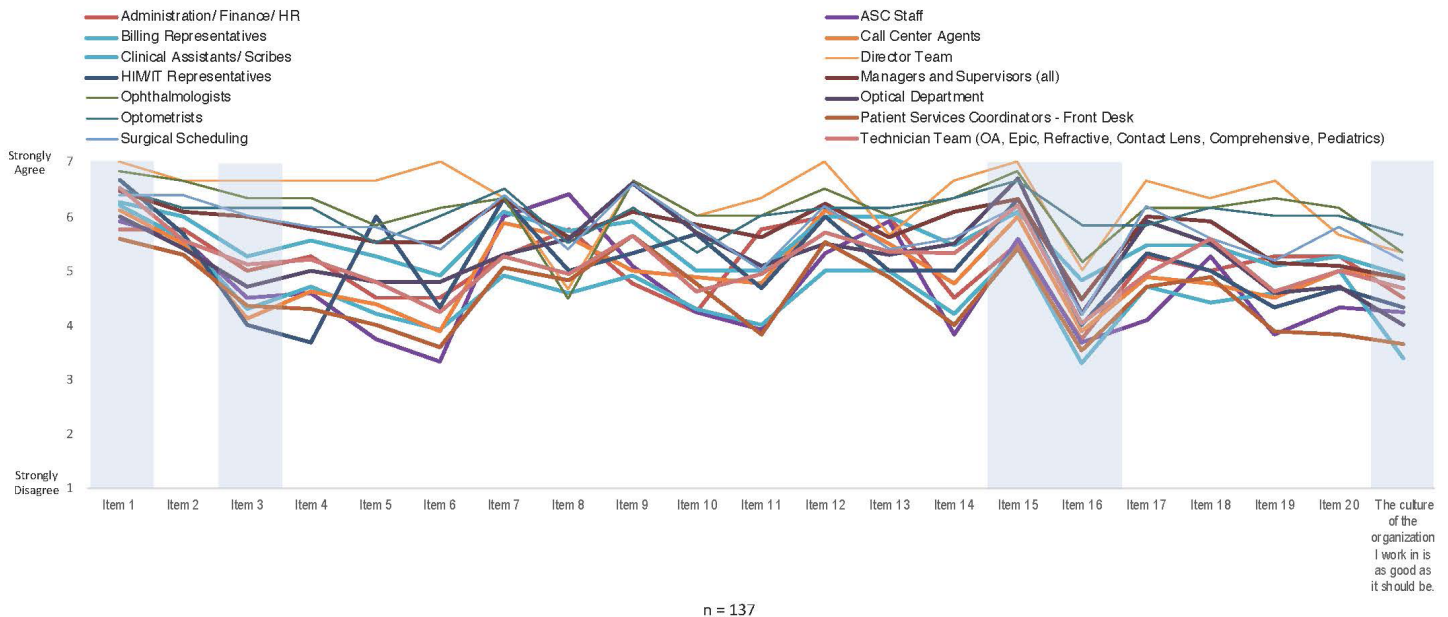


CulturePULSE™ Item Detail

1. I believe I am clear on the mission of the organization; in other words, why we exist and why we matter.
2. I believe I am clear on the goals of the organization and the path we are on to achieve these goals.
3. I believe that the leaders of the organization are working to create an environment that I can trust will be fair to all of us who serve the organization.
4. I believe that when leaders make tough decisions, they are guided by the right values and what is best for the organization and those it serves.
5. I believe that if I perform my job well, my work will be recognized and appreciated.
6. I believe that my opinions and ideas are valued.
7. I believe that I am a member of a high-performing team at work.
8. I believe that every patient we serve will receive the experience they expect and deserve from all team members.
9. I believe that the person I report to trusts me to use my best judgment to carry out my work responsibilities.
10. I believe that I will be treated fairly when it comes to how I am rewarded for my performance.
11. I believe that when it comes to how the organization creates policies and rules in the organization, the decisions made are for the good of all people who work for the organization.
12. I am proud to be associated with the organization.
13. I believe that the quality of the services we provide are at the highest levels.
14. I believe that I work in a place that values my growth and development and will provide me opportunities to grow and develop in the organization.
15. I believe that what I do for the organization (the job I do) makes a real and meaningful contribution to the mission and goals of the organization and the people we serve.
16. I believe that all members of the organization are held to the same level of accountability for their performance on behalf of the organization.
17. I believe that when I make a mistake or fail to carry out my responsibilities to the levels expected, I can expect to be treated fairly and my mistakes will be seen by the person I report to as an opportunity for me to learn and move forward better prepared.
18. I believe I am working in the best place for me, at this point in my career.
19. I believe that leadership welcomes and will genuinely listen to honest feedback on how the organization cares for its people and those we serve.
20. I believe all leaders in the organization work and collaborate effectively for the collective good of the organization and its mission.
21. I believe the culture of the organization I work in is as good as it should be.

Exhibit 3: Average Scores across Groups of Respondents

CulturePulse - Average by Department



- a meaningful contribution.”
3. The lowest average group score is for the item relating to how leaders hold all to the same standard of accountability (4.14): “I believe that all members of the organization are held to the same level of accountability for their performance on behalf of the organization.” This theme, and related item associations, plays prominently in results interpretations that follow.
 4. The average score for the final item, “I believe the culture of the organization I work in is as good as it should be,” was 4.51 on the seven-point scale. This item serves as the critical anchor point of reference for more in-depth analyses to follow. It determines how all other items influence respondents scoring of this last belief statement. This is also the only item that requests written comments from respondents

Exhibit 3 displays between-group comparisons of average scores. There are three initial noteworthy findings here:

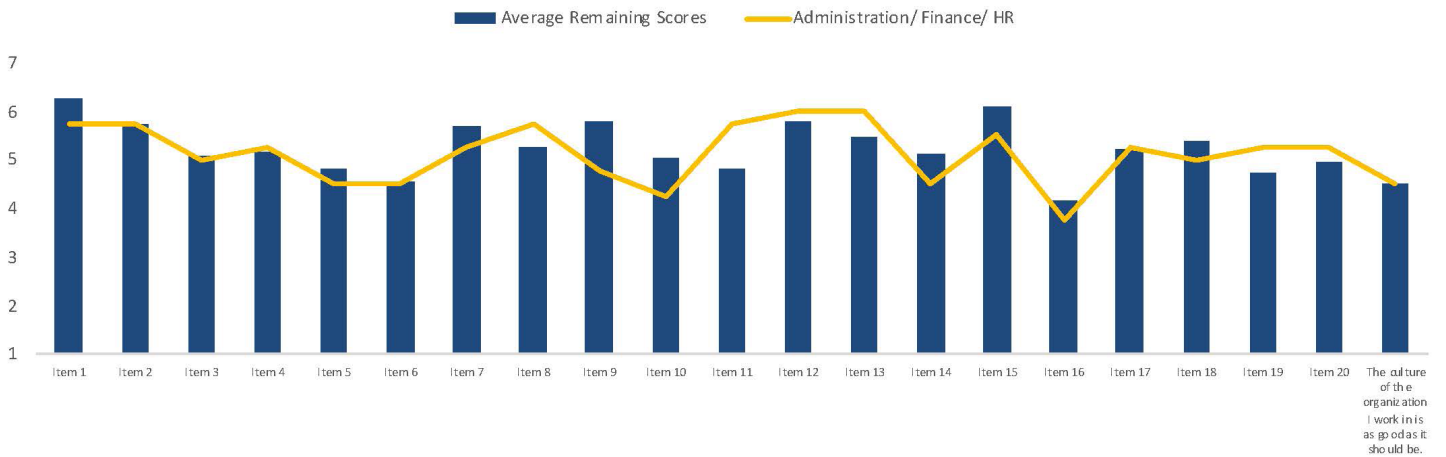
1. There are marked differences in response averages per item observed from group to group: doctors, leadership and management, clinical support staff, and administrative support staff. Each of these groups has an identified leader.
2. Notable common response patterns are revealed here; these are patterns where average item responses display similar per-group “response average directionality.” These patterns are indicators of issues that are common to all departments, positive and negative, and patterns isolated to specific groupings of employees. Furthermore, they are the first indications of the leaders’ opportunities for leadership development that matters to the people of the organization. These patterns are telltale signs of leaders’ opportunities to connect culture and performance in the organization.
3. There is a clustering of group response averages for items 1 and 21, the first and last items.

Here there is a comparatively “tighter and higher” clustering of responses for item 1 (respondents understanding of the “mission of the organization”) and a much lower trending wider spread for item 21, “I believe the culture of the organization is as good as it should be.” Stated simply, the people of the organization are clear on the mission, and they have different judgments on whether they believe “the culture of the organization is as good as it should be.” This is a typical response pattern.

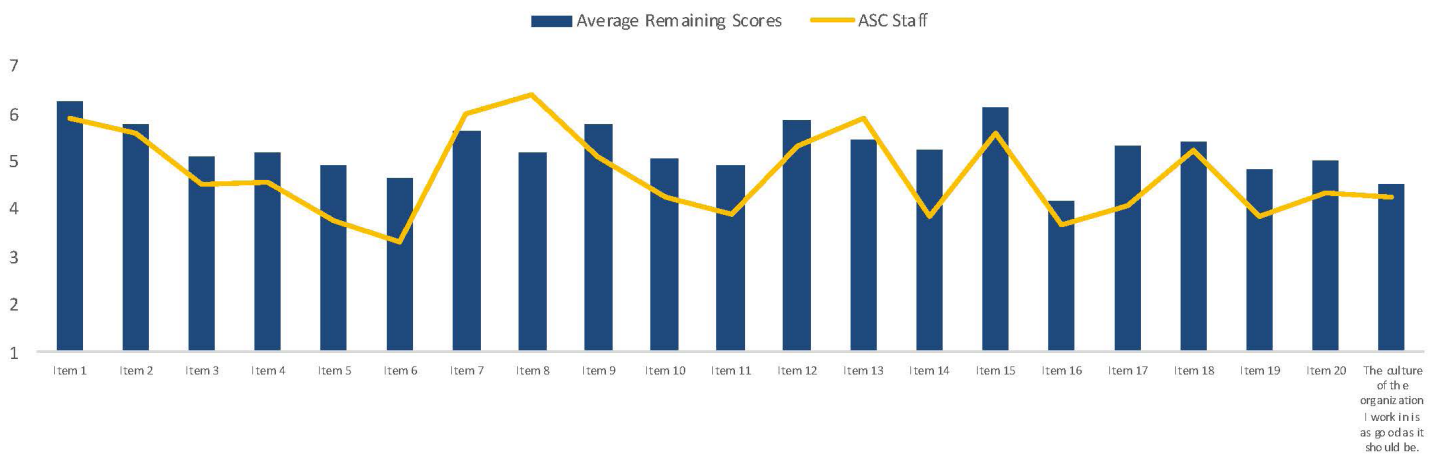
Exhibit 4 on the following page, displays individual group averages with comparisons to all other responses. Three of 16 total comparisons are presented to demonstrate how response averages differences vary across distinct employee class groupings. This method of results display is especially useful for individual leaders as they consider their leadership culture development plans, a basis for individual leaders to develop their

Exhibit 4: Individual Group Response Averages as Compared to All Other Groups

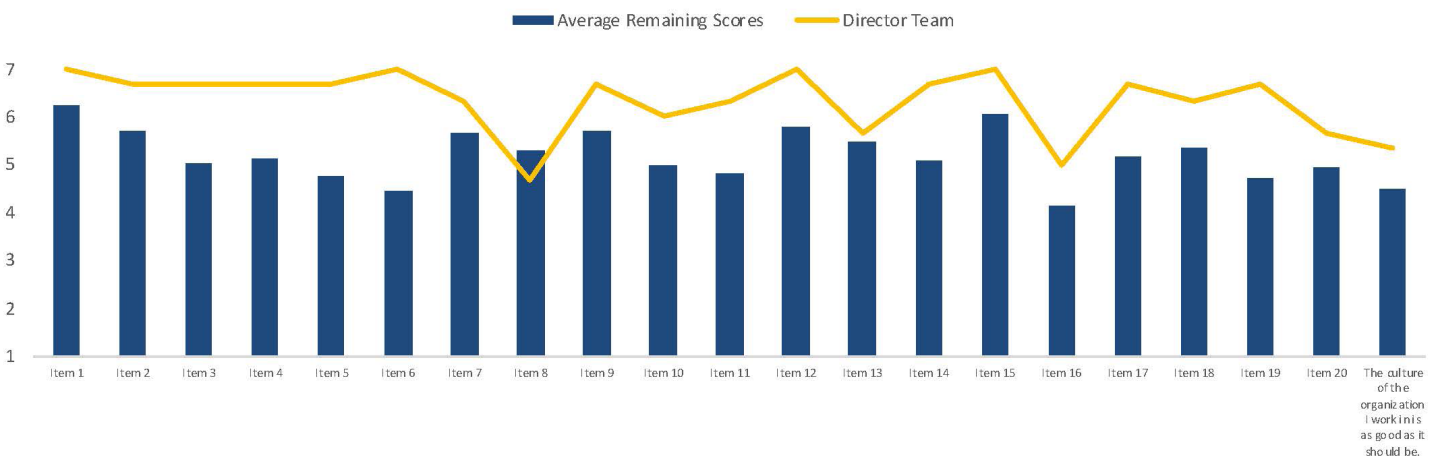
Department Average vs Remaining Group Average - Administration/ Finance/ HR



Department Average vs Remaining Group Average - ASC Staff



Department Average vs Remaining Group Average - Director Team



personalized leadership plans.

"The Most Influential Items (Factors) in This Case Study" sidebar displays the five items (factors) that most influence all participants' responses to the final item in the instrument, "I believe the culture of the organization is as good as it should be." This output of the analysis is especially instructive for governing boards as it lays the foundation for leaders, as a team, to build their plan to align best leadership behaviors with the culture expectations of those they lead. Identification of the strongest predictors of responses to "I believe the culture is as good as it should be" does not mean that the others are unimportant. Rather, it provides leaders a good place to start with a comprehensive, culture-focused leadership development plan.

The "Summary Written Response Themes Provided" sidebar displays a summary synthesis of themes derived from respondents' written responses to the last item ("I believe the culture of the organization is as good as it should be"). As cited above, this is the only item requiring a written response. It is common for respondents to be liberal with their written responses. Respondents are typically quite thoughtful and constructive, writing with a

The Most Influential Items (Factors) in This Case Study

Provided in order of rank by the strength of association of response items with item 21 ("I believe the culture of the organization is as good as it should be"):

1. "I believe leaders collaborate effectively together for the good of the organization"
2. "I believe leaders work effectively together to create an environment I can trust to be fair."
3. "I believe every patient will receive the experience they expect and deserve."
4. "I am proud to be associated with the organization."
5. "I believe when leaders make tough decisions, they are guided by the right values and what is best for the organization."

Note: These top strongest predictors are examined in the context of written responses to item 21 to serve as the foundation for the leadership culture development plan. Items identified (1–5 above) are converted to leadership behaviors that reflect employees' expressed recommendation for a desired leadership culture.

tone that provides leaders useful elaboration on why they responded to the last item as they did. These written responses provide an added layer of guidance for culture plan development by leaders.

Practical Applications of the Leadership Culture Survey Results

Let's return to the rationale for determining the state and status of the leadership culture of the medical surgical group in the case study. The organization was about to launch a complex growth and expansion

strategy in a highly competitive market. Money, resources, and organizational reputation were at risk.

Priority goals for the strategy included:

1. Fewer, well-staffed, and well-equipped sites (facilities) capable of providing comprehensive ambulatory care with expanded provider potential, per site, along with enhanced patient convenience.
2. Required access to the right clinical providers for new patient, first visits.
3. An exceptional, reliable, and consistent patient experience, across sites, to encourage word-of-mouth referrals from satisfied patients.
4. An expanded, engaged, and loyal referring physician/provider base.
5. Strategic partnerships with community health systems and third-party payers.
6. Loyal, satisfied patients returning reliably for ongoing care on recommended protocol schedules.

Success with these priority goals is expected to produce:

1. A predictable and reliable and required flow of new patients, presenting with clinical needs

Summary Written Response Themes Provided

Themes synthesized and summarized:

1. "Tell us where we are going as an organization and how we will get there."
2. "Hold everyone to the same levels of accountability."
3. "Leaders need to sincerely listen to those of us with experience."
4. "Ask for our opinions before important decisions are made."
5. "Leaders need to be approachable."
6. "Demonstrations of our values matter."
7. "We don't behave as if we are a unified company."
8. "There are sub-cultures in the organization that aren't helpful."
9. "Team is important."
10. "Don't punish us for our opinions; we have them for a reason."

Note: Themes provided were synthesized from over 6,000 words of the content supplied by CulturePULSE™ respondents.

- consistent with the priority clinical programming.
2. Successful penetration of key health plans, including growing Medicare Advantage plans.
 3. Key community health system strategic partnerships.
 4. Attraction of high-quality providers and staff ahead of the expected growth curve projections of the strategy.
 5. Improved free cash flow performance to internally fund the plan.

Based upon the key findings of the leadership culture survey, a leadership development game plan was built to address “the culture of the patient experience” as the first priority strategic goal. Why? Success with all of the key strategic goals cited above is dependent upon a predictable growth pattern of the right types of patients accessing the services predictably and efficiently, the first time and over time. Employees told leadership, through the survey, exactly what they needed from leaders; in other words, what the people of the organization want leadership to know to effectively engage them in a strategy. A distilled, summary interpretive analysis follows:

“Leaders need to tell us where we’re headed as an organization, why we’re going there, and what it looks like if we succeed with our goals. We want to be proud of the organization, that is what we do here and how we do it. We want our patients to receive the experience they expect and deserve. We expect our leaders to work effectively together for the good of the organization. We need to believe that leaders are motivated by values that are consistent with our mission and vision. We need to trust that leaders work daily, together, to ensure that our organization treats us justly and fairly. Remember, we have

skills, experience, and opinions that matter. If you genuinely listen to and respect us, we can help achieve our goals. We hold perspectives on the culture of the organization, including ‘what it should be,’ and we will gladly share these perspectives if you ask. If we trust the values and motivations of leaders, we are more likely to be on board with a plan. Lastly, we need leaders that respect the value we can contribute to our mission; and we do understand our mission and how we contribute to it.”

Production of the optimal patient experience requires a complex integration and coordination of behaviors of all providers and staff, all operations, all information technologies, patient communications, and effective cultivation of all key external relationships and partnerships.

There is a culture of the patient experience in healthcare organizations. That culture affects the attitudes and behaviors of employees and drives performance.

Final Guidance for Leaders, Governing Boards, and Management Teams

Governing boards and senior leadership teams collectively “own” the leadership culture of the organizations they serve. Experience with the CulturePULSE™ demonstrates that factors that influence the leadership cultures are more common than different across industries. Lessons learned include:

1. Leadership, by definition, is behavioral and employees’ perceptions of attitudes of leaders are considered to be “behaviors.”
2. Leadership culture is situationally determined for better or worse. It can shift based upon dynamics internal or external to organizations; situations such as

changes in leadership, market dynamics, and organizational strategies can affect culture. Leadership culture status “checks” should be routine for organizations.

3. When evaluating leadership culture, the people of the organization tend to develop their beliefs about culture both “vertically and horizontally,” meaning they observe and evaluate how their leaders behave with their direct reports (vertical evaluations) and how leaders engage and collaborate for the collective good of the organization (horizontal evaluations of leadership). Employees develop perceptions of leaders’ internal value systems and motivations by observing how they interact with direct reports, as well as with other leaders.
4. The people of an organization connect leadership behaviors to the top of the organization (i.e., governance). Employees are rightfully conditioned to understand that the board is the authority that sets the mission, vision, and values for the organization and it is the role of the board to hold leadership accountable for organizational performance at all levels.
5. Trust of leadership to provide for an environment that will be “fair and just” is a common, foundational theme that is strongly expressed by employees across industries observed.

The ultimate responsibility for leadership culture in organizations rests with governance. The people of organizations understand that leadership changes. They rely upon governance to “guarantee” stability of mission, values, and leadership behaviors to best ensure “the culture of the organization is as good as it should be.” Governing boards should assume that employees will perform their jobs to levels of performance

they believe the behaviors of leaders command and deserve. Lastly, culture is “the human condition at work.” Employees need and want to work for leaders who they can trust to build and maintain an environment that is predictably just, fair, and is guided by values that are established and guarded by organizational governance. Belief in leadership predicts performance.

The Governance Institute thanks Daniel K. Zismer, Ph.D., Endowed Professor Emeritus and Chair, Division of Health Policy and Management, School of Public Health, University of Minnesota, and Co-Chair and CEO, Associated Eye Care Partners, LLC., for contributing this article. He can be reached at daniel.zismer@castlingpartners.com.

