

How Do You Quantify the Impact of Culture on Performance?

To quantify the impact of culture on profitability, consider these three issues:

- People **do things** that they shouldn't do
- People **don't do things** that they should do
- People **take too long** to do things.

You also need to think about the two dimensions of business profitability impact:

- Lost opportunity for **increased sales**
- Lost opportunity for **lower costs**

The first step you need to take is to identify where the issues are in terms of lost profitability in the business. Figure 1 below will help you do this by showing typical examples of these lost opportunities.

Once you have identified a critical few issues within this matrix, the next step is to quantify the cost to the business. Figure 2 will help you get to a cost in hard currency!

Examples of Quantification Opportunities

	What People Are Doing	What People Are NOT Doing	What Takes Too Long
Effect on Sales	<ul style="list-style-type: none"> • Complaining about others • Losing customers • Spending too much time resolving internal conflicts • Repeating communications 	<ul style="list-style-type: none"> • Spending time with customers • Finding new customers • Understanding what customers want 	<ul style="list-style-type: none"> • Closing deals • Identifying new opportunities • Asking for help
Effect on Costs	<ul style="list-style-type: none"> • Duplicating effort • Complaining • Spending too much time resolving internal conflicts • Repeating communications 	<ul style="list-style-type: none"> • Seeking new opportunities to be efficient • Doing what they say they will do 	<ul style="list-style-type: none"> • Implementing projects • Completing things on time

Quantification Method

	What People Are Doing	What People Are NOT Doing	What Takes Too Long
Effect on Sales	We're losing customers! <ul style="list-style-type: none"> • Calculate margin per customer • Multiply by customers lost per year 	We're limiting our customer growth! <ul style="list-style-type: none"> • Calculate margin per customer • Multiply by potential customers not won per year 	How many months delay is typical? <ul style="list-style-type: none"> • Divide number of months by 12 (to get % of year) • Multiply this figure by the annual increased profit available
Effect on Cost	Costs are higher vs. standard <ul style="list-style-type: none"> • How much inefficiency is due to this issue? 	Our costs are higher than what is possible <ul style="list-style-type: none"> • How much inefficiency is due to this issue? 	How many months delay is typical? <ul style="list-style-type: none"> • Divide number of months by 12 (to get % of year) • Multiply this figure by the annual cost savings available