Is there a link between corporate culture and profit?

In his well-known book *The Human Equation*, Jeffrey Pfeffer demonstrates, with numbers and logic, that companies can earn much higher profits (more than 30 percent higher) if they adopt management practices that increase people’s commitment and competence. This claim seems to hold true for different types of industries (from steel to semiconductors), for a wide variety of companies (from manufacturing to services), and for diverse business strategies across the cost-differentiation spectrum. As Arie de Geus illustrates in an article, “The Living Company,” firms that have survived for more than a century acquire certain common characteristics, which are precisely the ones that have enabled them to adapt to major, even radical, changes in the political, social, and economic environment. One of those characteristics is the ability to build a community of managers and employees who are committed to the company as a long-term venture.
These studies show clearly and systematically that high performance and long-term survival both depend to a large extent on the nature and depth of employees’ commitment to the enterprise. There is nothing new about this. What may be new, though, at least to some, is the evidence supporting it. Today more than ever, companies need committed employees in order to compete successfully in the international environment. The impact of management decisions on employees’ commitment therefore deserves more attention. Just as strategy deals with the economic consequences of management decisions, we propose a new term, “intrategy,” to describe the impact of management decisions on employees’ commitment to the company.

More specifically, intrategy is the study of a company’s environment and internal processes. It is aimed at strengthening people’s commitment to the company and trust in its management. Intended or not, every management decision has a strategic consequence – an increase or decrease in profit – and an intrategic consequence, namely a strengthening or weakening of people’s commitment to and trust in the company. Any decision made taking only one of these two consequences into account is, to say the least, incomplete, if not a threat to the company’s business and survival.