



## MAKING YOUR CULTURE COUNT

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The financial health of your company is directly related to the cultural health of your company. Why is that?

- It is generally understood that the total workforce has 40–70 percent disengaged employees. Disengaged employees cost you money in ways you probably have not even thought about. I will be writing about that later in the chapter.
- Companies often do not account for the basic factors of human motivation. People need more than a paycheck—they also need purpose and fulfillment.
- Employees need to be good at the work they are doing. They view job training as one of the most crucial elements of job satisfaction.
- One of the biggest causes of employee stress is a bad boss, and this is also the number one reason an employee will quit a company. Turnover is expensive.
- The experiences of your customers are directly related to the experiences of your employees. Keeping existing customers is vital for financial strength.

I will explain in detail how these cultural factors are present in all companies, and why taking care of them is crucial for success.

### **Your Business Culture Determines the Success of Your Business**

Your business culture is automatic, and causes the results that show up in your financial statements. Today's transparent business environment should motivate small business owners to examine their own companies, and to improve the “drivers” of their workplace satisfaction and performance.

The elephant in the room is: Can you do it with present staff—or is this the time you need to call in a consultant who specializes in analyzing and improving business culture? The next question is: How do you find the right person to get your needs met?

Before business leaders can fix something, they have to truly understand what they are dealing with—and confidently know what the problem is. In this case, **what is a business culture?**

Culture is:

- Based on what your employees believe about your business, and how they act on those beliefs.
- Embodied in the roles, responsibilities, competencies, capabilities, and behaviors of your employees, and how engaged they are in their work.
- How your employees project the company's brand to the marketplace.

- Reflected in the emotional experiences, the perceptions, and buying decisions of your customers and clients.

Okay, now you have the simple explanation of business culture. However, most companies do not have the time or skills to change, fix, improve, enhance, or do whatever is needed to their business culture. Thus, many choose to ignore the significance it plays in their success. To your potential financial harm, your culture will always overshadow your strategy.

### **A Strong Culture or a Weak Culture?**

As a guiding framework for your business, you should strive to have a strong culture—not a weak culture.

- Strong cultures are characterized by clear core values, ethics, solid trust, and high employee engagement. They have high standards, and use training to improve systems.
- Weak cultures indicate vagueness about purpose and direction. They are inconsistent and unpredictable.
- Companies with strong cultures can grow by significant percentage points, compared to weak cultures.

It is beneficial for small businesses to outsource some services. Other chapters in this book outline how outside expertise in areas such as human resources, marketing, and finance can help make your business better. The value an outside human behavior professional provides is vital to improve your culture. Neuroscience research tells us that most of our thinking is not in our awareness. It takes an outside stimulus, action, event, or another person, to bring it front and center where we can work on it.

We uncovered one of the most interesting management dynamics we had ever seen in a 70-employee manufacturing company. At that time, one of the original owners, and the son of the second original owner, owned and managed it. After analysis, it was determined that each owner was managing approximately half of the company in distinctly different ways.

Neither one of them was aware of the negative effects of this management scenario. The older partner realized that the best business outcome would be for him to sell his ownership share to the younger partner.

### **Understanding Your Business Culture**

Since ancient times, oracles and philosophers have stressed the value of self-awareness and self-evaluation. Businesses and organizations should become more aware, too. I will describe what it means for your business to become more culturally aware, and what assistance you might need to do so.

Your culture contains intangible elements and resources that are not listed in your corporate financial statements. Good leadership, employee engagement, and positive customer experiences are indeed corporate assets. They are not easily evaluated or measured, but they have financial impact. For example, most business leaders know that it costs much more to create a new customer than it takes

to keep an existing customer. Or, how about the hiring and training costs needed to compensate for high employee turnover? These soft variables can be measured by assessing the characteristics of your culture.

Standard accounting practices measure hard assets, and outside lenders and investors use them to determine business value. There are no standard requirements to measure “soft side” or intangible assets. How much more attractive would your company be to outsiders, if there was some “tally” for the assets of a positive company culture?

If it is sound business sense to measure business culture, how does a business owner do it? Let’s first look at how to create a clear company vision.

A small business needs to clarify at least two very important requirements with these questions.

- What could we provide that the market wants?
- How can we meet those needs better than anybody else?

Additionally you might want to ask these value-oriented questions:

- Why are we in business?
- Why do we do what we do?
- Why will people buy that from us?
- Do we match up with what our customers want?

Some cultural characteristics are aesthetic in that they appeal to our senses. How do things look and feel when we come to work? Office floor plans, physical flow, décor, colors, and furniture are physical elements that affect emotions and influence behavior. Early industrial psychologists discovered a phenomenon they called the Hawthorne Effect, which occurs when workplace adjustments trigger some increases in employee productivity. That positive effect can become significant, depending on the alterations made.

Intangible factors such as leadership, belief systems, values, communication, and teamwork all influence emotions. In addition to physical factors, human emotions are enormous determinants of performance. Whether you are aware of them, or do anything about them, these elements determine your outcomes, such as revenues, profits, cash flow, and customer retention.

Research from the behavioral and social sciences helps us understand the performance of large businesses, and the conclusions from it are clear. There are positive correlations between the performance of employees, the experiences of customers—and how well a business does financially.

The opportunity is the same for small businesses. Happily for them, performance research has been supported and funded through the engines of large business. Small business gets to go along for the ride, and create better performance experiences for themselves as well.

### **“Soft Stuff” and “Hard Stuff”**

This chapter focuses on business culture. You might identify some popular strategies that have been highlighted during the last 20 years or so, such as the learning organization, employee empowerment,

stress management, and the like. Culture is a much broader range of concepts, and covers just about everything needed to manage the people side of a business.

This is not intended to be an academic piece, but it is a “both-feet-on-the-ground” look at small business culture and its relationship to success. We are now at a point in understanding business performance so that we also include the “soft stuff” along with the “hard stuff.” Hard metrics are vitally important, but we must also address the soft issues that drive those metrics.

I will not cite specific research studies in this chapter, but I will use widely accepted conclusions from research. The intent is not to convince people to work on their business culture, because I trust I am “preaching to the choir.” It is more about highlighting areas where you should enlist the assistance of an outside practitioner.

Due to the emphasis on organizational performance and change management, the concept of a “business culture” has been woven into strategic business assessment and design. Significant time and money are built into large corporation budgets to evaluate vision and mission, employee engagement, customer experience, and so forth. Small businesses can also see how cultural variables affect the daily performance and the long-term successes of their smaller enterprises.

Culture can be too abstract, and discussed without any defined practical application.

***Your business culture is the total interaction of everything that happens within your business, and the outcomes that result. You don't work on your culture, but instead you work on the things that comprise your culture.***

I will outline those things, and what you can do about them.

The premise for this chapter is that *culture matters*, and owners and managers of small- to mid-sized businesses should do something about it. Company culture can be assessed, and improving it will make a positive difference in your company's success.

### **The Business Case for Small Business Culture**

Every business is a unique culture or “personality” with a collection of people, capabilities, resources, products, and services that work together to serve a marketplace and customers. A business is a subculture of the larger marketplace, and what happens outside in the world will affect the business inside. Large businesses have resources and the power of numbers to handle cultural shifts more efficiently, and to also create internal organizational strengths. An example of that would be the changes in customer behavior because of the impact of social media. Big businesses have internal departments and significant budgets to keep up with technology and its impact. A smaller business may not be able to adjust as readily.

The Internet has figuratively opened the doors and windows of small businesses to the outside world. The availability of business information has enabled curious employees to compare their employer and job situations to similar companies. Employees read articles on workplace satisfaction, and they are able to see how their own work environment stacks up to others. They read articles on leadership,

and critically evaluate their own managers and supervisors. Business social media sites and job boards enable your employees to easily explore opportunities in other companies.

An *unclear vision* makes it difficult to set a course. A *clear vision* articulates why a business exists, and why it will resonate with customers and clients. Belief systems are some of the strongest motivators of human behavior. People will expend extraordinary efforts because they believe in something. As a business owner and a leader, it is crucial that you create strong values and beliefs for your employees, so they can serve your customers well. Those principles must be personally identified and translated as a clear call to action.

We once worked with a very successful research company transitioning from a single owner to an employee-owned (ESOP) company. After assessment we determined they had established the legal requirements for the shift, but did not have the cultural elements in place. The owner was a visionary, but the employees were not ready to assume collaborative leadership.

The owner had been the “rainmaker” responsible for most of the company’s clients. The employees were not prepared to be accountable for business development. Instead of assuming new roles and responsibilities to move the company forward, the “new owners” were mired in disputes over compensation and perks. The employees had big gaps in motivation and accountability, which meant they were not prepared to take on the responsibilities that go with being owners.

### **A Consultant Can Help You to Move to a Stronger Culture**

So what does it really mean to shift the culture of a company from where you are—to where you want to be?

To solidify your company vision, seek out a consultant who really understands people and social systems. Like an anthropologist going into a “strange” culture, your consultant *must be able to quickly understand your company, and help you understand what you do, and how you do it.*

The facts companies might deal with could include:

- Improving culture *is not* a “push” model with someone telling you what to do. A “pull” model is based on discovery experiences, helping you, the business owner, see your company from different points of perspective.
- You want someone to help you have “aha” moments.
- You want someone to help create working relationships that yield numerous possibilities and opportunities.
- The process of discovery can uncover enormous amounts of information.
- Connecting all of the possible dots through authentic dialogue.
- You will need someone who is a highly skilled facilitator.

Consider this, if you were aware of these things, you could already be making changes to your business.

Socrates, the ancient Greek said, “An unexamined life is not worth living.” If Socrates was a modern businessperson, he might say something like, “An unexamined business is not worth what it could be worth.” Be aware, *you cannot change what you do not know.*

**Visioning sessions** can include your most trusted business advisors and key employees, and can be conducted in a matter of a few hours. These are not lectures, but are highly facilitated in-depth questioning and idea-creating exercises. This is the time when you can truly become an “examined” company, to view your operations as you have never seen them before. You can look into the possible future, and start to move your company from where it is to where you want it to be.

Acting from a clearer company vision, you can trigger strategic plans, such as marketing and sales initiatives, in order to give your workplace a real boost.

Let’s turn our attention to the workplace culture itself, and look at some specific processes where a consultant can help you.

### **Your Business Culture in Perspective**

The large marketplace sets the parameters of commerce, and small businesses must apply capabilities to meet market and economic realities. Each small business is a unique economic culture within a much larger economic system. Success or failure of each business depends on being self-aware, adapting its resources to meet every new challenge.

You work every day in your business, but understanding your unique workplace is complicated. You may think you know your employees, but it is only a partial assessment. Because they work for you, it may be difficult for them to tell you what they really think about the company, because it might affect their employment.

Getting a measurement of the workplace can be accomplished with some type of survey. A survey will give you a gap analysis, which is essentially the difference between where you are, and where you want to be. Employee engagement is a key measurement of a strong company culture, because engaged employees get more done, create more engaged customers, and make the company more money. As stated before, research concludes that 40–70 percent of employees are not engaged in their work, and that disengagement contributes to enormous financial costs due to lost productivity.

What do **disengaged employees** do at your company? They might:

- Work eight hours to complete a four-hour project,
- Show up late,
- Spend working hours playing around on various social media sites, or
- Sabotage relationships with other employees, or even your customers.

Learn about your company, and see if your culture indicates unclear messages, contradictory policies, poor leadership, bad bosses, or whatever else might contribute to disengagement.

***Human beings try to balance perceived feelings of inequity in some way, and in a business that will usually cost you money.***

What do **engaged employees** do at your company? They:

- Show up, do quality work and take good care of your customers.
- Go the extra mile to make sure things get done correctly,
- Require less supervision.

Those are the kind of cultural qualities that will make your company more money.

The positive or negative impact from any individual employee in a small company is much greater than any one employee in a large company. You should consider how each employee's behavior can have a good or bad effect on the whole of your business.

### **The Value of Help**

Employee engagement can be measured with a survey by using a few or many questions, but it should be confidential and anonymous. If you ask employees for information, you must also tell them what you will do with the results, and how you will include them in the process. If you do not do this, it is far worse than not conducting a survey. You will probably create additional disengagement and cynicism if the employees hear nothing about the results of their input.

**Surveys** are a type of quantitative analysis, in that you can get a large amount of information very cheaply, quickly, and efficiently. A consultant can also help you with detailed qualitative analysis, which uses highly facilitated questioning sessions to peel back the layers, and will give you more useful information. A trained facilitator is extremely valuable in gaining unbiased and objective input from your employee teams.

Businesses hire consultants to do other types of employee measurement, such as **personality and behavioral tests**. Many consultants believe that these personality tests are valuable to help understand individual employee behavior. The popularity of these tests might be due to the curiosity people have about themselves, and how they may find clues to their personality makeup. Other behavioral consultants are less convinced about their usefulness for the business environment. They may choose to spend your time and money on other methods, such as qualitative verbal analysis, small group dialogue, and active problem solving.

If you do hire consultants to do any testing for you, make sure they have an educational background and experience in the behavioral sciences, or at least have access to assistance. At the very least, any test result should be surrounded with skilled facilitation and dialogue to explain what it may mean, its potential value to the business environment, and to place information into a safe context. I have observed personality testing in businesses being misused and administered poorly.

If you are using personality testing for selection and hiring purposes, you should do so in conjunction with your human resources advisors to avoid any compliance or liability implications. One seasoned human resource professional told me, "Hire the smartest people you can find for the job." That may be one of the most prudent strategies to improve your culture in the long run.

There are other tests aimed at specific behavioral measures rather than personality concepts. They are useful for understanding capabilities and talents, and they can bring real value to your employees and company. These tools can be helpful to identify skills such as communication and leadership, and for improving workplace relationships. Some of these instruments are available to be purchased at bookstores or online. If you choose to use these instruments in your business, you should have a consultant facilitate the context and application of them.

In general, conducting surveys and tests, combined with skilled facilitation, can provide you with useful parameters for change management, training, and improving your workplace.

Surveys will give you information on performance gaps, knowledge, or skill deficiencies. You might have uncovered any number of cultural gaps, such as generational, nationality, religious, or gender-based issues. You might find you have leadership or management deficiencies. To use a common metaphor, you might have the wrong people onboard. If you discover you have some variation of a “toxic culture,” you will need all kinds of help as soon as you can get it. These are all people issues, and you will need outside objectivity and loads of behavioral knowledge from the consultants you use.

Your consultant can offer recommendations, training, coaching, or other services. Improving your company environment may require teaming up with other performance professionals. Your future business results will depend on how you apply what you learn.

Some years ago we were referred to work with a manufacturing company of about 80 employees. We conducted a confidential electronic employee survey, and also facilitated deeper questioning and answering sessions with every manager and employee. Additionally we also conducted a financial analysis. The company had a combination workforce using full-time employees and outside contractors. This arrangement had created a culture of discord among the workforce, because similar work was being done by everyone, but with different benefits and compensation.

This caused project delays, poor customer service, and lack of initiative—classic indicators of workplace dysfunction. Additionally we noticed violations of health and safety codes. They needed to comply with regulations, hire some new management, and reorient finances to fund employee training. This was clearly a case where the company needed a team of behavioral, human resource, staffing, and financial professionals in order to move forward.

***How employees feel about the vision and direction of the company, how they are treated by their supervisor, and how well they are matched to the job, is vitally important to performance.***

Employee engagement is directly connected to customer engagement and experience. It is a rare company that has an exclusive lock on a customer base, in that their customers cannot go somewhere else for almost the same product or service. In the real world, things are much more of a commodity. Customers are emotionally connected to your company, and how they feel about doing business with you is as important to them as the products or services they get from you.

You can measure customer experiences by using surveys, but companies need to be careful about how many survey requests they make to their customers. Perhaps more frustrating is that most consumers never hear about any results from these surveys.

Consultants such as those at GAPWORX can perform an in-depth analysis of customer experience. Doing a map of all customer touch points from prospecting, sales, contracting, and customer service, can be illuminating to understand how a customer does business with you. That information is also very important to engaged employees, because they care about doing well for their customers.



This *is not* a do-it-yourself project, because a consultant can provide you with outside objectivity and bias-free information. Again, if you knew these things, you would already be making these changes.

As it is with quantitative customer surveys, **qualitative analysis** can be conducted by doing in-depth customer interviews.

- The layers of actual experience can be uncovered, the physical and emotional cues of why they buy, and the depth and quality of your employee and customer relationships, can be outlined.
- You will be able to see if your company's vision and your workplace engagement actually match up with your customer's perceptions.
- You will be able to see what is strong in that relationship, and what needs to be improved.

Many companies work on their customer service, but customer experience is a much more comprehensive set of processes. A consultant who is a skilled facilitator can help you construct role plays to improve your employee/customer encounters. For any gaps in performance, you can make adjustments through training and coaching.

I worked with a product service company wanting to take their financial performance to a higher level. While the company was very profitable, it was requiring the owner/operator to spend very long hours "in the business." We conducted our survey and facilitation processes, and the result was one of the most remarkable examples of employees "seizing the moment" I have ever seen. The owner was not aware that he was sitting on untapped potential in his management staff.

The managers were excited to take on more leadership activities, and assume more responsibility for running the company. On their own initiative, they completely revised the customer service processes and company communication.

Within a few months, the owner had reduced his overload of responsibility, and was able to work "on the business." He was also able to free up many hours a week for personal and family activities. His financial situation was strengthened, and one of his strongest performance indicators was very low turnover.

Your business culture is happening now, and you see the results of it in your financial statements. Just as any individual has a personality, your business has a personality. As people we can detect the attributes we appreciate in others. We like people who are friendly, positive, inquisitive, fair-minded, successful, and generous. The list can go on and on.

It can be the same way within a company. You can redirect your energies to create more positive cultural qualities and attributes, ones that will make you even more successful. The positive correlations of a strong company culture to high employee engagement, enhanced customer experiences, and overall financial health, are proven.

You, as a business owner, are not running a social program, and you are not ultimately responsible for your employee's personal happiness. You are responsible however, to create a workplace where solid measures of satisfaction and fulfillment occur. It is in the best interest of you, your employees, and your customers to have as fully functioning a workplace as is possible.

That means becoming aware of your human elements, and applying those factors to drive your financial output. If your company cannot stay in business, everybody will lose.

Focus your energy on key performance measures and metrics of your business—the “hard stuff.” Also strengthen your key cultural attributes—the “people stuff and the soft stuff.”

They will boost your employee, customer and business experiences, and your business will thrive and take you closer to where you want it to be.

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