

Corporate Culture: An Untapped Resource

When companies look to grow, leaders think about ways to improve and change, whether by cutting costs or developing the next great idea. However, one element companies often overlook is their corporate culture. The foundation for good decisions, culture is the fuel for employee contribution to growth.

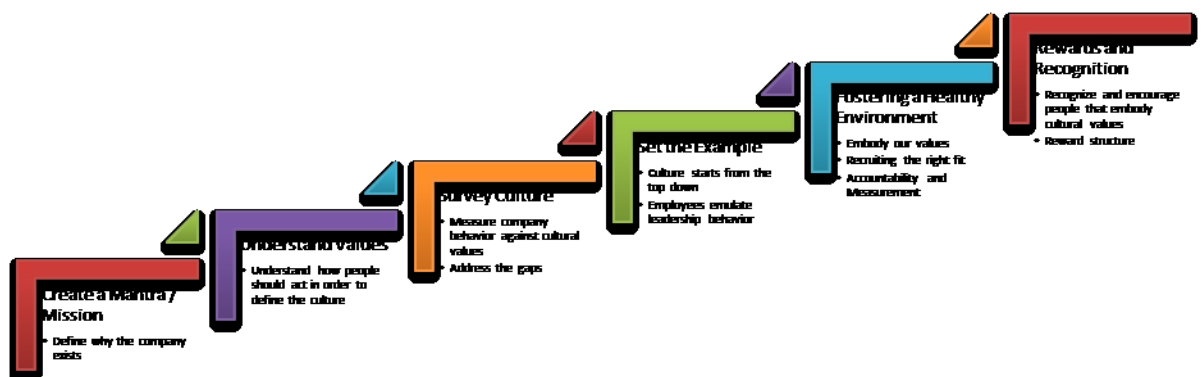
Most companies view culture as a “soft attribute” and a secondary goal after a company’s financial success, but that kind of thinking is often a recipe for failure. While it is difficult to measure the ROI of corporate culture, its impact is no less real.

Think of the companies you admire most. How do their leaders maintain an edge? The most successful companies like Google, Starbucks, and Apple all share the same secret sauce—they have learned how to tap into their primary resource for sustained success.

People admire the leaders that transform organizations into eco-systems that are innovative and successful. How do they do it? Do they incentivize people with money? Is the workplace casual? Is the office space an open floor plan? In this paper, we will talk about how to manage corporate culture and how it is critical to fueling growth and innovation.

Acquis's Growth Ladder

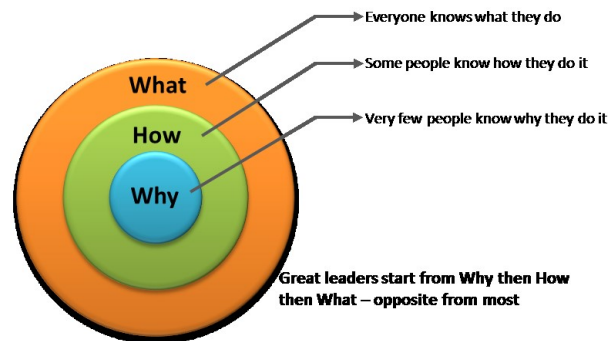
Acquis believes a six-step process to define/redefine corporate culture can help an organization improve and sustain itself for the future. How formal each step should be, and how much process and oversight is necessary will vary depending on company size.



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Step 1: Create a Mantra/Mission Statement

In a recent TED Talk, “How Great Leaders Inspire Action,”¹ Simon Sinek explained that all great, inspiring leaders and organizations think, act, and communicate the exact same way—the opposite of everyone else.



People don't buy *what* you do; they buy *why* you do it. We follow those who lead not for them, but for ourselves—not because we have to, but because we want to. Many people and companies have tried to do similar things, but only some are successful. Why will people buy any product from Apple, such as phones and touch screen devices, even though there are many similar products in the market place? It's because they begin with the *why*, not the *what*.

If Apple Communicated Like Everyone Else	How Apple Actually Communicates
What: We make great computers.	Why: Everything we do, we believe in challenging the status quo. We believe in thinking differently.
How: They're beautifully designed, simple to use, and user friendly.	How: The way we challenge the status quo is by making our products beautifully designed, simple to use, and user friendly.
Why: Want to buy one?	What: We just happen to make great computers. Want to buy one?

Apple connects with their customers before they even tell them what the product is. They appeal to consumers' desires to be part of something much larger than whatever the product is. There were MP3 players before the iPod and mobile phones before the iPhone. “What” doesn't get people to wait on line overnight for a phone. Only “why” can do that. And Apple's “why” is what allowed a computer company to single-handedly change the music business and the mobile phone industry forever.

Do you know what your company believes in and why it exists?

At the core of every organization lies a mission statement or a core purpose/mantra that defines why it exists.

The book *Grow* examines 50 high growth companies like Amazon.com, McDonalds, and Google, and finds that many of their similarities involve a very advanced understanding of and focus on culture. In fact, all of the companies studied excelled at “discovering or rediscovering a brand ideal” and “building the culture around the

¹ http://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action.html

ideal".²

What do leading organization's mission statements have in common?

The answer is that they all have an adherence and connection to their core values and identity:

- 1) Amazon.com: "Our vision is to be earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online."
- 2) Method (the creator of eco-friendly cleaning products): "To inspire a happy and healthy home revolution."
- 3) Nike: "Achieving athletic excellence" promoted the idea of fitness; its campaign helped Nike's sales skyrocket from \$800 million in 1988 to \$9.2 billion in 1998.
- 4) Diapers.com: "Delivering everything but the baby."

These companies have powerful missions and have literally changed the lives of their customers. Once you understand who you want to be as a company, the path to a great culture is more discernible.

If your company already has a mission statement or mantra, it is important to revisit it on a regular basis to ensure it still resonates with your firm; changing it is better than using one that is no longer relevant.

Step 2: Understand Values

After creating a mission statement, the next step is to explicitly define the core values from which a culture is developed. This challenging step requires a company to put a feeling or way of life on paper. Not only can this be the toughest phase, it is also the most important.

If your company culture is not ideal, the risk of doing nothing far outweighs the time and effort to make a change. Sometimes making a change is much harder than leaving things as they are. Yahoo CEO, Marissa Mayer, has received a lot of criticism for abolishing the company's work from home policy, but her reasoning is strong. Along with her executive team, she worked hard to craft a new culture and believes the only way for employees to experience that culture and ultimately contribute to Yahoo's growth is to be in the office together.

How do you define company values?

When evaluating how a company defines its culture, some key questions must be asked:

- How should the company treat its employees and how should your employees act?
- How do you treat your customers?
- What is your approach to innovation?
- What are your unique process attributes?

A great example is Zappos's core values³:

² Jim Stengel, "GROW, How Ideals Power Growth and Profit at the World's Greatest Companies", Crown Business, 2011, Kindle edition.

³ <http://about.zappos.com/our-unique-culture/zappos-core-values>

1. Deliver WOW Through Service.
2. Embrace and Drive Change.
3. Create Fun and A Little Weirdness.
4. Be Adventurous, Creative, and Open-Minded.
5. Pursue Growth and Learning.
6. Build Open and Honest Relationships With Communication.
7. Build a Positive Team and Family Spirit.
8. Do More With Less.
9. Be Passionate and Determined.
10. Be Humble.

At Acquis, we have always prided ourselves on our strong culture, and we worked to prescribe a more formal definition. Our values are critical since we are a consulting firm where our main asset and chief differentiator is our people. It is very important that we define these areas and communicate them both internally and externally to preserve them. Acquis's three core values are:

- **People First:** It takes great people to do great business. Our people are the source of our unique expertise and why we've designed a home that inspires the curious mind. The care of our people and culture is our highest priority. We nurture and learn from every team member. We do this to create a leading company and breakthrough results for our clients.
- **Advance Together:** Relationships are at the core of advancing business. We build every relationship on trust and honesty so our clients can always rely on us as both an advisor and an ally. We design our relationships to be genuine, not just to be great partners but also to enable growth that is both measurable and meaningful for our clients.
- **Think + Do:** All too often in our industry we see resources wasted on strategies that are never put to work. We created Acquis to change that. We help our partners create new ways to think about their business but we don't stop there. We see projects through and help implement ideas, turning them into lasting business value.

Step 3: Survey Culture

Every company needs a mechanism to evaluate their corporate culture and prioritize areas where focus should be applied. The size of your company will affect how this is done.

The Stanford business book, *Corporate Culture: The Ultimate Strategic Asset*, illustrates that profitability and success are highly correlated with culture. Surveys conducted across multiple business units within a company documented that business units more aligned to corporate cultural values perform better than business units that are not.

How do you collect feedback on your corporate culture?

Some companies may need to solicit a formal survey, while others may need to conduct interviews with people in key departments (or a combination of both). Once a survey is completed, a company will have a better idea of which cultural attributes are well engrained and which ones need to be reinforced.

There are 9 topics that should be covered in a successful Corporate Culture Survey⁴:

⁴ Some topics retrieved 2 January 2012 from <http://ezinearticles.com/?Doing-a-Corporate-Culture-Survey&id=111747>

- | | | |
|--------------------|----------------------|----------------------------------|
| 1. Company Mission | 4. Corporate Culture | 7. Individual Career Development |
| 2. Leadership | 5. Company Values | 8. Support, Training, Coaching |
| 3. Colleagues | 6. The Work Itself | 9. Rewards & Recognition |

Surveys are ideal for understanding concerns employees may have, but it is just as important that employees know what the results are and that management shows they are doing something to address those concerns. Otherwise, the survey will not be taken seriously.

Step 4: Set the Example

Many companies look to change leadership to improve the organization, but they should first make sure they understand their culture, and look for leaders that really have the passion to set the example for employees. Just because someone was a CEO for one company doesn't mean he or she will be the right fit somewhere else. There might be someone already inside your organization who is perfect for the position. In its drive to create a new culture and revitalize its retail experience, JC Penney hired the head of retail operations from Apple hoping that some of the "magic" and culture he created at the technology company would have an immediate effect on retail sales. In fact the results ended up being anemic and quite the opposite of what was expected. Culture creation that works at one firm does not automatically translate into success at another.

When JetBlue Airways started operations, their CEO and COO were passionate about their corporate culture. During every flight they would help the crew pass out snacks to passengers, and after every flight they would help clean up pillows, blankets, and trash along with the crew. While it was never mandated that employees in the corporate office clean an aircraft, most followed the example set by the top leaders of the company.

How do you effect culture change in your organization?

Many companies recognize where their culture is failing and even identify areas of improvement, but then merely post their list of cultural statements in a newsletter or on their announcements wall. While it is necessary to communicate cultural values and company goals repeatedly and in various ways, it is much more important that leadership create unique experiences and examples that help set the tone for the new culture.

One way to accomplish this is by establishing a committee or position to brainstorm experiences that set examples to provide cultural support, and to evaluate and implement them. For instance, Google created a "Chief Culture Officer" position with a clear mission to retain the company's culture as it grows. Similarly, Southwest Airlines created a "Culture Committee."⁵

Leadership must be aligned with why a company exists and how it operates. Corporate culture is the set of shared attitudes, values, goals, and practices that characterizes an institution or organization. Any type of change in culture takes time to permeate through an organization in a sustainable way.

Step 5: Fostering a Healthy Environment

⁵ Eric Flamholtz & Yvonne Randle, "Corporate Culture: The Ultimate Strategic Asset", Stanford University Press, 2011, Kindle edition.

There are three components to fostering a healthy environment: the people you bring into your company, the evaluation of your employees, and the maintenance of the environment.

Hiring New Employees:

How do you test cultural fit during the interview process?

The recruiting process is the initial step to ensuring new employees fit into the company culture. In the book *Grow*, one company put a strong emphasis on hiring people that are highly collaborative. During interviews for key executives, they required a homework assignment. If the candidate hesitated or refused to do the assignment, the company immediately knew he or she was not a good fit.⁶

Evaluating Employees

After culture is addressed in your recruiting process, additional governance should be applied around the company's core values using the employee evaluation process. Commonly, the employee evaluation process is driven more from an HR and legal perspective, but including culture fit into the performance review process is a powerful reminder to your employees that they are responsible for contributing to the culture of the organization.

Corporate transformation does not occur with the efforts of one individual alone. When people share the same beliefs and principles, they tend to act as a team, and a stronger team is more prepared and competitive. Even a genius or top sales person can be toxic to the rest of the team if he or she is not aligned with the culture of the organization.

During performance review cycles, General Electric classifies each employee into one of four categories:

STRONG PERFORMER WEAK CULTURE FIT	STRONG PERFORMER STRONG CULTURE FIT
LOW PERFORMER WEAK CULTURE FIT	LOW PERFORMER STRONG CULTURE FIT

GE considers employees in the groups highlighted in orange to be the best fit for the organization. Employees in the other groups are coached out, even though some of them are strong performers.⁷

Maintaining the Environment

As a company grows, promises to shareholders and fear of failure often cause creativity and new ideas to decline. A process to generate ideas and give the people that create those ideas the ability to work on them to fruition is essential.

How do you inspire innovation and a willingness to take risks?

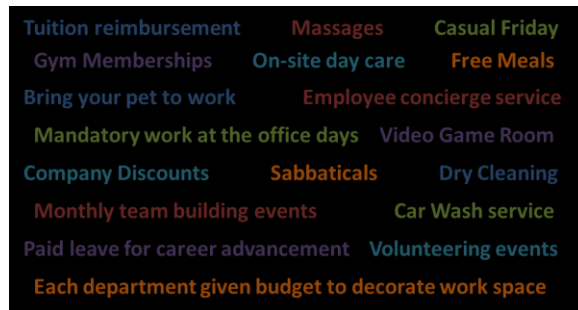
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At Google, all IT developers are encouraged to spend one day a week working on a project of their choice. Once hired at Zappos⁸, employees spend their first three weeks manning phones in a company call center, learning how to respond to customer needs. While this is an introduction to the soul of the business, it is also a practical approach to serving customers all year long.

Whatever a company's approach, their method must align and fit their own cultural values. The diagram below shows some examples of what different companies have used. It is not a menu of selections, but rather items that can be used to further a strategic culture design.



Step 6: Rewards and Recognition

What we reward gets repeated and what gets repeated becomes habit.

Every person's definition of reward may differ—it is not just about incentives and money, but a rewarding corporate environment where people are happy at work.

Before we delve into what drives success in a rewards and recognition program, let's take a step back and determine why we should invest in these programs by first calculating the cost of attrition. Advisor on employee attrition, William G. Bliss, states that the costs of time and lost productivity in recruiting a new employee after someone leaves can easily reach 150% of the employees' annual compensation figure. He puts this into perspective in the following example: "Let's assume the average salary of employees in a given company is \$50,000 per year. Taking the cost of turnover at 150% of salary, the cost of turnover is then \$75,000 per employee who leaves the company. For the mid-sized company of 1,000 employees who has a 10% annual rate of turnover, the annual cost of turnover is \$7.5 million!"⁹

It is almost always better for morale and cheaper (a compliment and a thank you are free) to incentivize your best employees through the utilization of rewards and recognition programs than to risk an employee leaving the organization. This is even more important in today's corporate environments, as employee loyalty is declining. Nowadays people often say that the only way to get a good salary is to change jobs. According to a Forbes article, "economic instability has erased the stigma that has accompanied leaving a job early. Workers today know they could be laid off at any

⁸ <http://humanresources.about.com/od/organizationalculture/a/how-zappos-reinforces-its-company-culture.htm>

⁹ Retrieved from <http://www.isquare.com/turnover.cfm>

time, so they plan defensively, and essentially consider themselves free agents. Today the average worker stays at each of his or her jobs for only 4.4 years."¹⁰

Research has also shown that culture and recognition programs can help retain employees. The U.S. Department of Labor research found that organizations with highly effective recognition programs experience 31% lower turnover.¹¹ According to a 2012 survey by Net Impact, 88% of those surveyed said that a positive culture is essential to their dream job.¹²

How do you develop a strong rewards and recognition program?

Three key factors lead to better performance for creative tasks: autonomy, mastery, and a sense of purpose.¹³ Dan Pink conducted a talk at the RSA (Royal Society for the encouragement of Arts, Manufacturers and Commerce) where he showcased a specific MIT study regarding motivation. The study explains that contrary to common belief, money only motivates people when it comes to simple, routine mechanical tasks, and not the type of tasks that inspire growth, creativity, and innovation at companies. People need enough money not to worry about it. Once you take the issue of money off the table, it provides employees an opportunity to think about their work.

A good example of this is at Zappos where the call center employees are empowered to serve their customers and do not work from a script. They are encouraged to use their imagination to make customers happy and do not have to ask permission from a boss to give their customers the WOW factor. With over 75% of sales from repeat customers, they are clearly succeeding.

To retain employees, companies should consider the following:

1. Develop a strong culture and reward/recognize employees for setting a positive example.
2. Give people the opportunity to work on projects that are important to the ideals of both the organization and the employee, and give them the freedom to do their best work.
3. Make sure employees understand the overarching purpose of their work and how it benefits the organization.
4. Create a rewards and recognition program that makes sense for the specific situation. Three types of recognition programs include: 1) Informal Rewards; 2) Award Programs; 3) Service Rewards and Recognition for both individuals and team members.

Change is uncomfortable, and while people may have the knowledge of what they should do, often habits are stronger than knowledge.

¹⁰ Retrieved from <http://www.forbes.com/sites/jeannemeister/2012/08/14/job-hopping-is-the-new-normal-for-millennials-three-ways-to-prevent-a-human-resource-nightmare/>

¹¹ Retrieved from <http://www.achievers.com/sites/default/files/analytstinsights-the-state-of-employee-recognition.pdf>

¹² Retrieved from http://netimpact.org/docs/publications-docs/NetImpact_WhatWorkersWant2012.pdf

¹³ Retrieved 23 August 2012 from <http://www.youtube.com/watch?v=u6XAPnuFJc>.

Even the act of rewarding and recognizing people requires a change in habit. People don't resist change, they resist being changed when they don't see the need, don't want to, or believe change is not possible for them. For a company to be successful, the right culture and attitude goes hand in hand with the right strategic direction. The corporate culture eco system requires the right balance and level of attention in order to produce the sought after results.

About Acquis Consulting Group

Acquis is a consulting firm specializing in strategy and implementation. We help ambitious organizations solve business challenges that enable sustainable growth and healthy efficiency. We do this by not just designing strategies but also putting them to work. Acquis, founded in 1998 and based in New York City, prides itself in maintaining a strong company culture and in 2012 was recognized as one of "The Best Small Firms To Work For" for the 3rd time by Consulting Magazine.

Please contact us to discuss any questions you may have about this article or to discuss your company's specific needs.

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