

# Culture Matters: From Start-ups to the Fortune 500

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One of the greatest problems facing organizations today is employee retention and engagement. As many as 50% of people recruited leave their jobs in the first two years of employment, and 25% of those leave within the first six months. A primary factor that determines whether or not employees choose to stay is culture fit. Regardless of size, whether a small business or a global corporation, culture matters. Culture determines what employees value, how they behave and their priorities. Each organization has its own unique cultural DNA. In fact, when employees join an organization, they join a way of life and the culture determines who communicates with whom, how employees communicate with customers and how they act when no one is watching.

*Culture: A pattern of **shared basic assumptions** learned by a group as it solves its problems of **external adaptation and internal integration**.*

Instead of allowing a culture to “shape itself,” effective leaders intentionally design the culture they want to create. As organizations seek to attract and retain the best talent, they must consider how to shape their culture as an attractive or “Great Place to Work” for employees.

The easiest time to shape a culture is when it is launched. As a company matures, the founding culture exerts great influence over future values. With time, cultural values are institutionalized and employees begin to protect what they’ve helped create. When new employees are hired, for example, seasoned employees train and assimilate new employees to the culture and teach them what it takes to succeed in the organization.

“A people without the knowledge of their past history, origin and culture is like a tree without roots.”

Marcus Garvey

## Three Ways to Build a Strong Culture

While the cultures of long-standing organizations may be difficult to change, it is not impossible. Leaders who want to change culture make concerted efforts to establish new norms and behaviors to modify and/or replace the old. Three key factors determine the success rate of organizations that choose to design and/or redefine their culture.

### 1. Leadership

*“No company, small or large, can win over the long run without energized employees who believe in the mission and understand how to achieve it.”* Jack Welch

A company's culture, particularly during its early years, is tied to the personality, background, and values of its founder(s) or owner(s). Leaders set the vision for the future of the organization and model how others will behave. A good example of how founders establish a company's culture was modeled by Ben Cohen and Jerry Greenfield of the ice cream company Ben and Jerry's. They established the company with strong social and sustainability convictions. From the beginning, they were known for food safety standards, fair wages, fair trade practices, buying only from local farmers, creating jobs locally and devoting a certain percentage of their profits to charity.

Since culture is shaped primarily by how leaders act, it is important for leaders to embody the type of culture they desire. In fact, there is a direct correlation between a leader's style and how employees act and treat others. For example, when leaders motivate employees through inspiration, corporate culture tends to be more supportive and people-oriented. When leaders motivate by making rewards contingent on performance, the corporate culture tends to be more performance-oriented and competitive. In these and many other ways, what leaders *do* directly influences the values and cultures of organizations.

## 2. Values

*"The purpose of leadership is to change the world around you in the name of your values, so you can live those values more fully."*  
Stan Slap

As described above, what leaders value helps create unique organization personalities. Their values build cultural norms or patterns of beliefs and expectations that are shared across an organization; in turn, these values shape behaviors of individual employees as well as groups. When values or norms are used and institutionalized throughout the organization, they eventually become the unspoken rules or way by which employees operate. Rather than by chance, leaders can intentionally build strong cultures and operationalize desired norms and values ...ones identified, understood and modeled by employees.

To build commitment and ensure accountability for cultural change, it is important for leaders to engage employees in the process. Similar to the experiment in which half of a group of participants were randomly assigned a lottery ticket number and the other half were able to choose the number of their choice, when employees are given no choice, they lack ownership. In fact, the researchers asked if participants would change their tickets, they found that those participants who chose their own numbers asked researchers to pay at least five times more than those who were assigned a ticket number. Those who participated in making a decision were more committed to the outcomes.

To operationalize values, employees must understand how to put the values into practice and know what is expected day to day. Consider the need for financial institutions to build trust with their customers. One of the values that Wells Fargo sets a standard for is

employee ethics--integrity and principled performance that is more than just doing the right thing. It's about building trust with customers. Some of the ways that Wells Fargo operationalizes its value of ethics with specific expectations of team members include:

- Tellers will complete transactions accurately and promptly.
- Mortgage consultants will manage their application process completely, accurately and as quickly as possible.
- Investment bankers will build financial models to analyze business trends, shape investment ideas, raise capital and meet their strategic objectives.
- Risk managers will ask the right questions, protect assets and help customers reach their goals.

When companies select and operationalize their values, they create a culture of performance and a way of life for employees. Organizations with strong cultures actively manage their norms rather than allowing them to be operationalized by chance.

### 3. Structure

*"We want to understand what works here rather than what worked at any other organization."*

*Laszlo Bock, Google*

Organizational structure drives culture. The culture determines factors most important for selecting and hiring new employees, coaching and developing, recognition, rewards and compensation, and performance management. If you agree that all organizations are perfectly designed for the results they achieve, then leaders have the power to influence and shape what gets done and how. In other words, leaders can create a company culture by design. A culture's foundation elements are reinforced by the operational mechanisms in place -- systems, processes and incentives. If these structural elements are misaligned to values, employees are confused about what is most important and behaviors will vary.

For example, if a company places a plaque on the wall with the value of respect and allows bully bosses or toxic leaders to intimidate, coerce, deceive, retaliate and punish others to get what they want with few or no consequences, the values are merely words on paper. Rather than words alone, leaders can use structure to communicate how values are important. For example, when a CEO says she values talent, she can demonstrate the importance by how she interacts with and elevates the company's Human Resource and/or Diversity Groups. Consider what it communicates to employees when a Chief Human Resource Officer reports directly to the CEO rather than to a COO. When a company is focused on selecting, developing and retaining top talent, the structure reinforces that commitment. Before instituting culture change, ensure that the existing system will withstand rigorous scrutiny while being inclusive of all key stakeholder voices.

## **Parting Thoughts...**

Remember, before attempting to change an existing culture, examine the current structure, values and leadership engagement. Effective leaders intentionally design the culture they want to create and engage employees in the process. A thoughtful and planned process helps build trust in leadership, shapes thinking, establishes strong norms and gains greater commitment to the new culture and values.