HOW DOES STRENGTHENING YOUR COMPANY'S CULTURE IMPROVE YOUR BUSINESS PERFORMANCE?

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Profit through *inspiring* leadership

On what high-performing companies should be striving to create: "A great place for great people to do great work." – Marilyn Carlson

How Does Strengthening Your Company's Culture Improve Your Business Performance?

Extensive research confirms the idea that engaged employees perform better, generate higher sales and are more innovative in the marketplace. They provide better customer service, endeavour to understand customers' needs and are more proactive in taking opportunities for the benefit of your business. In short, engaged employees are happier, and better for business. When the evidence is so compelling, keeping your employees engaged should be a top priority for any business that wants to grow and become more profitable. The big question is, how committed is the business for the engagement of their employees, and what steps could they be taking to improve it? A huge factor in creating engaged employees that will be productive and satisfied in their roles is ensuring your business has a strong and supportive company culture. Today You Become will be exploring what makes employees engage or disengage from their job, and how much of an influence company culture has on performance and engagement.

Why Employee Engagement?

People are key to every organisation. No matter how high tech you are, your business wouldn't function without them, so creating an environment where your employees understand and engage with your customers can be a real differentiator for a successful business. Sadly, almost half of employees in the UK alone are disengaged from their work, with just 7% of workers stating that they are working to their full potential and would go above and beyond for their employer. On a worldwide scale, only 13% of surveyed employees are engaged at work, leaving the remaining 87% neutral or disengaged with their job roles.

Put simply, employee engagement is defined as the extent to which employees commit to something or someone in their organisation, how hard they work and how long they stay with the business as a result of that commitment. In fact, research shows that engaged employees work harder, are more loyal and more likely to go the 'extra mile' for the business. An engaged employee takes pride in the work that they do, and will often bring more than just a happy face to the business.
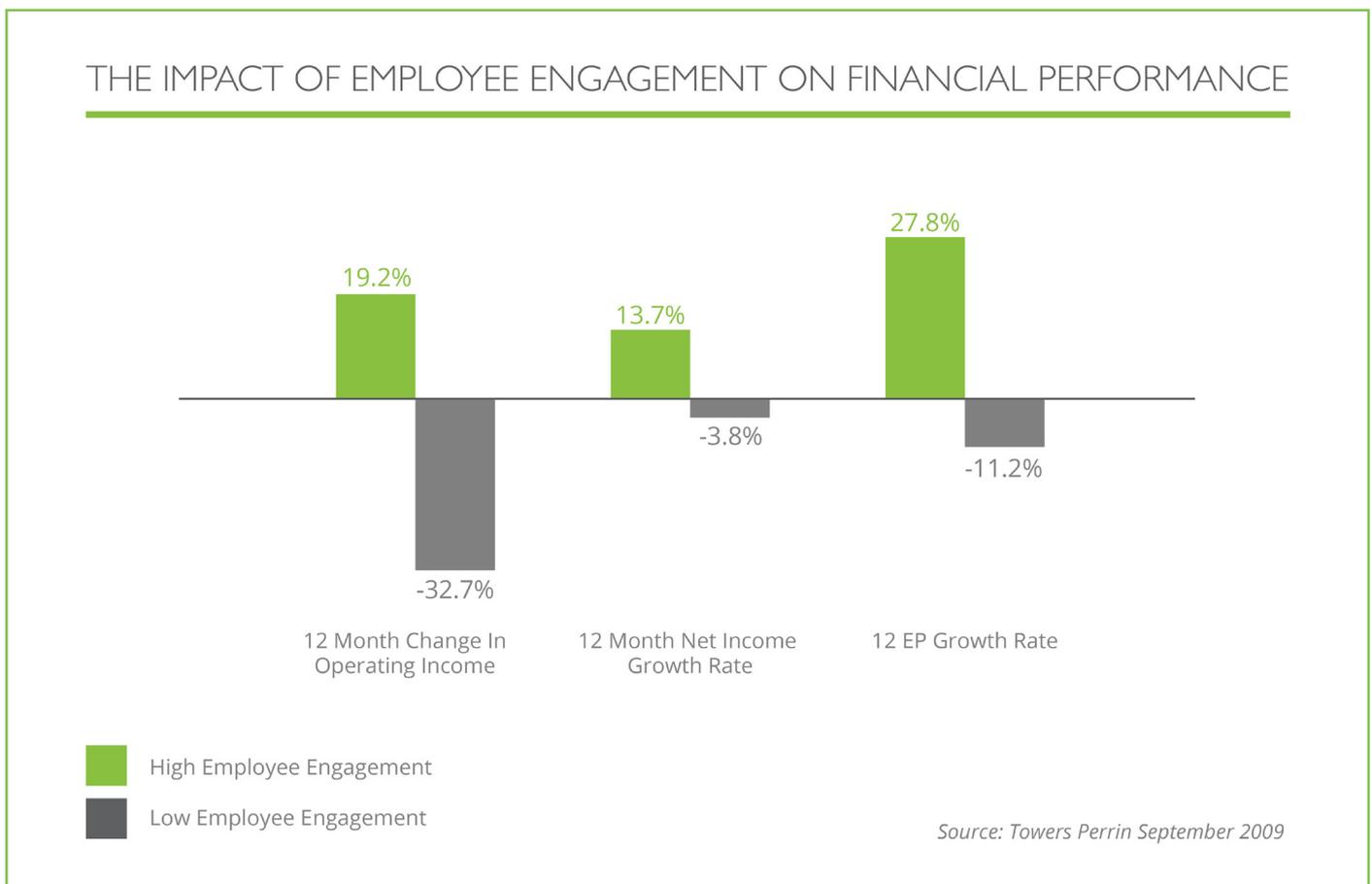
THE IMPACT OF EMPLOYEE ENGAGEMENT ON FINANCIAL PERFORMANCE

- 19.2% — 12 Month Change In Operating Income (High Employee Engagement)
- -32.7% — 12 Month Change In Operating Income (Low Employee Engagement)
- 13.7% — 12 Month Net Income Growth Rate (High Employee Engagement)
- -3.8% — 12 Month Net Income Growth Rate (Low Employee Engagement)
- 27.8% — 12 EP Growth Rate (High Employee Engagement)
- -11.2% — 12 EP Growth Rate (Low Employee Engagement)

■ High Employee Engagement
■ Low Employee Engagement

Source: Towers Perrin September 2009

fig: 1

In fact, if you look at the graph in Figure 1, you will see that engaged employees have a clear and positive impact on the financial state of the business. Within the 12 months of this study, engaged employees were able to contribute to a 27.8% EP growth rate, while a similar business with disengaged employees suffered a downturn of 11.2%. Research has shown that employees with the highest levels of engagement with their organisation are likely to perform 20% better than other employees and are 87% less likely to leave the organisation, clearly showing that engagement is directly linked to organisational performance . Studies by Gallup support this, finding that 'work units in the top quartile in employee engagement outperformed bottom-quartile units by 10% on customer ratings, 22% in profitability, and 21% in productivity. Work units in the top quartile also saw significantly lower turnover (25% in high-turnover organizations, 65% in low-turnover organizations), shrinkage (28%), and absenteeism (37%) and fewer safety incidents (48%) and quality defects (41%).' The bottom line of this is that if companies want to bolster productivity and profitability within their employees and increase customer's loyalty and spending at the same time, they need to actively engage their employees. But how do they do this?

We've all heard of Maslow's hierarchy of needs. The simple 5-tier pyramid shows us the basic needs and desires of human beings, and also gives us a great idea for what motivates us. The most basic needs for survival are at the bottom (food, shelter, water etc.), while more complex needs (such as self-esteem, confidence and achievement) are found closer to the top. The further we move up the pyramid, the happier we are as people, and the more engaged we become in our world, and our job.
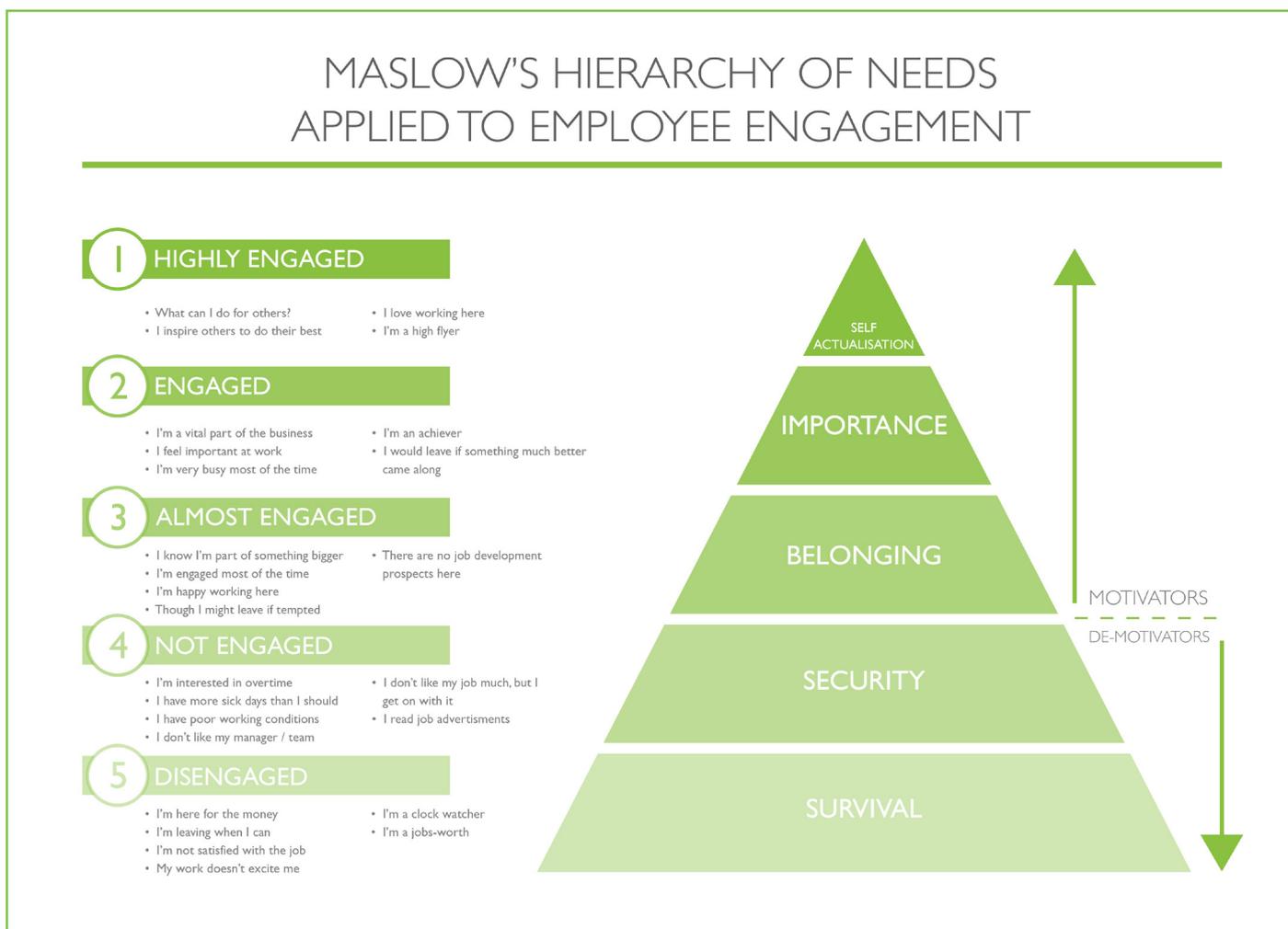

MASLOW'S HIERARCHY OF NEEDS APPLIED TO EMPLOYEE ENGAGEMENT

1 HIGHLY ENGAGED
- What can I do for others?
- I inspire others to do their best
- I love working here
- I'm a high flyer

2 ENGAGED
- I'm a vital part of the business
- I feel important at work
- I'm very busy most of the time
- I'm an achiever
- I would leave if something much better came along

3 ALMOST ENGAGED
- I know I'm part of something bigger
- I'm engaged most of the time
- I'm happy working here
- Though I might leave if tempted
- There are no job development prospects here

4 NOT ENGAGED
- I'm interested in overtime
- I have more sick days than I should
- I have poor working conditions
- I don't like my manager / team
- I don't like my job much, but I get on with it
- I read job advertisments

5 DISENGAGED
- I'm here for the money
- I'm leaving when I can
- I'm not satisfied with the job
- My work doesn't excite me
- I'm a clock watcher
- I'm a jobs-worth

Pyramid (top to bottom): SELF ACTUALISATION / IMPORTANCE / BELONGING / SECURITY / SURVIVAL

MOTIVATORS
DE-MOTIVATORS

fig: 2

This image shows us how the basic hierarchy of needs can also be applied to employee engagement, and how engagement can change with the various stages. This theory can also help you to easily identify where your employees are at the moment, and how to progress them to the next level. At the bottom of the pyramid we have the actively disengaged and the 'neutral' employees. These are typically characterised as 'doing the bare minimum', working their 9-5 and having no interest in overtime or

working in a team. In the centre you find the 'almost engaged' workers – those who are happy with their jobs, but wouldn't necessarily shout it from the rooftops. Often these employees only need a little bit of encouragement and interaction to push them into the next section, becoming a fully engaged employee. The fully and highly engaged employees take an active interest in the business, feel important and valued and are likely to go above and beyond to achieve results (although only around 15% of all employees will achieve this high flyer status).

WHAT MOTIVATES AN EMPLOYEE TO GO THE EXTRA MILE?

Motivator	Percentage
Camaraderie & peer motivation	20%
Intrinsic desire to do a good job	17%
Feeling encouraged and recognised	13%
Having a real impact	10%
Growing professionally	8%
Meeting client / customer needs	8%
Money and benefits	7%
Positive supervisor / senior management	4%
Belief in the company	4%
Other	9%

Source - TINYpulse 2014 Organisational Culture Report

fig: 3

But what makes an employee want to go that extra mile, and cross the line from neutral to actively engaged? A lot of employers assume that money is a big motivating factor for their employees, and if they are paid more then they are more likely to perform better. However, studies have shown us something quite different. The graph in Figure 3 shows the results of a 2014 poll, where applicants were asked what motivates them to go the extra mile for their organisation. Remarkably, only 7% of employees cited money as the reason they would go above and beyond in their role. 10% say that having a real impact on the business motivates them to perform better, while the largest group of 20% quote a sense of camaraderie and peer motivation as their reason for excelling. More interesting though, is the 13% of employees that stated they were more motivated to put in extra effort when they feel encouraged and recognised within the business. In short, employees engage with employers and brands more when they are treated as humans and worthy of respect. When it comes to increasing employee engagement, all the evidence points to company culture and organisational behaviour playing a key role.

Why Is Company Culture So Critical To Your Organisation's Success?

Defined, company culture is how organisations 'do things', and represents the sum of values and rituals that serve as glue to integrate the members of the organisation into one common goal. Research has shown that employee engagement rates are intrinsically linked to the company culture, and that businesses with good company cultures tend to have more engaged and satisfied employees, resulting in improved performance.

But corporate culture isn't something that just forms overnight. 'Corporate culture is rooted in an organization's goals, strategies, structure, and approaches to labour, customers, investors, and the

greater community.' The basis of a companies corporate culture is often formed with the behaviours of it's founders. The founder of the business has the opportunity to begin the culture creation process by imposing beliefs, values and assumptions onto new employees. If the business is successful and starts to grow, then those cultural elements become shared, and constitute the emerging culture of the organisation. As such, no two company cultures are the same. This is the reason an employee will often cite 'I just didn't fit in' as the reason for leaving a job – the culture of that company was not supportive to them, or did not tally with their own beliefs.

As well as defining the beliefs and core values of the organisation, company culture has also been proven to have a huge impact on levels of employee engagement within the company. In fact, research shows that organisations that 'provide a workplace culture with the psychological conditions of meaningfulness (job enrichment, work-role fit), safety (supportive manager and co-workers) and availability (resources available) are more likely to have engaged employees.' In short, workplaces that address the hierarchy of needs shown in Figure 2 see a higher level of employee engagement. Workplace culture very much sets the tone for employee engagement. Is the culture considered very family or pet friendly, for example, or is the organisation so focussed on progress and getting ahead in the market that taking care of its employees tends to fall by the wayside? The level to which employees are willing or even able to engage with their roles within the business is greatly affected by the culture and attitudes the business takes towards them.

There have been many different studies into company culture, and how the different approaches affect business performance. The overall findings tend to be that each company has a different approach to instating or changing company culture, and even within a simple, shared culture, smaller sub cultures may form. In a study into the organisational culture of the NHS, author and researcher Russell Mannion states that 'the culture found within an organisation may be far from uniform or coherent. Indeed, looking for commonality may be less rewarding than an examination of differences. Although some cultural attributes may be seen across an organisation, others may be prominent only in some sections of that organisation. Thus different cultures may emerge, for example, within different occupational or professional groups. These groups may even seek to differentiate themselves from one another by their cultural artefacts or values.' If we look at this in terms of a medium sized business, what we often see is that an organisation with a single head office and regional satellite offices may experience the development of subtly different office cultures. Each satellite office will tend to develop its own unique way of operating, which may be slightly or significantly different to the other offices in the group. This is, however, not necessarily negative thing, as this allows each office to be productive and enhance performance in their own way. Providing their values are rooted similarly to those of the parent organisation, this is not a negative thing, but a positive one.

Company culture is undoubtedly something that grows and evolves with the business, and the term can be used in both negative and positive contexts. In this next section we will look at some examples of good company culture, as well as the negative effects of changing a productive company culture by implementing new rules and regulations.

YouBecome's 6 Pillars For Better Company Culture

1. Trust and empowerment at all levels of the business

In order to feel that they are appreciated, employees must know that they are trusted. When someone places their trust in us to do a task, we all feel a sense of responsibility and pride, and we feel more valued because of it. We are also more likely to go above and beyond to do the task well, as management has trusted us to be able to do it. This should be applied at all levels of the business, so even managers feel that they are valued. By showing your employees that they are trusted and valued, you are empowering their sense of self worth and actualisation (as seen in Figure 2 previously) and driving them towards active engagement.

2. Accessible leaders with a shared mission and purpose

There is nothing worse than having a job to do, but being unable to talk to the manager in charge because it wouldn't be following the appropriate channels. In order to create a workplace culture of trust, first must come the idea of openness. Making management accessible and easy to talk to removes tension and diffuses the levels of superiority or inferiority felt within the company due to job role differences. Ensuring that all management and teams are working towards a common goal is also an important part of bringing the company together as a team, and improving work ethic.

3. A strong emphasis on customer strategy

Working for a company with good, strong values can be an incredibly motivating thing. Being able to say 'my company really cares about our customers' is something your employees can take pride in, and this is often achieved through a strong emphasis on customer strategy. This focus will not only improve your profitability through happy customers, but it will also set you apart from other businesses in the minds of your employees, and make your business more likeable in the public eye.

4. A strong focus on personal development and training

A study conducted in 2006 by Blessing White found that 60% of the employees want more opportunities to grow forward to remain satisfied in their jobs. While some people are happy standing still, most people get great satisfaction from feeling as if they are moving forwards and advancing their careers. Therefore a focus within every business should be to ensure each and every role has the potential to move forward and rise up the ranks, and a clear framework for how to do this should be in place.

5. Increased communication and interdepartmental collaboration

In an article by journalist Karin Volo she explains that collaboration encourages employees to become friends, producing a better and more productive mind set for individuals and the business and creates a supportive business environment based around giving back. In fact according to Gensler's 2013 U.S Workplace Survey, the most effective, productive workplaces are those that balance focus and collaboration. By opening up a more collaborative workspace for your employees and encouraging communication with other departments, you are not only providing an enjoyable environment to work in, but a more productive one too.

6. High aspirations and a desire to win

In addition to providing a collaborative, open workspace, the companies with the best corporate cultures also instil in their workforce high aspirations and a desire to be the best. This goes hand in hand with providing a strong focus on development and career path. By empowering your employees with the idea that if they work hard they can achieve their goals and move forward, you are reminding them that they are capable of anything, that there is no glass ceiling in your workplace and that you believe in their abilities.

Of course, each business is different, so it's impossible to provide a one size fits all solution to creating the ideal corporate culture. But through intensive study and experimentation, we have identified these 6 elements as vital in the creation of a positive and exceptional workplace culture that will breed highly engaged and productive employees, and in turn better results on your bottom line.

What Good Company Culture Looks Like In Practice

When it comes to identifying what good company culture looks like, we can sometimes come to a roadblock. This is because each business is unique, individual and full of unique employees, so applying one rule to every business is arbitrary at best and harmful at worst. We can however take a look at some examples of great company culture from different sectors, and see what qualities make them outstanding businesses with highly engaged employees.

Google

Google has been synonymous with great company culture for a long time, and sets the tone for many of the perks and benefits that startups are now known for. Google employees enjoy free meals, employee trips and parties, financial bonuses, open presentations by high-level executives, gyms, a dog-friendly environment and open access to the CEO and higher executives. It's because of this that Google employees are known to be driven, talented, and among the best of the best in the industry. As Google has grown and the organization has expanded and spread out, keeping a uniform culture has proven difficult between headquarters and satellite offices, as well as among the different departments within the company. Google still maintains a fantastic rating as one of the best companies to work for in the UK or the US, and is constantly reassessing and evolving its company culture to combat the growing pains of a rapidly expanding business.

Pixar

Pixar is often regarded as a fun and rewarding company to work for, and not just because they make amazing and quirky animated films. Their company culture is one that fosters and nurtures creativity and collaboration at every step, to ensure that everyone is producing their best work. They have understood that people are the driving force behind creating their films, and they need to be taken care of. Their employees are supplied with a relaxed and luxurious open workspace that facilitates their creative needs. If you come up with your best ideas while playing the guitar, then you will have at least 2 in your office and leave to play them whenever you need to. Pixar adopt a non-hierarchical organisational structure that encourages everyone to participate in the decision making process of every film at every stage, so each employee feels valued and respected. Pixar has adopted a culture less traditional than most, and the result is a highly engaged, productive and happy workforce.

John Lewis

Although the retail sector isn't usually synonymous with great working environments, John Lewis has been the exception that proves the rule. Employees have praised the fair pay rates compared to other retail jobs, along with a collaborative culture and an annual bonus scheme for all employees. But what makes John Lewis different from other retail companies and makes it stand out is its culture. Every employee is a partner in the business, all of whom have a say in how the business is run. This underpins so many key features of a strong company culture. John Lewis is the largest business in the UK run this way, and it's partnership approach pledges to support 'the happiness of all its members, through their worthwhile and satisfying employment in a successful business' Interestingly, John Lewis' approach to their bonus scheme reinforces their culture by being completely open and even – when bonuses are announced, the percentage of their salary a partner will receive as a bonus is the same for everyone. So if the bonus percentage is 20%, everyone in John Lewis from checkout workers to the executive chairman will get a bonus of 20% of their salary. That percentage is often based on performance from the previous year, workers are more motivated to make the business a success and uphold their values. Because they are respected partners as opposed to being seen as an employee paid an hourly rate, John Lewis employees have a sense of pride in their work and satisfaction in their jobs.

These are just a few examples of highly successful, large businesses that have managed to create a positive company culture from day 1, and as such have highly engaged employees with very low staff turnover rates. By examining the cultures of other companies, you can start to create a list of desired attitudes and behaviours to seek in your employees and new hires, helping you build your own ideal workplace culture.

The Leadership Impact

But corporate culture isn't just about the policies you choose and enforce. Or the attitudes you take towards employee performance. It's also about ensuring all employees, regardless of status, are on the same page, and that includes the leaders of the organisations. Quite often, when a new CEO takes over a company they will find that the culture is very different to what they are used to in previous positions. The existing culture of the business defines what kind of leadership style is expected and accepted based on the past history and beliefs, values and assumptions of the earlier leaders. If the new CEO wants to enforce change, and does it too quickly, they may find the consequences undesirable. A fantastic example of this can be seen in the video game company Atari, when they brought in a new CEO.

Atari

Many years ago, when Atari was preeminent in designing computerised games, they brought in a new CEO whose background was in marketing, His cultural background told him that the way to run a company was to get a good individual incentive and career system going. Imagine his chagrin when he discovered a loosely organised bunch of engineers and programmers whose work was so seemingly disorganised that you could not even tell whom to reward for what. The CEO was sure he knew how to clean up that kind of mess! He instituted clear personal accountabilities and an individualistic, competitive reward system symbolised by identifying the 'engineer of the month' – only to discover that the organisation became demoralised and some of the best engineers left the company. This well meaning CEO had not realised that in its evolution, the company had learned that the essence of the creative process in designing good games was the unstructured collaborative climate that enabled designers to trigger each others creativity. The successful game was a group product. The individual engineers shared an assumption that only through extensive informal interaction could an idea come to fruition. No one could recall who had actually contributed to what. The new individual reward system gave too much credit to the 'engineer of the month' named by the CEO, and the competitive climate reduced the fun and creativity. The leader did not understand a crucial element of the culture he was entering, so he made some decisions that changed a key element of the culture in a dysfunctional way.

THE LINKS BETWEEN LEADERSHIP STYLE, ORGANISATIONAL CULTURE AND ORGANISATIONAL PERFORMANCE

Leadership Style

ENVIRONMENTAL PRESSURES

Organisational Culture

ENVIRONMENTAL PRESSURES

Organisational Performance

fig: 4

When it comes to management in business, understanding and participating in the company culture is essential. If, as in the example above, the company culture is a relaxed environment to foster creativity, then leadership must understand that imposing strict rules to this culture will not work. In order to support good company culture at every level, management must be trained and supported in their management skills, and taught how to apply those skills to the culture they are working in. As you can see by the image in Figure 4, the leadership style of an organisation has a direct effect on the organisational culture of the business, and in turn this can directly impact the organisations overall performance. In short, it's not just the rules and regulations that organisational leaders effect, but their attitude to company culture can also have a direct impact on the company's performance and profits. The problem here is that corporate culture is more often implied than expressly defined, as it is an organic style developed over time. There are however 6 key elements that, when applied, can help improve and shape company culture within almost any organisation.

In Closing

Throughout our discussion on the topic of company culture and its links with employee engagement, what has become clear is that the most successful, profitable companies have the backing of highly active, engaged employees to drive them forward. The single largest cause for this engagement level is the workplace culture that surrounds these employees, and drives them to achieve their best for themselves and for the business. What we can take away from this is that many businesses are leaving out this key component when it comes to evaluating performance and engagement. In order for a business to break through and become the lead performer in their market and see a marked increase in turnover and profitability, they must first turn their attention inwards and start engaging their employees. After all, to quote CEO of Campbell's Soup Doug Conant, 'to win in the marketplace you must first win in the workplace.'