RETURN ON COMPANY CULTURE

A PRACTICAL GUIDE TO STRENGTHENING YOUR COMPANY'S CULTURE IN 30 DAYS

Return on culture is possible to sustain, monitor, and measure. The journey to return on culture begins by understanding what good company culture is and is not. It is also important to define what return on culture looks like and to understand the limitations of traditional measures of a culture.

The following e-book delves into the essence of good company culture, reviews the measures of success, and provides a step-by-step guide leaders can use to strengthen their company's culture in 90 days.

What is Good Company Culture

What is Good Company Culture

Let us start by looking at what is and is not good company culture.

When you search for “What is a Good Company Culture” you will find examples of companies with good cultures and articles that summarize Top 10 lists of signs and elements of a good culture.

Although interesting, the information is not relevant or useful for most companies because cultures within companies are distinct. The information you find in a search are indicators of success for another company’s culture and may or may not be relevant for your company.

Creating a good company culture requires leaders to understand what company culture is and the indicators of good company culture for their specific company. To measure success, you first must know what success looks like.

What is Good Company Culture (Cont.)

What is Good Company Culture

When we began researching culture, we started with the question, “what is good company culture.” We initially defined a good company culture as a culture that aligns to the vision, mission, and needs of the company and has indicators of success that can be communicated, developed, and tracked.

We developed our initial definition based on over 2,500 interviews with executives and senior leaders. However, after further research, what we came to realize is our initial definition of a good company culture was not a definition but rather a goal or objective. It did not define what a good company culture was but rather defined what executives and senior leaders want to or hope to achieve from their culture.

The issue with our initial definition is it did not define culture in a manner that led to measurement or an ability to quantify return on culture. Our definition lacked the metrics to measure.

As a result, we adjusted our focus. Instead of trying to define what is good company culture, we focused on the definition of company culture.

What is Company Culture

What Is Company Culture

The modern definition of culture was developed by Dr. Elliott Jaques and was first published in his book, The Changing Culture of a Factory, in 1951.

"**Organizational culture** encompasses values and behaviors that contribute to the unique social and psychological environment of a business."

Dr. Elliott Jaques

Put more succinctly, Culture is the collection of behaviors of the people within the organization. It is a simple definition but impactful.

Culture isn't a thing or a force or a process. Culture is about people and how people act and treat each other within the workplace.

This simple definition helped reset and realign our approach to defining what is a good company culture and how to measure return on culture. However, this definition did pose a challenge.

What is Company Culture (Cont.)

What Is Company Culture

Culture is the collection of behaviors of the people within the organization.

The challenge with this definition is comparability. If the collection of behaviors of the people within the organization is culture, then the mix of behaviors within an organization will vary.

So, how do you compare two organization’s culture? How do you compare a highly creative organization to a highly regulated organization where compliance is essential. The very natures of these two types of organizations will require a different mix of behaviors and thus result in two different cultures.

Additionally, how do you compare an organization’s culture overtime, since the mix of behaviors within an organization change overtime because people, leaders, and economic factors change overtime?

The value of a metric that measures return is comparability. Executives and senior leaders use comparative insights and trends to make decisions and monitor progress. To derive return on culture, we needed more than a definition of culture. We needed a baseline for comparison.

How to Measure Culture

How to Measure Culture

To define a baseline metric we can use to derive return on culture, we established three critical success factors:

1. Easy to Understand: For a return on culture metric to be useful to executives and senior leaders, it must be easy to understand. The classic return on investment (ROI) standard was adopted because it is easy to understand. Its baseline is money. How much money did you put in vs. how much money did you get back. A return on culture metric needs to be just as simple.

2. Comparability: Based upon the definition of culture (culture is the collection of behaviors of the people within the organization), the mix of behaviors will vary across organizations as will their culture. To be useful, the return on culture metric must be comparable across organizations and industries.

How to Measure Culture (Cont.)

How to Measure Culture

To define a baseline metric we can use to derive return on culture, we established three critical success factors:

3. Adjusts to Change: The final factor relates to change. Behaviors within organizations change as people respond to changes in strategy, leadership, and economic situations. The return on culture metric needs to reflect the changes in the mix of behaviors and maintain its metric integrity.

Ironically, after reviewing the critical success factors, we ended going back to where we started.

How to Measure Culture (Cont.)

How to Measure Culture

We began our search for return on culture with an initial definition of culture.

A good company culture is a culture that aligns to the vision, mission, and needs of the company and has indicators of success that can be communicated, developed, and tracked.

Although this statement proved to be an ineffective definition of culture, it does provide insight into what over 2,500 executives and senior leaders want from their company's culture.

Executives and senior leaders want a culture that supports their ability to achieve their objectives. In short, they want a culture that drives performance.

This need or desire for performance provides the baseline metric we can use to measure return on culture.

How to Measure Culture (Cont.)

How to Measure Culture

By establishing performance as the baseline metric, we can measure culture against one of the four states of culture:

- Distracting
- Neutral
- Contributing
- Performing

The advantage of using the four states of culture as the metric to measure culture is it meets all three critical success factors we outlined earlier. They are easy to understand, allow cultures to be compared across industry and company, and accurately reflect changes within the workplace that impact culture without bias.

With the metric defined, the next step in our journey to return on culture was quantifying the four states of culture.

Quantifying the Four States of Culture

Quantifying the Four States of Culture

The following is a bit technical; but we feel it is important and will provide better understanding to how return on cultures is calculated.

The advantage of using the four states of culture to measure return on culture is the four states of culture are a spectrum or linear range of culture states you can apply to any organization.

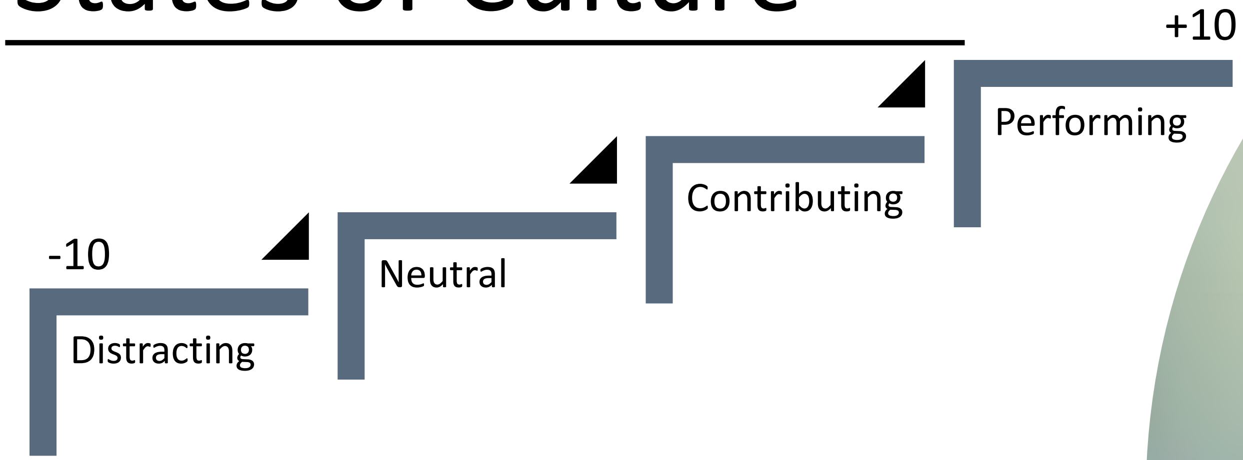
The spectrum goes from bad to good. At one end of the spectrum, you have a distracting culture, which is bad. A distracting culture directly undermines performance within the workplace. At the other end of the spectrum, you have a performing culture, which is ideal. A performing culture directly contributes and improves the performance of an organization. In between, you have neutral and contributing cultures.

By defining culture on a spectrum, we were able to apply a numeric range from -10 (distracting) to 10 (performing) and ultimately define a culture score that directly calculates where on the spectrum an organization's culture lies.

With a defined culture score, executives and senior leaders have a metric they can use to track culture overtime and directly measure the impact actions they take have on their organization's culture.

Quantifying the Four States of Culture (Cont.)

Quantifying the Four States of Culture



The next step in quantify a culture score was to construct the formula or algorithm. At its heart, a culture score had to be based on behaviors. Afterall, culture is the collection of behaviors of the people within the organization.

The advantage of using behaviors is they are good indicators of success. Behaviors are observable and measurable. In addition, behaviors can be developed, empowering leaders with the mechanism they need to directly impact culture through training or talent development. Finally, behaviors are leading indicators, providing us the opportunity to predict outcomes.

However, not all behaviors are equal.

Quantifying the Four States of Culture (Cont.)

Quantifying the Four States of Culture

After analyzing over five years worth of data, we found that leadership behaviors remain the most important behaviors to focus on, which we expected.

Although leadership behaviors are critical drivers of culture, not all leadership behaviors are the same. The impact a leadership behavior has on culture is dependent on the leadership behavior's Dimensions of Culture and Dimensions of Leadership.

Dimensions of Culture

There are four dimensions of culture: Trust, Communication, Alignment, and Accountability. Behaviors associated with trust and communication have a greater relevant importance than alignment and accountability, which makes sense on a conceptual basis.

- If people don't have trust in their leadership, people won't follow their leaders.
- If leaders don't effectively communicate, people won't know what to do.

Quantifying the Four States of Culture (Cont.)

Quantifying the Four States of Culture

Dimensions of Leadership

There are three dimensions of leadership: Strategic, Engagement, and Task. Behaviors associated with strategy and performance show greater significance than behaviors associated with task management. Again, this makes sense on a conceptual level as well:

- Like communication, if people don't understand the strategy and direction of the organization, they don't know how to prioritize their efforts to align to the strategic objectives and goals.
- Like trust, leaders who engage and encourage their workforce will be more effective than those that focus only on task management.

By understanding the significance of the Dimensions of Culture and the Dimensions of Leadership, as they relate to leadership behaviors, we have the means to quantify and rank order the behaviors that have the greatest significance on culture on a scale of 1 to 10, creating a Leadership Index.

Although we can determine significance, we still lacked a mechanism to quantify the impact behaviors have on a given culture at a specific time.

Quantifying the Four States of Culture (Cont.)

Quantifying the Four States of Culture

The final piece to the puzzle for calculating an organization's culture score is feelings. How an organization's workforce feels, at a specific moment in time, directly effects the impact leadership behaviors have on culture.

Measured against two axis points, connecting vs. distancing, feelings provide the ability to weight the impact leadership behaviors have on culture and performance at a specific point in time.

- An organization whose workforce feels connected to the organization is more in tune with an organization's leadership and is more responsive to feedback from leaders and changes in leadership behaviors that align to their needs.
- An organization whose workforce feels a sense of distance or detachment from the organization is more suspicious or more dismissive of feedback from leaders and isn't as responsive to changes in leadership behaviors that align to their needs.

Converted into a metric, the Feelings Index quantifies the degree of connection a workforce has to an organization at a specific point in time and allows us to calculate a culture score overtime.

Putting the Pieces Together

Culture Score = f(Feelings Index, Leadership Index)

An organization's culture score is a function of its Feeling Index and Leadership Index and will derive a score between -10 and +10.

Applying the culture score to a sample set of organizations with known states of culture, the output of the culture score was translated into ranges of performance that align to the four states of culture.

- Distracting: -10 to -3.5
- Neutral: -3.5 to 3.5
- Contributing: 3.5 to 6.5
- Performing: 6.5 to 10

With the culture score, organizations can directly measure the strength of their organization's culture at a specific point in time.

Putting the Pieces Together (Cont.)

Putting the Pieces Together

How to Measure Return on Culture

Applied on a monthly basis, executives and senior leaders have a standard metric they can use to directly measure the impact of their actions by measuring the change in their culture score month over month. By trending results, executives and senior leaders can measure the return they generate. Some examples include, measuring the:

- Benefit and impact of an incentive bonus overtime
- Benefit and impact of investments in leadership training
- Benefit and impact of removing toxic or negative personalities (culture killers) from the organization

Putting the Pieces Together (Cont.)

Putting the Pieces Together

The ability to measure the strength of an organization's culture overtime provides the baseline metric executives and senior leaders need to quantify the investments they make into their culture, providing them a means to measure return on culture.

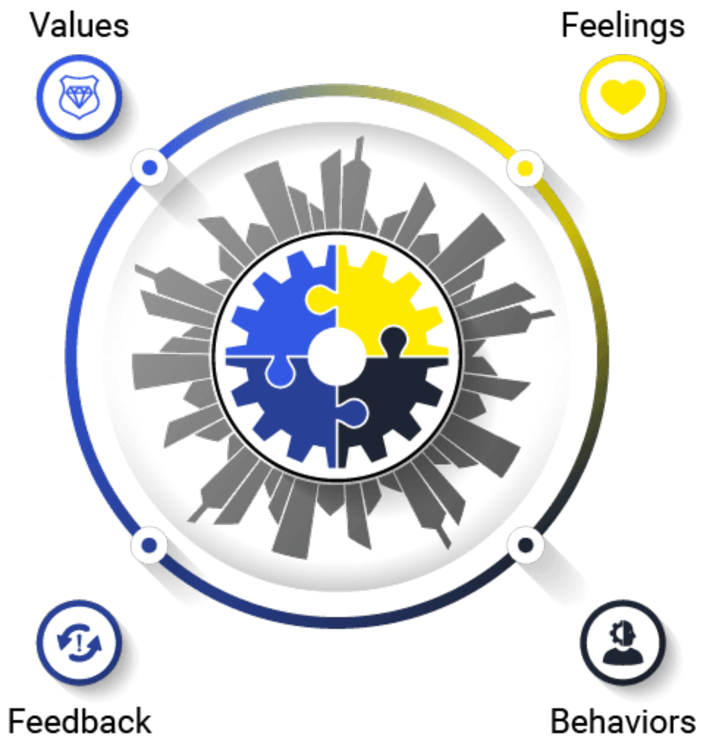
How to Guide for Return on Culture

Although the analytics we developed to determine a culture score and ultimately measure return on culture may be a bit technical, the process is easy.

Defining an organization's culture score requires only four questions:

- From a work and life perspective, how are you feeling right now in ONE word?
- What is the one thing you want your boss to START doing that will help you?
- What is the one thing you want your boss to CONTINUE doing that will help you?
- What is the one thing you want your boss to STOP doing that will help you?

It starts with feelings, which is used to determine the Feelings Index. The next three questions relate to behaviors, which are used to determine the Behaviors Index. The third step in the process is to provide feedback.



The Dirty Little Secret: Over 70% of all organizations who do the first three steps improve their culture score within the first 30 days.

How to Guide for Return on Culture (Cont.)

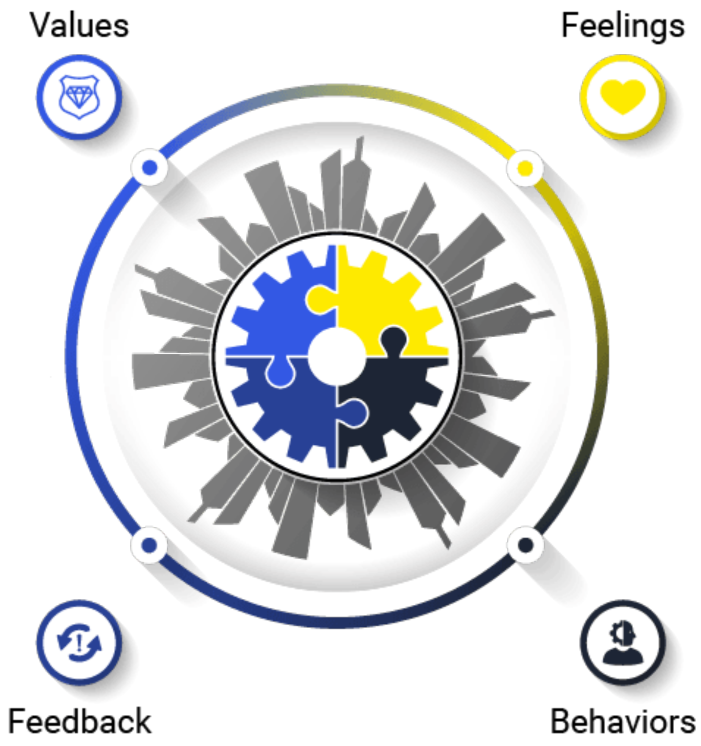
How to Guide for Return on Culture

Feedback is the key to moving the needle on your culture. It is a simple matter of sharing the results:

- Here is what we asked
- Here is what we learned
- Here is what we are going to do

With four questions and three pieces of feedback, 70% of all organizations showed improvement in their culture score in 30 days.

Now, sustaining and building on their improvement is a simple process but requires commitment.



The Dirty Little Secret: Over 70% of all organizations who do the first three steps improve their culture score within the first 30 days.

How to Guide for Return on Culture (Cont.)

How to Guide for Return on Culture

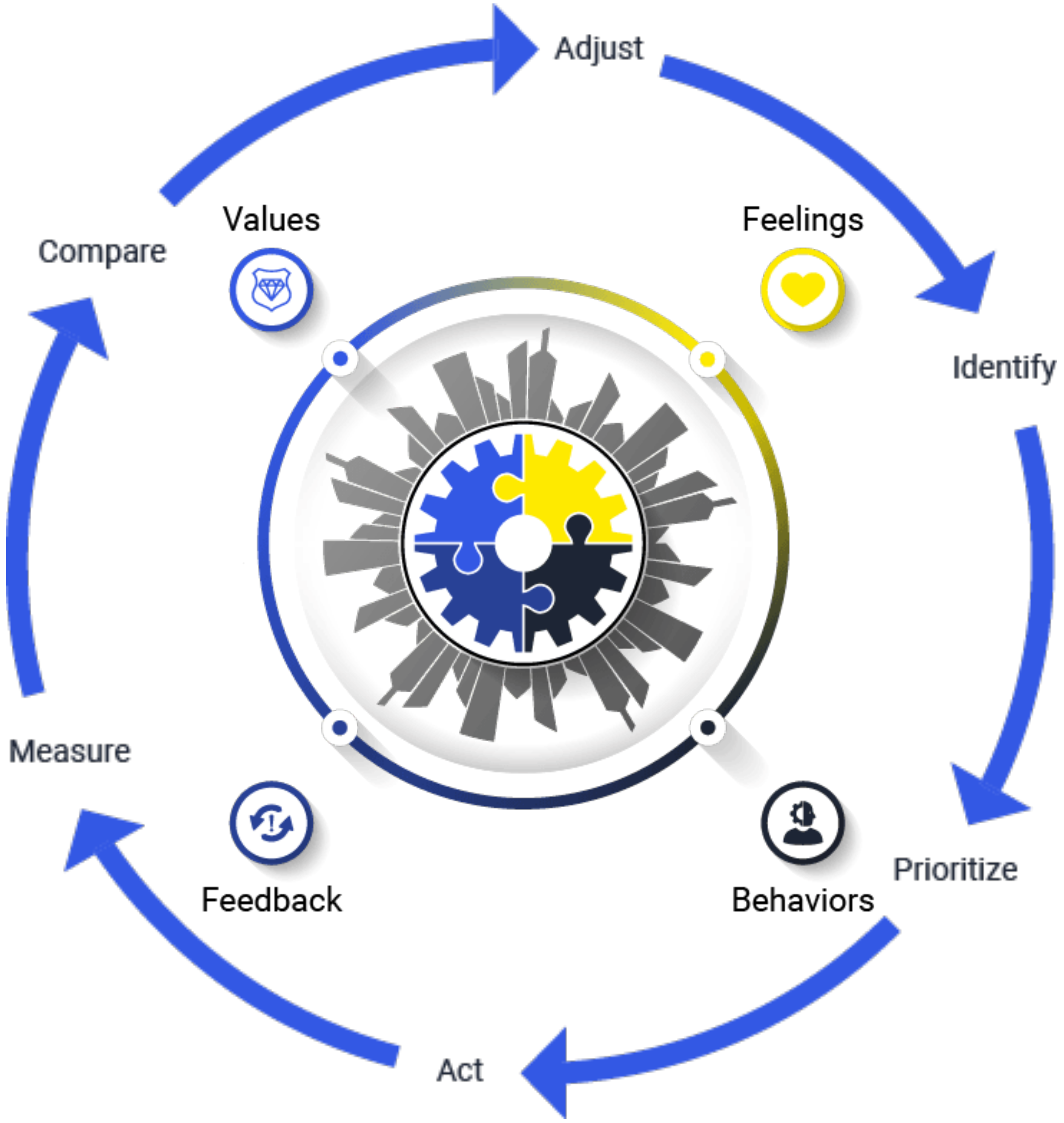
To sustain and strengthen an organization's culture, executives and senior leaders need to act upon the feedback they received, measure and compare the impact, adjust, and then repeat the cycle, which is reflective in the development wheel.

Most are familiar with the development wheel or a similar model. We won't delve into detail beyond noting that culture is something that is developed and can only be strengthened through consistent effort each month.

What About Values?

The last element of the model we haven't discussed is values. The values of an organization are important to culture. Our findings shows that over 60% of organizations who utilize the model for 90 days improve their culture score to a contributing culture state of greater than 3.5.

However, organizations that achieve and sustain a performing culture state of over 6.5 are organizations with clearly defined and aligned values. The alignment of values to the organization is the key to achieving a performing culture state.



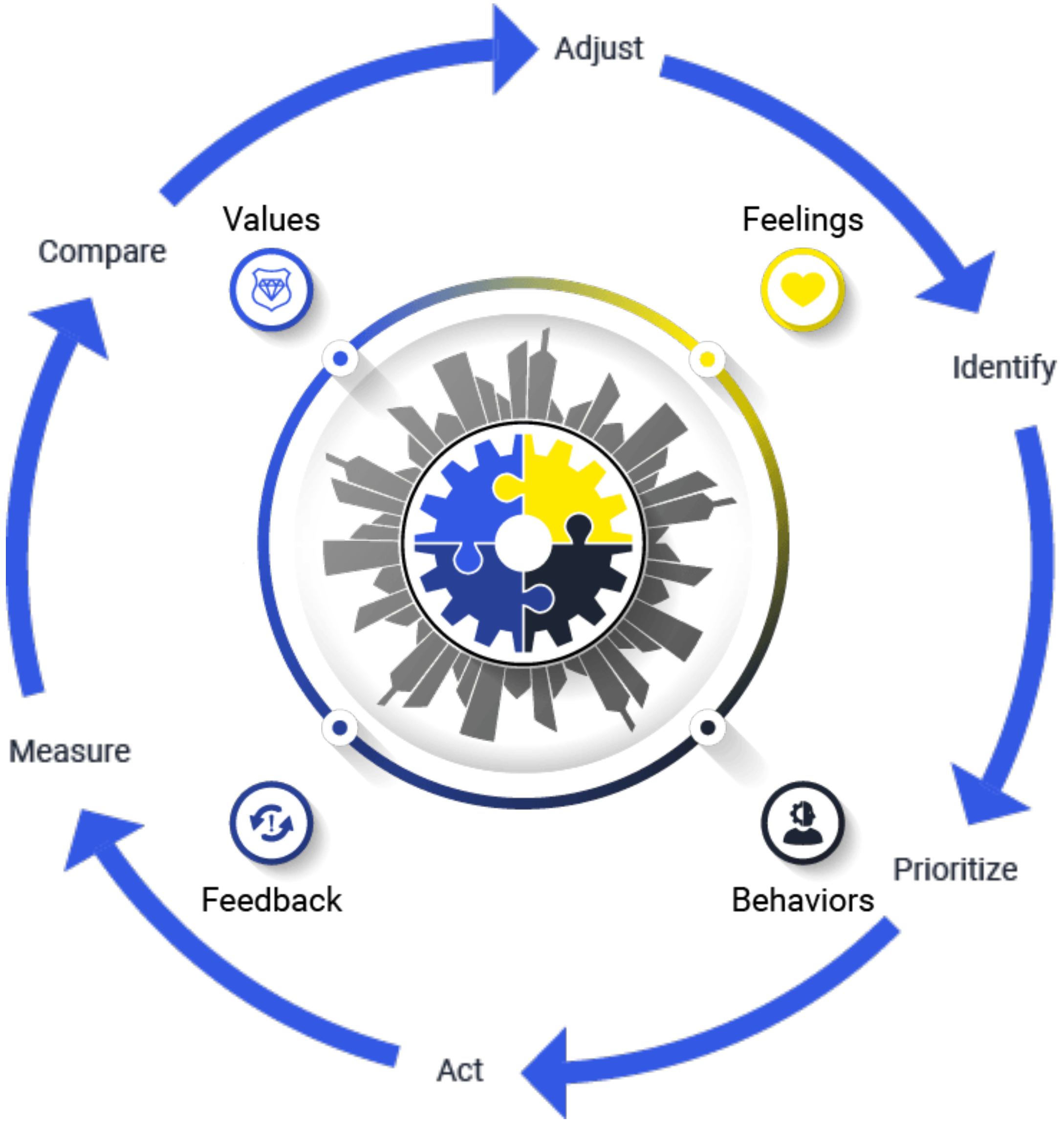
How to Guide for Return on Culture (Cont.)

How to Guide for Return on Culture

Values reflect the manner and way an organization intends to achieve its mission or vision. Values basically encapsulate the behaviors that the organization believes drive success. Values are in many ways a cheat sheet or mental checklist an organizations workforce can use to stay on track and align their efforts to the needs of the organization and ultimately its mission or vision.

Organizations that successfully achieve and sustain a performing state of culture are organizations that

- Consistently discuss and reinforce the values of the organization as a means to help their workforce leverage the values, as a mental checklist, and use the values to align their efforts to the needs of the organization
- Periodically review and update their values to reflect the changes impacting their business



Tools to Make Things Easier

Achieving return on culture is possible; and it begins by asking four questions. If you are interested in continuing the conversation on culture, please join our community, We Thrive Together, where we share and discuss the latest topics and trends related to culture, well-being, and anxiety in the workplace.

Click here to learn more

More From The Culture Think Tank

If you found this e-book useful, you may be interested in downloading one of our other e-books. Click on any title to learn more and download the e-book.

CULTURE TIME: A PRACTICAL GUIDE TO A HIGH PERFORMING COMPANY CULTURE & ENGAGED WORKFORCE

RETURN ON COMPANY CULTURE: A PRACTICAL GUIDE TO STRENGTHENING YOUR COMPANY’S CULTURE IN 90 DAYS

ANALYTICS OF WELL-BEING: HOW WELL-BEING IMPACTS CULTURE & PERFORMANCE

ANXIETY AT WORK: HOW TO TRANSFORM ANXIETY INTO PERFORMANCE THROUGH METRICS

CULTURE THINK TANK

The Culture Think Tank designs programs and tools executives and senior leaders need to move the needle on culture and monitor performance.

The Return on Company Culture E-Book was written by William Lindstrom

To Learn More About The Culture Think Tank please visit us at:

https://www.theculturethinktank.com/

RETURN ON COMPANY CULTURE

A PRACTICAL GUIDE TO STRENGTHENING YOUR COMPANY'S CULTURE IN 30 DAYS