Easy Ways to Improve

Your Company Culture

THE ALTERNATIVE BOARD®

How would you describe the experience of working at your company?

How do you imagine your employees would describe it? Fun? Exciting? Innovative? Competitive? Community-oriented? Every company has a unique culture, whether or not management has spent time consciously shaping it. And that culture has a very clear impact on everything from employee retention to your bottom line.

At The Alternative Board, we've long heard from Members about the impact a strong company culture has had on their success. In order to quantify what we we are hearing, we conducted a survey of small business owners to learn what makes a strong company culture, where culture has the biggest impact and what owners can do to influence the culture of their own companies.

Company culture is an intangible idea, but one which has a huge impact on a company's employee engagement, business success and connection with their customers. In fact, a majority of the business leaders we surveyed, 86%, agreed that a strong company culture is a major contributor to their success.

Employee Engagement

When employees enjoy their work environment and feel connected to the company, they tend to be more motivated and productive. In studies by Queens School of Business and by Gallup, disengaged workers had 37% higher absenteeism, 49% more accidents and 60% more errors. Those organisations with lower overall employee engagement scores saw 18% lower productivity and 16% lower profitability than organisations with higher scores.

Engaged employees are also less likely to leave, which reveals another benefit of a strong company culture: reduced hiring costs. Not only do companies with strong cultures have less employee turnover, they also have an easier time recruiting qualified employees. According to the study, companies with high employee engagement scores tend to have 100% more applicants for open jobs.

An interesting takeaway from The Alternative Board's survey was that owners of higher-grossing companies believe that culture has the greatest impact on employee morale (44%) while owners of lower-grossing companies say that culture most affects productivity (50%). This suggests the higher-grossing companies have hit upon a secret: focusing on improving overall morale will have a more profiThe Alternative Boardle effect than simply focusing on productivity.

Business Success

When The Alternative Board asked business owners where a strong company culture had the biggest impact, employee morale and productivity were both tied at 39%, while financial growth and employee turnover both trailed behind at 11% and 10% respectively. It is still a significant impact amount, however.

Companies that have stronger cultures are also more likely to have financial success. A study by John P. Kotter and James L. Hesket titled "Corporate Culture and Performance" found that companies who prioritise culture generally had four times the revenue, twelve times the stock price and 750 times higher net income than companies that did not.

Customer Connection

Customers feel more connected to a company that has a strong culture. In part, this comes from having more highly engaged employees, but it's also something customers can sense in their interactions with your company. They will know if there's a disconnect between your marketing materials, mission and company culture.

Culture Focus

When you focus on creating a strong company culture, you may find that more traditional success measures — like sales goals and revenue — take care of themselves. That was true for Randy Smith, owner of Forum Systems Group.

He used to make his trips to his company's out-of-state office into a review process, where they would go over sales goals and discuss personnel issues. The result? "I avoided making the trips, and I don't think they enjoyed having me," says Smith.

These days, he's changed his focus from how the company is doing to who the company is. "I realised that it is my job to impart the culture of the company to employees who don't see me every day," he says. "Sales reports can come via email."

Randy Smith
Owner, Forum Systems Group
The Alternative Board Member since 2014

How Do You Define Company Culture?

In an article for Harvard Business Review titled "Culture Takes over When the CEO Leaves the Room," Frances Frei and Ann Morriss write that:

> "Culture guides discretionary behaviour, and it picks up where the employee handbook leaves off. Culture tells us how to respond to an unprecedented service request. It tells us whether to risk telling our bosses about our new ideas and whether to surface or hide problems. Employees make hundreds of decisions on their own every day, and culture is our guide. Culture tells us what to do when the CEO isn't in the room, which is, of course, most of the time."

Culture may seem intangible, but the truth is that your company already has a culture — and your culture is either working for or against your business.

Why is this important to you, as a business owner? When asked who has the most influence on a company's culture, **business owners overwhelmingly believed that they have the most responsibility (63%).** Other possible responses trailed by a large margin: senior executives (16%), employees (11%), mid-level managers (7%) and customers (2%).

This means that you have a real business opportunity at your fingertips. If you can learn how to strengthen your company's culture, you can begin to reap great benefits. As a business owner, building a strong company culture should be one of the most important things on your agenda.

Hiring Pipeline

Recruitment is a major cost, both in the costs to find a replacement and in the lost productivity after an employee leaves. That's why it's so critical for companies to build a "hiring pipeline" to quickly fill positions with qualified individuals.

Many of these individuals may come from leadership and development initiatives from within the company, but your hiring pipeline may also extend to local community colleges and technical programs, or occur as a result of your presence at networking events and job fairs.

Companies shouldn't only think about hiring in the event of employee turnover, says Dave Younge, Owner of Flex-Ability Concepts. "Rather, it should be an ongoing practice that protects a business and allows it to grow. Just as a sales pipeline is critical to the success of a business, so is a hiring pipeline critical to the health, growth and culture of a company."

Dave Younge
Owner, Flex-Ability Concepts
The Alternative Board Member since 2011

What Makes a Strong Company Culture?

At its heart, company culture affects how your employees feel about their jobs — which in turn affects your business's profitability and your relationship with your customers.

Do your employees dread coming to work every day, or are they enthusiastic about their jobs?

Are your employees simply punching a clock and collecting a paycheck, or are they in tune with your mission and actively helping your business grow?

Are your employees all acting as individuals, or are they all part of one greater team?

The business owners we surveyed believed that the most important aspect of a company's culture is that it empowers people (43%), followed by delivering results (25%), promoting teamwork (22%) and offering a unique experience (9%).

What is it about a strong company culture that helps empower employees? We learned that increased trust (44%), greater transparency (24%) and greater control (21%) were the most important factors. Interestingly, giving employees more incentives was only chosen by 11% of respondents. This indicates that employees are more motivated by things like trust and control of their jobs than by material incentives.

Ownership Thinking

An important aspect of company culture is that employees feel a sense of ownership in the success of the company. This not only helps boost engagement, it also creates a sense of purpose and accountability that is hard to duplicate.

One of the most difficult decisions business owners may need to make, says Ellen Cooperperson, Owner of Cooperperson Performance Consulting, is not undermining the company culture for the sake of an employee who does a good job but doesn't fit with the culture. "It is easier to fire someone if they are doing badly," she says. "But if they are doing well but don't fit into your culture, you still need to let them go. In other words, if you can't change the people, change the people."

Ellen Cooperperson
Owner, Cooperperson Performance Consulting
The Alternative Board Member since 2013

A Strong Company Culture Is:

Aligned with Company Values

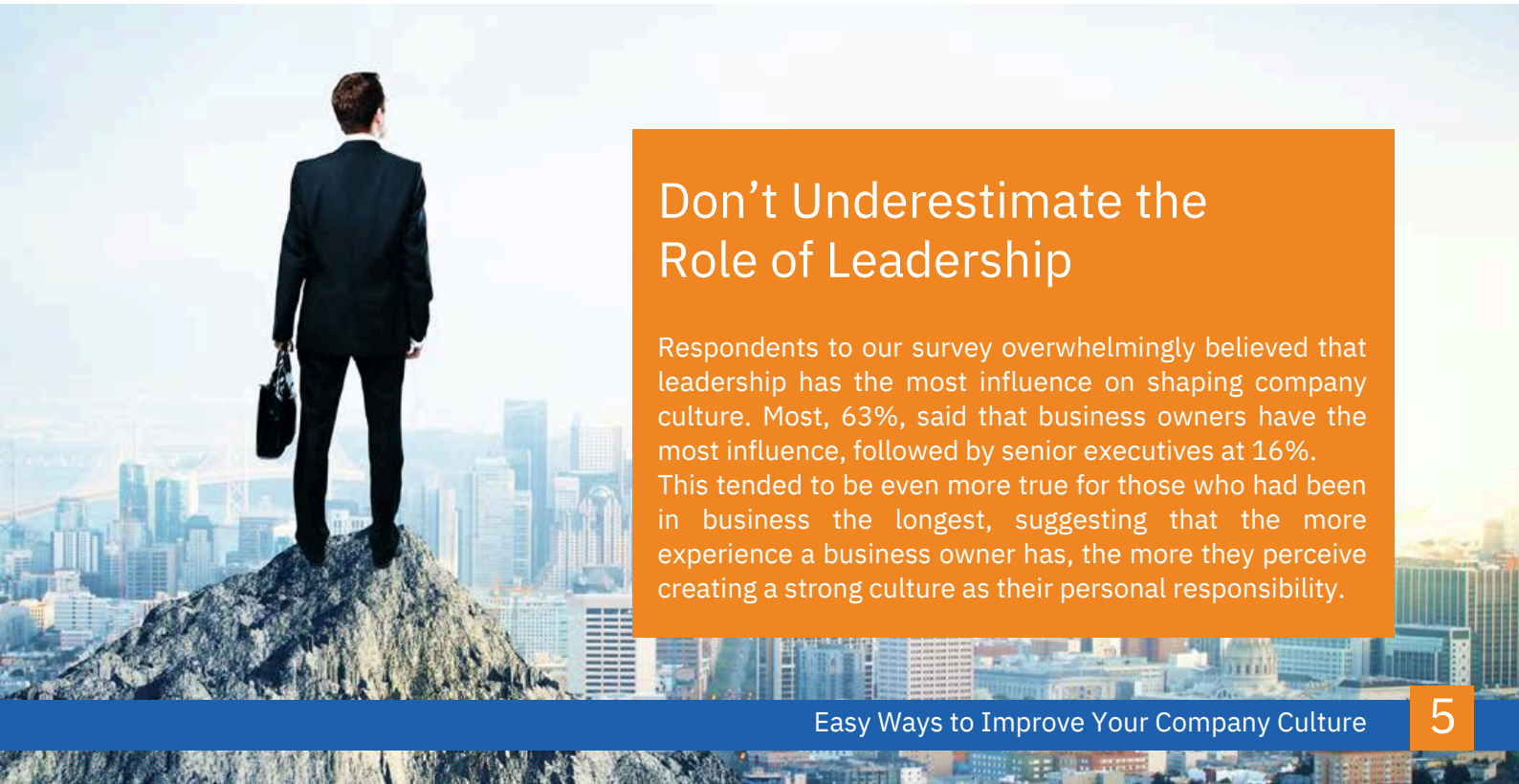
Do you say you value trust? Then you should be transparent with your employees. Do you say you value innovation? Then your company culture should reward employees who constantly push themselves — and the company — forward.

Transparent and Communicative

Transparency and communication in all measures of your business — your strategic plan, goals and expectations — helps to build a culture of trust.

Centred Around Employees

It's critical that your employees feel their role is important, and that their voice is heard. This leads to a motivated workforce who is invested in your company, rather than a staff of indifferent workers who are simply clocking in to collect a paycheck.



Don't Underestimate the Role of Leadership

Respondents to our survey overwhelmingly believed that leadership has the most influence on shaping company culture. Most, 63%, said that business owners have the most influence, followed by senior executives at 16%. This tended to be even more true for those who had been in business the longest, suggesting that the more experience a business owner has, the more they perceive creating a strong culture as their personal responsibility.

Actions, Not Words

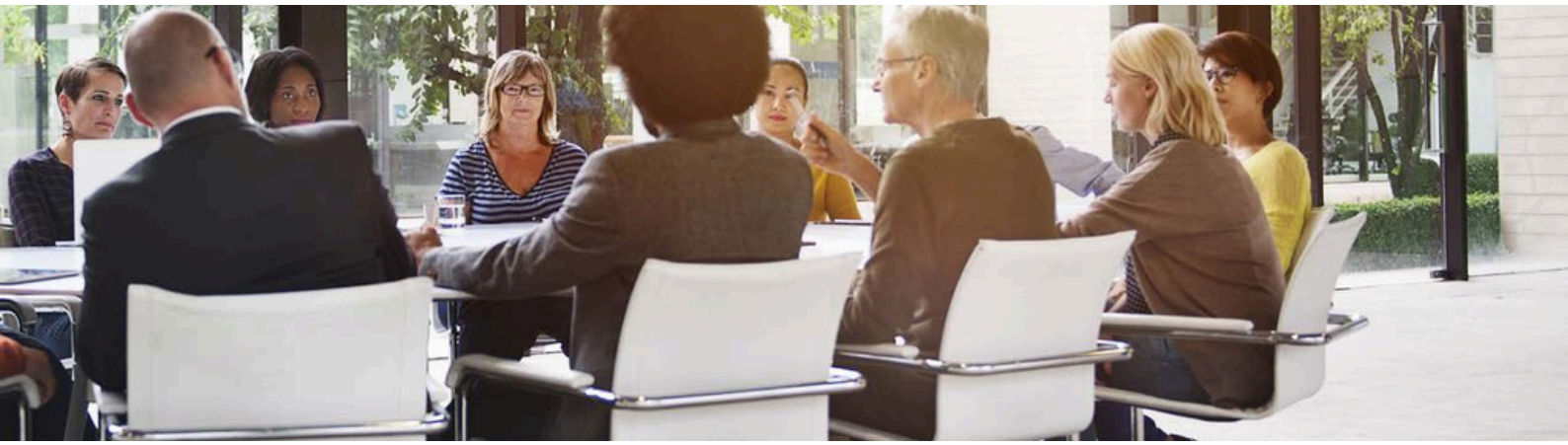
Steve Hague, Ownerof PolarStar Engineering and Machine, lives by his grandfather's words: Don't tell them what you can do. Show them what you can do. "I've instilled this into the culture of our organisation and it has made us a better company," says Hague.

Steve Hague
Owner, PolarStar Engineering and Machine
The Alternative Board Member since 2012

Shaping Your Own Company Culture

We've established the value of having a strong company culture, and the role that a business owner has in shaping that culture. It's time to get into the nuts and bolts of how that's done. The first thing you need to do is to understand the current state of your company's culture. Is it strong and healthy? Or, has it become watered down by years without proper guidance?

Because company culture stems in part from how your employees feel about the company, it can often be hard for you, as a business leader, to see exactly what's going on. Fortunately, there are tools at your disposal to help you evaluate the strength of your company culture.



1.Survey Your Employees

An anonymous surveyis a powerfulway to gatherinformation on how your employees really feel. (Of course, this may not be as effective in a small company where employees may worry about being linked to their opinions anyway.) There are numerous online services and companies that can help you with this — you could create a simple free survey with an online site like SurveyMonkey, or hire a consulting firm to create a more elaborate survey for you.

Ask questions about your employees' happiness levels, their relationship with management, their perception of your company's values and whether or not they see themselves growing with your company.

Here are some examples to get you started:

- How would you rate your level of happiness?
- How likely are you to refer someone to work at this company?
- How confident do you feel about your career path with this company?
- How would you rate your work-life balance?
- Do you feel like your contributions are valued?
- Do you feel that leadership takes your feedback seriously?
- If you were to leave the company tomorrow, what would your reason be?
- What words would you use to describe our company culture?
- Do you believe our company culture reflects our organisational values?
- Do you still expect to be working here within one year? Within five years?

2. Interview your employees

Anonymous answers from a survey can give you a sense of the overall pulse within your company, but conversations with individual employees can help shed insight into these real issues. Keep in mind, however, that unless an employee feels extremely comfortable with you or your management team, they're not likely to say everything that's on their mind. Answers may be given with more honesty if the interviews are being done by a consulting group or another third party.

Focus groups can also be an effective way to dive into how your employees feel about your culture. These can sometimes turn into brainstorming sessions that could lead to insightful ideas to help you strengthen your culture. Another good source of information about your company culture can come from exit interviews with employees who are leaving.

3. Talk to your advisors

Other business owners can be a great resource for ideas about strengthening company culture, and can help you talk through your concerns and challenges. This can be especially helpful if the core issue stems from your own leadership style or that of your management team. You may be too close to the problem to see the solution.

4. Hire a consultant

If you're really serious about strengthening your company culture, it may be time to turn to the experts. A consultant has the benefit of being able to speak with employees with confidence, to see your business with an outsider's perspective and to bring their years of expertise to bear on your unique problems.

Hiring a consultant can be pricey, but the expense could be worth it if problems in your company culture are costing you in terms of employee turnover, hiring costs and loss of business.

Targeting Values

Do your employees feel valued by your company? That's a question that came into focus recently for Steve O'Donnell, co-founder of Hill Country Bakery, when a local union solicited employees outside the bakery's gate. O'Donnell and his team reminded workers that many of the benefits the union promised to bring were already in place, and he received overwhelming feedback from his staff that they appreciated the workplace as it was.

"Ten years of trying to create a culture that values every associate paid off," says O'Donnell. "A month later we were voted one of the best places to work in the city."

Steve O'Donnell
Managing Partner, Hill Country Bakery
The Alternative Board Member since 2009

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4 Warning Signs of a Weak Company Culture

How do you know whether or not your company has a strong culture? There are some telltale signs to keep an eye out for:

1.You have abnormally high turnover rates. Some turnover is to be expected, but if you're having a lot of trouble keeping employees, it may be that they are not happy with your company's culture. This is almost definitely a problem if you find that you keep losing employees to a competitor.

2.Your employees seem unmotivated. If you seem to be having trouble with productivity, or you see little- to-no enthusiasm from your employees, your company culture may be at the root of the problem.

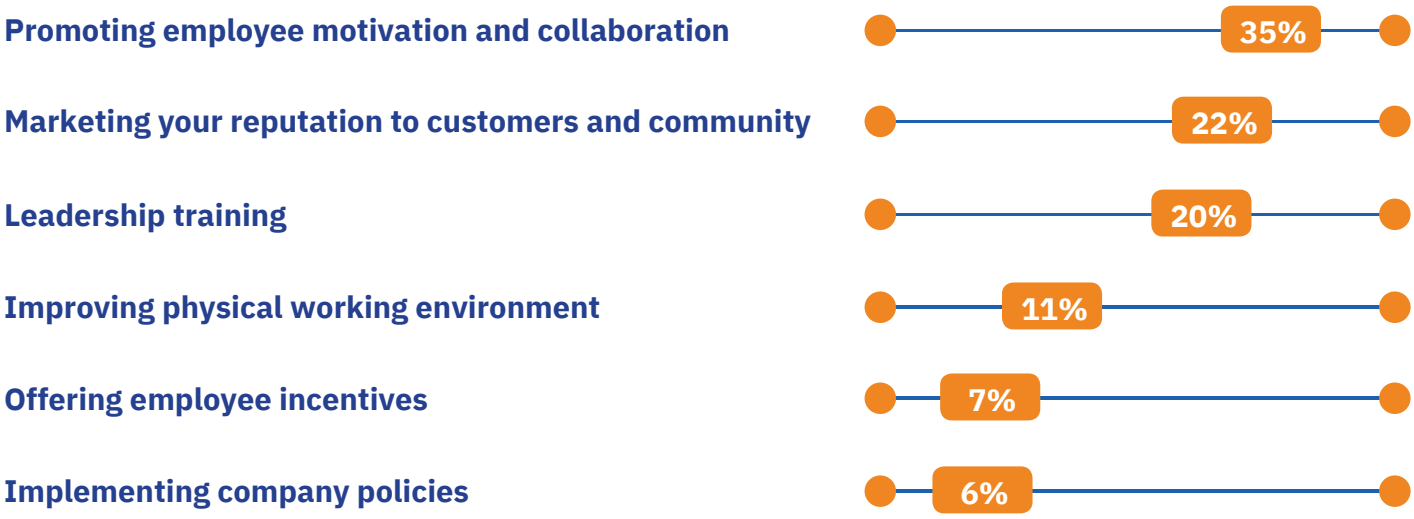
3.Your company has a problem with gossip. A lack of transparency can cause your employees to look elsewhere for their information. You may notice that instead of trusting official reports or listening to official channels, employees instead turn to the rumour mill.

4.All of your communication goes in one direction. Employees who don't feel strongly connected to the company will be less likely to offer their own ideas and innovation. Or, they may be scared to speak up for fear of losing their jobs.

Improving Your Company Culture

When we asked business owners how to improve a company's culture, the most popular answers focused on the human element. 30% of business owners said demonstrating stronger leadership was most impactful, while 28% recommended strengthening the personal connections between employees and customers. Trailing behind were suggestions such as promoting greater transparency, increasing profitability and upgrading the physical work environment.

This is reflected in the areas where survey respondents reported spending the most money on improving company culture. Again, focusing on the human element and on transparent communication were seen to be the most effective.



While shiny new office spaces and fancy perks may be a positive investment, they won't do much to strengthen your company culture if they aren't backed by increases in transparency, communication and rapport with your employees.

“Mandatory” Fun Day

Small companies, in particular, rely on the bond between team members and leadership to cement a strong company culture. One way to help strengthen the bond is by participating in activities together outside of work. Steve Hague, Owner of PolarStar Engineering and Machine, attributes his company’s strong culture to their “Mandatory” Fun Day — a paid day off for fun for the whole team.

The team decided on go-kart racing, after which everyone went to dinner. “We added a little glue, as well as humour, to the culture on Mandatory Fun Day,” says Hague. “It certainly won’t be our last!”

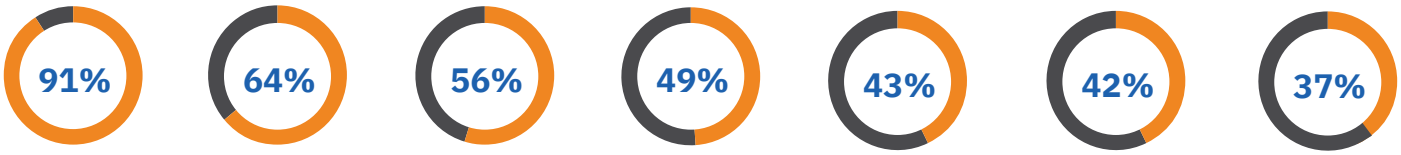
Steve Hague
Owner, PolarStar Engineering and Machine
The Alternative Board Member since 2012

Should you hire people who fit your culture, or adapt your culture to fit your people?

The people in your organisation are a major contributing factor to your company culture. If your culture needs improvement, should you consider adapting the culture to your existing employees, or adapting your hiring practices to fit the culture you want?

Overwhelmingly, business owners we surveyed opted for the latter. 91% chose “hire people who fit your culture” over “adapt the culture to your people.”

In that case, how do you determine whether a prospective employee is a good fit? Our survey respondents had a number of suggestions.



Marketing Your Company's Culture

The last piece of the puzzle, when it comes to company culture, is communicating your culture both internally and to your customers and prospective employees.

Internally: Promote your company's values to your current employees and leadership through internal messaging and newsletters — and don't forget to walk the talk with corresponding policies. This may require investments in management training.

To Prospective Employees: Marketing your company culture is a valuable way to attract new employees. Do you wish you could stop spending so much on recruitment? Do you want to be the kind of company where people rave about working for you, and the top talent comes knocking on your door? Showcase your company's culture in your hiring materials, careers website and job descriptions.

To Customers: Marketing your company culture is a matter of not only promoting your values in your marketing materials, but also demonstrating that your company practices what it preaches. Do you say you value community? Take one work day off a quarter to do a group community service project, and publicise it in press releases and social media. Customers who share this value will be attracted to what they see.

The Positive Effects of Doing Good

Participating in philanthropy as a companycan have positive effects on the world — and on employee engagement, says Blair Koch, Facilitator and Coach of The Alternative Board. According to Koch, philanthropic activities help build employee engagement by strengthening four key areas:

Gratitude

When employers give staff members the opportunity to give back, it provides a sense of gratitude and strengthens their emotional connection with your business.

Productivity

Working with a team toward a common goal drives down absenteeism and career apathy while boosting productivity and employee satisfaction.

Ethical Behaviour

When working ethically is part of the corporate culture, employees will also develop a personal identity that leads to more ethical decision making.

Pride

When your team is proud of the charitable work they do, this sense of pride is transferred back to the company. Corporate pride ties in directly with employee engagement.

Philanthropy can have hidden benefits: Not only does it help build employee engagement, it also provides a way to publicly reinforce what your company stands for.

Blair Koch
CEO, The Alternative Board

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The Alternative Board® helps forward thinking business owners grow their businesses, Becoming a member of The Alternative Board gives you access to resources and expert advice to help you create and maintain a strong company culture. Find a TAB Board near you and begin 10 Easy Ways to Improve Your Company Culture growing your business today.