CORPORATE CULTURE AND THE C-SUITE AGENDA:

New survey uncovers the startling misalignment between corporate culture priorities and practices

A new survey of C-suite leaders by Eagle Hill Consulting found that most executives we surveyed agree that corporate culture impacts financial performance, less than half (46%) are holding their employees accountable for company culture. Our research indicates that there is a missing link between the importance executives place on corporate culture and the investments and actions they are taking.

In today's environment, corporate culture is an increasingly important component of competitiveness. One of the primary reasons for this is the pace of change of customer expectations, and competition requires companies to change more rapidly in more areas of their business. Business strategy and goals identify what a company wants to achieve. Culture identifies how they will achieve it. In today's world, it is easy to replicate "the what." It is difficult—if not impossible—to replicate "the how."

In a world where innovation, focus and change must be continuous and pervasive, the push for culture can no longer reside in stand-alone change initiatives and pockets of teams within an organization. This function must reside in the hearts and minds of its entire workforce and play out in their daily decisions, conversations and prioritizations. The emerging view that organizations must pursue a reality where every employee is a change agent—and corporate culture is the thread that weaves this throughout every individual.

But where do c-suite leaders currently prioritize their own company culture? More importantly, what management actions are they taking to invest in their company culture to achieve business goals? What does focusing on culture really mean at the busy intersection of good intentions and meaningful actions?

To find out, EHC surveyed 56 C-suite executives across a wide range of industries. Despite their industry differences, we found great consistency in attitude and action. Highlights include:

- ⊕ **strong evidence** of the belief that corporate culture directly impacts competitiveness
- ⊖ **weak evidence** of corporate culture action and investment in culture strengthening activities
- ⊖ **weak indication** of culture measurements
- ⊖ **weak evidence** of accountability of culture tied to business strategy

For most organizations, their culture journeys just do not seem to shift into gear. And that is a problem—especially if their best employees decide to bail out and hitch a ride elsewhere.

C-SUITE WANTS A STRONG CULTURE, BUT ACCOUNTABILITY IS LACKING.

75 percent of executives in our survey say they agree that their corporate culture is one of the top reasons why people join their company. These leaders make the connection between being a great place to work and attracting top talent, especially as workforce demographics change.

As Alan Kohll explains in his October 2018 Forbes article, "Why Millennials Are Good for Employee Well-Being": "Millennials have helped to advance the concept of an 'ideal' work environment to an expectation of an excellent workplace culture." Leadership seems to be getting that message.

At the same time, only 46 percent of executives agree that they hold their employees accountable for company culture once they come on board. (Figure 1)

Likewise, nearly three-quarters (72 percent) of executives in our survey agreed or strongly agreed that company culture directly impacts their organization's financial performance. In fact, not one executive disagreed with that sentiment. Yet far fewer (59 percent) of the executives agreed or strongly agreed that their company holds the leadership team (those directly on the line for financial performance) accountable for company culture. (Figure 2)

Figure 1: Employers know corporate culture attracts employees, yet fail to hold employees accountable for creating it.

Q: *Our organizational culture is one of the top reasons why people join our company.*

4%   **22%**   **75%**
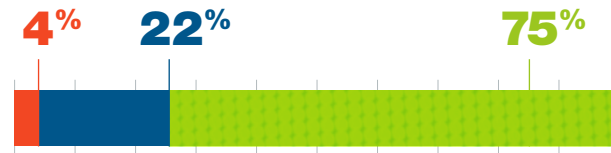
Q: *Our company holds employees accountable for company culture.*
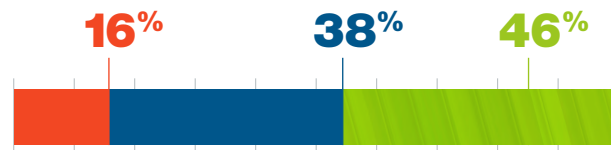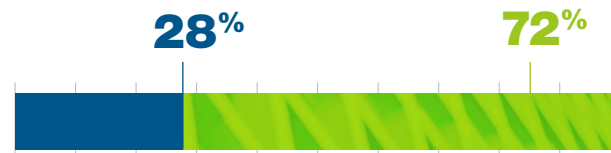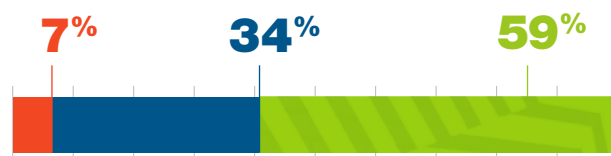
16%   **38%**   **46%**

Figure 2: Executives recognize corporate culture affects financial performance, but they do not hold leadership accountable for creating strong cultures.

Q: *Our company culture directly impacts our financial performance.*

28%   **72%**

Q: *Our company holds leadership accountable for company culture.*

7%   **34%**   **59%**

■ Strongly Disagree / Disagree
■ Neutral (Somewhat Disagree / Somewhat Agree)
■ Agree / Strongly Agree

Source: Eagle Hill Consulting C-Suite Survey on Corporate Culture, 2019

The culture challenges trace back to some fundamental misalignments in culture theory and practice. For example, 40 percent of leaders do not say that their organizational policies and procedures are aligned to their company culture. (Figure 3)

Perhaps most surprising among all of the results, just over half (56 percent) of executives agree or strongly agree that their organization clearly articulates the key attributes of their company culture. The others (45 percent, or nearly half) were either neutral or actually disagree. What the corporate culture is and how it aligns with the organization's strategic direction are both areas that should be transparent to all employees—yet clearly, they are not. (Figure 4)

What does it mean when such a high percentage of organizations do not have a clearly defined culture? For one thing, these results likely indicate the root of the poor numbers around accountability shown in Figures 1 and 2.

Figure 3. Organizational policies and procedures do not always align to organizational culture.

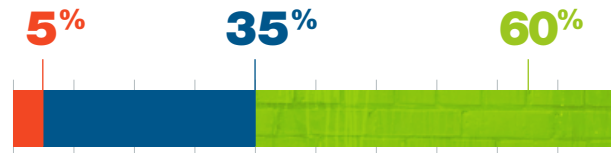**Q:** *Organizational policies and procedures align to our company culture.*

5%   35%   60%

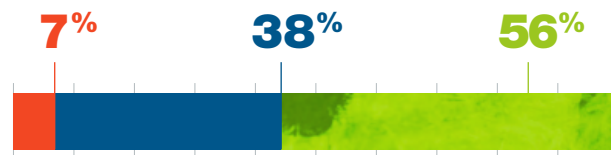**Figure 4.** Just over half of executives say their organizations have clearly defined the attributes of their corporate culture.

Q: *We have clearly articulated the key attributes of our company culture.*

7%   38%   56%

■ Strongly Disagree / Disagree
■ Neutral (Somewhat Disagree / Somewhat Agree)
■ Agree / Strongly Agree

Source: Eagle Hill Consulting C-Suite Survey on Corporate Culture, 2019

If leaders and employees do not have clear-cut guidance on what the corporate culture is, then how can they be expected to behave in accordance with it?

From a bigger picture perspective, Eagle Hill believes that a lack of clarity about organizational culture leads to a breakdown in accountability, improvement, and ultimately, culture-driven high performance. For many organizations, culture is a vague concept. But rather than nail it down, organizations leave it aside and let it develop at will. Without the focused attention it deserves, corporate culture can become a genuine corporate risk.

Eagle Hill experience shows a common challenge is that leaders themselves are unclear on what, exactly, corporate culture means, confusing the concept of culture with climate. (See sidebar below on the difference between culture and climate.)

Other (and certainly more damaging) times, leaders experience company culture differently than rank-and-file employees and therefore are blind to brewing culture issues. They may lead their company's culture improvement down the wrong path.

In other cases, leaders view corporate culture as a trend. They may start culture initiatives within their companies and find themselves surprised when the initiatives fail to result in meaningful improvements. As an analogy, they're concerned about improving emissions, without considering how the fuel drives all the systems.

The big, important difference between culture and climate

Simply expressed, culture is "the way things are done" in an organization - the sets of shared norms of a group when dealing with external and internal issues. Climate is the atmosphere that pervades an organization or an area within an organization.

This distinction is important because climate can change from day-to-day and be affected by an individual or groups of individuals who are actually working in opposition to the intended culture. Moreover, leaders sometimes think they can "fix culture" through one-off initiatives: changing out supervisors or instituting new rewards systems or creating a program of some sort. These initiatives may affect the way things feel (the climate), but they do not holistically evaluate and address "the way things are done."

Here is an example of the difference between culture and climate: An organization's culture of collaboration results in an energetic, friendly office climate.

ORGANIZATIONAL CULTURES LARGELY RUN ON AUTOPILOT

Finally, our survey signals a lack of deliberate investment in key areas that would strengthen both culture's prominence and impact within organizations. A full third of the executives we surveyed (33 percent) either disagreed or were neutral about improving corporate culture being a top priority within their organizations. (Figure 5)

Again, this finding hints at a common tendency among organizational leadership to partition corporate culture into discrete initiatives, rather than integrating it into every aspect of the organization and rooting strategic business decisions in it.

Less than half of the executives we surveyed (48 percent) agree or strongly agree that their organization monitors cultural norms for changes that could increase risk to their business (Figure 6). Given the agreement among our executives that company culture impacts financial performance to some degree (as shown in Figure 2), the fact that it is not monitored as a potential risk is surprising. Corporate culture's impact on financial performance ideally is positive, but it can easily turn negative. The risk, in fact, is real—and a string of recent, high-profile scandals rooted in organizational culture problems (at Wells Fargo and Uber, for two examples), means leaders should sit up and take note of this result. A diseased company culture is like rust on the undercarriage. It might not be readily apparent to a casual observer, but it can drop the bottom out from an organization in no time at all.

Figure 5. A third of executives cannot state with conviction that improving corporate culture is a top organizational priority.

Q: *Improving organizational culture is a top priority for our company.*

3% 30% 67%

Figure 6. Not even half of executives surveyed agree that their organization monitors culture norms to mitigate business risk.

Q: *We monitor cultural norms for changes that could increase risk to our business.*
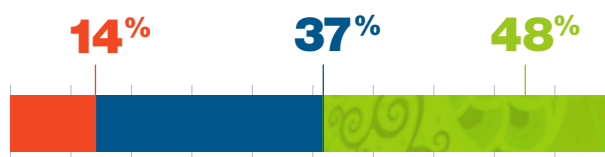
14% 37% 48%

- ■ Strongly Disagree / Disagree
- ■ Neutral (Somewhat Disagree / Somewhat Agree)
- ■ Agree / Strongly Agree

Source: Eagle Hill Consulting C-Suite Survey on Corporate Culture, 2019

SHIFTING GEARS: OUR RECOMMENDATIONS

When it comes to corporate culture, organizations have arrived in theory. They "get it" that the culture of an organization matters to the bottom line of its operations. But they are not putting those beliefs into practice. Eagle Hill calls it "the lip service that's a disservice" and committed action is the answer.

Recognize:

1 Any time an organization's leaders sit down to develop a business plan, they likewise need to build a corresponding culture plan.

2 Corporate culture is not an initiative; it is an integral element of organizational performance. Provide leaders and employees with early-intervention guidance and tools that allow them to protect and use corporate culture to its full business advantage.

3 The beginning of action is having the proper culture framework for the organization. Eagle Hill recommends identifying the critical company culture traits needed to achieve the business strategy, as viewed at key points in the employee lifecycle and from different levels of the organization.

Use this framework as a guidepost when planning company culture:

	HIRING/ ONBOARDING	PERFORMANCE/ MANAGEMENT	ENABLEMENT (TECHNOLOGY & BUSINESS PROCESS)
LEADERSHIP	**Hiring Screen:** How does this leader's style fit in with the culture **Onboarding:** Include modules on values and culture; provide leadership coaching to help new leaders assimilate into the culture	Institute explicit culture-related measures in goals setting and performance evaluations Tie leadership compensation to modeling the expected behaviors	Ongoing, formal training Create network of values champions Conduct regular employee engagement pulse surveys to gauge the level of adoption and adherence to the company culture/core values
TEAMS	**Hiring Screen:** How does this person work with others, how will this person engage with their planned team **Onboarding:** Include modules on values and culture; provide resources to help teams establish team norms that align with the culture	Establish explicit team performance goals and measures Create team rewards and recognition that highlight examples of teams exemplifying the company's culture or core values	Ongoing, formal training Provide team leads with summaries of their team's employee engagement scores and resources for how to address any gaps or challenges Encourage teams to regularly discuss culture/core values as part of their standing meetings to clarify expectations and highlight team members displaying the expected behaviors
INDIVIDUALS	**Hiring Screen:** How does this individual's style fit in with the culture, are there any core values that the person has that do not align with the company culture, can the individual demonstrate that they align with the company's culture in the interview Post the company's core values and/or description of culture on all job postings to allow potential candidates to assess whether or not they would be a good fit **Onboarding:** Include modules on values and culture; provide a new hire buddy to help the person understand and assimilate into the culture	Provide individualized, explicit culture-related measures in goals setting and performance evaluations Provide regular feedback on how the individual is or isn't modeling the expected behaviors. Provide support for the individual to adjust their behavior as needed	Ongoing, formal training Participate in a network of values champions

Ultimately, a thoroughly integrated corporate culture that drives individual and organizational performance may look very different from the old familiar way. It can be a long trip, but it's one that's well worth the taking. Buckle up!

Company Culture Shift: Traditional vs. Performance culture

TRADITIONAL CORPORATE CULTURE IS:	CULTURE THAT DRIVES PERFORMANCE IS:
An organizational initiative.	An integrated, animating force for the organization.
An output.	A framework for making daily decisions, conversations and actions.
Grows indiscriminately.	Strategically nurtured to ensure long-term organizational viability.
Vague.	Clearly defined.
Talked about.	Invested in.
Secondary to short-term financial gains.	Prioritized above short-term financial decisions.
Experienced differently across the organization	Lived and embodied uniformly by everyone.
Not viewed as central to day-to-day work within teams.	Integrated into daily team interactions.
Not a key performance measurement.	A leading element of both organizational and individual performance measurement.
Created top down with leaders nominally accountable.	Everyone held accountable to the same culture standards. "Walking the walk" on culture is an expectation, not an exception.

METHODOLOGY

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