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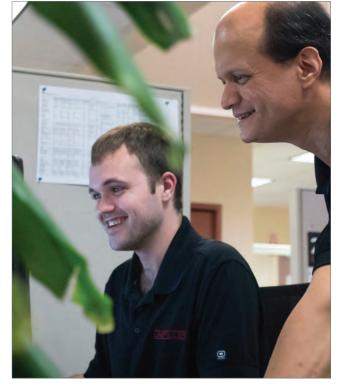
INTRODUCTION: UNDERSTANDING COMPANY CULTURE

Culture is often discussed in today's business world, so much that it has in some cases become a buzzword, a trend, or a stereotype. However, its ubiquity in corporate conversations is justified in its genuine importance to the health of any organization.

To aid in the understanding of company culture (also known as workplace or organizational culture), Deloitte has provided this excellent definition: culture encompasses "the values, beliefs, behaviors, artifacts, and reward systems that influence people's behavior on a day-to-day basis. It is driven by top leadership and becomes deeply embedded in the company through a myriad of processes, reward systems, and behaviors." Clearly, culture is more than the free lunches or massages, office events,

game rooms, or other perks that have come to be identified as or associated with culture. No, it is much larger than that; it is the invisible but tangible internal structure that directly influences the direction of a company's business strategy, performance, mergers, acquisitions, and growth. It also influence's a company's public reputation.

In today's information age, news travels fast and transparency in business is often top-of-mind, so culture plays a significant role in the public success of a company as well as its internal operations. Culture tends to shape the identity of an organization and is therefore often tied to its brand. In a company's relations to the public, this means that culture can have an impact on employee recruitment and retention, customer attraction, and brand loyalty.



In short, company culture impacts a lot. This whitepaper will take a look at the traits of a positive culture versus a poor one and ways to cultivate a healthy company culture that would best align with your business.

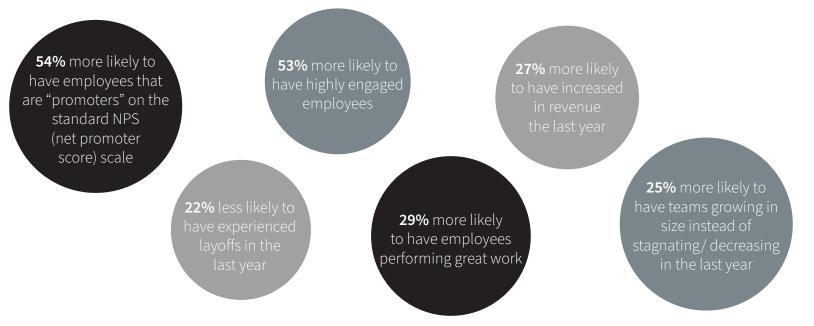


THE IMPACT OF A POSITIVE CULTURE ON BUSINESS

A positive and healthy company culture brings numerous financial and tactical benefits to a business. The heart of any organization is its people. When people are in an environment that makes them feel safe, valued, and trusted and unites them toward the same goal, they are at liberty to put their energy into their work instead of draining it to defend themselves against threats. So, what does this environment look like?

The <u>O.C. Tanner Institute</u> researched over 10,000 employees from around the globe and derived that "purpose, opportunity, success, appreciation, well-being, and leadership" are six key aspects of workplace culture that employees seek when considering opportunities of employment. These aspects of a culture offer a safe structure that supports individual wellbeing and growth and fulfill the need for belonging. That being said, they are things employers should pay attention to as well if they want to attract talent to their organization.

O.C. Tanner Institute's research found that companies with a good workplace culture are:



Supporting this data is an <u>11-year study</u> on company performance conducted by John Kotter and James Heskitt. Kotter and Heskitt found the average revenue increase for firms with "performance-enhancing cultures" to be a 683 percent. Without these cultures, the average revenue increase is 166%. In regards to net income growth, it increased a staggering 756 percent in firms with performance-enhancing cultures; it grew only one percent in firms without them. With, employee growth grew 282 percent; without, it grew a mere 36 percent.



CULTURE GREEN FLAGS

In action, what does a positive or performance-enhancing culture look like? It's not uncommon to hear about or experience interpretations of a good company culture as the equivalent of staff discounts, gym memberships, free lunches, and other perks, but as previously mentioned, culture goes deeper than that.

Generally, if a company values and are invested in their employees, they will demonstrate accordingly in their day-to-day actions and decisions. Signs that a company has nurtured a positive culture include but are not limited to:

- Employees are encouraged to exercise their own agency. They are encouraged to be innovative and creative and ask questions. People tend to be more adaptive when they are empowered to be autonomous, and creative employees are generally better-equipped to solve problems and navigate through times of crisis.
- People are treated with respect, regardless of their status within the company, their race, gender, sexual orientation, or other personal characteristics.
- Mental health is a priority and burnout is taken seriously.

• Collaboration is supported, if not prioritized, between team members and departments and even other organizations. The leadership understands that teamwork serves to unite toward a common goal and to help business grow.

- There is trust between employer and employee as well as between coworkers.
 Managers do not employ a micromanaging style of leadership.
- The company provides employees with resources and opportunities for learning and growth.
- Leaders and employees alike are not afraid to own up to their mistakes and seek help when needed. People are not punished, verbally abused, or ridiculed for mistakes.
- The company hires for inclusion and diversity.





WAYS TO NURTURE A HEALTHY CULTURE IN THE WORKPLACE

It may be perhaps surprising to some that culture is not purely a HR responsibility. To be sure, HR has an important role to play in nurturing the culture at any organization, but an organization's culture actually stems from the top: the CEO. According to Marc Kaplan, Ben Dollar, Yves van Durme, and 王大威 at Deloitte, "leaders must understand that their beliefs and actions are the primary drivers of the organization's culture." So, what can senior leaders do to foster a healthy, positive culture?

CHAMPION DIVERSITY AND INCLUSION. A 2019 analysis by McKinsey & Company "finds that companies in the top quartile for gender diversity on executive teams were 25 percent more likely to have above-average profitability than companies in the fourth quartile—up from 21 percent in 2017 and 15 percent in 2014." Building a team of staff that is diverse in gender, cultural and ethnic backgrounds, and skills increases the company's efficacy at problem-solving. Indeed, as the McKinsey analysis supports this. Using gender equality as an example, the report says,

"The greater the representation, the higher the likelihood of out-performance. Companies with more than 30 percent women executives were more likely to outperform companies where this percentage ranged from 10 to 30, and in turn these companies were more likely to outperform those with even fewer women executives, or none at all. A substantial differential likelihood of outperformance—48 percent—separates the most from the least gender-diverse companies."



SUPPORT A MINDSET OF ACCOUNTABILITY. Working under a culture that prioritizes transparency and accountability greatly minimizes the chance of internal and external problems happening. Conflicts between staff, PR and reputation issues, and even theft—these problems can be avoided if people behave with integrity. However, to encourage employees and staff to take accountability means that mistakes should not be punished; rather, it is more effective to reward people for being accountable and taking responsibility.



ENCOURAGE INTERNAL COLLABORATION, NOT COMPETITION. While competition is commonly praised in many corporate organizations, the nature of competition unfortunately does not support an attitude of trust between two parties. In contrast, collaboration encourages the sharing of ideas and accountability, two things that are important to strong teamwork and producing excellent work.

FOCUS ON EMPLOYEE WELLBEING AND APPRECIATION. Mental and physical health play a deciding role in job satisfaction and quality of work performance, so naturally, it's important for managers and leaders to be considerate of these factors. Along with the general wellbeing of employees, part of employee satisfaction at a job involves feeling valued for their contributions. This means that managers should acknowledge and show appreciation for good work and giving credit where it is due.





IMPLEMENT PROCESS STANDARDIZATION. Culture is the internal structure of an organization, and an efficient structure needs some mode of organization. Process standardization is helpful to keep communications, roles, and expectations clear, and this applies to any area of the company whether its marketing, sales, production, HR, or more.

IMPLEMENT PROCEDURES FOR RESPONDING TO INCIDENTS OF BULLYING, HARASSMENT, DISCRIMINATION, OR SEXUAL ASSAULT. A good company culture has a zero tolerance for harmful behavior and will take steps to prevent and respond to incidents of it. It is the employer's responsibility to make clear their policies regarding these behaviors and implement procedures for dealing with incidents of them should they arise. Effective procedures should assign clear roles for people involved (e.g. the victim, the perpetrator(s), witnesses, supervisors, employers) and include criteria for how investigations will be conducted, how to record incidents, and what the disciplinary actions will be.



THE ROLE OF EQUIPMENT AUTOMATION IN A POSITIVE WORKPLACE CULTURE

Automation is on the rise in many industries and becoming commonplace as a method of streamlining manual tasks and repetitive work—and for good reason. It is effective technology that saves time and labor while ensuring a higher degree of accuracy, making it an excellent investment for a long-term business strategy. Apart from being useful in business operations, the presence of automation in an organization can also indicate a positive culture and/or contribute to the creation of one.

An organization that cares for the physical and psychological wellbeing of its employees (especially if it falls within the category of manual labor) would be open to bringing in automated solutions to remove some of the strain and risk of injury for workers and perhaps give them opportunities to do more dynamic work. Additionally, leaders who are secure in their ability to navigate change and value innovation would be open to adopting automation to scale their business or solve problems (e.g. staffing shortages, quality control, increasing production output). Their confidence in employees' ability to operate the technology or equipment indicates a level of trust and respect.







Technology like automated equipment bring a fresh take on what a workplace looks like and how it operates, no matter if the workplace is a large food plant, a mom-and-pop bakery, an office, or even an online shop. It is a mark of a new era of work that is based on innovation and rapid change. Adopting this kind of technology requires a cultural mindset that is open to learning and taking risks, and organizations with a strong, positive culture are better equipped to undertake this type of endeavor.



RECOGNIZING CULTURE RED FLAGS

Just as it is helpful to know the positive culture you want to foster at your company, it is just as important to recognize the signs of a negative or toxic work culture. It is perhaps evident that a <u>poor company culture</u> spawns consequences like high employee turnover, limited business growth, chronic communication problems, HR problems, and even lawsuits. These are just several indications that a cultural change needs to take place.

WORKPLACE BULLYING AND HARASSMENT

One of the most obvious signs of a toxic work culture is incidents of bullying and harassment that continue over time.

To get a clear understanding of what bullying and harassment is, Worksafe BC defines workplace bullying and harassment as "verbal aggression or insults, calling someone derogatory names, harmful hazing or initiation practices, vandalizing personal belongings, and spreading malicious rumors" and that "a worker is bullied and harassed when someone takes an action that he or she knew or reasonably ought to have known would cause that worker to be humiliated or intimidated."

An even more nefarious form of bullying is workplace <u>mobbing</u>. Mobbing can essentially be understood as group bullying, or being "ganged up" by others at work. It is not the same as having an argument or a difference of opinion; there is an active and repetitive intent to harm. Toward the victim, signs of mobbing include:

- Verbal and/or physical aggression
- Stonewalling
- Excluding with the intention of isolating
- Gossiping and slandering
- Gaslighting







INVASIONS OF PRIVACY

Another culture red flag is a disrespect for personal privacy. Employers do have a right to collect information from their employees, but their access to personal information should be limited to a reasonable degree. For example, collecting employee information may be necessary to prevent harassment, deal with complaints, grievances, or thefts, and manage payroll, and individuals must give their consent to share their information in these cases. Abuse of privacy policy occurs when no consent is given and information is accessed without the individual's knowledge, or when the information is used for alternative purposes without the individual's knowledge.

Evidently, invasion of privacy is a huge breach of trust on the part of the employee. It comes as a hefty cost to the company as well, as knowledge of it affects staff morale and loyalty and may even result in lawsuits.



ACTIONS DON'T ALIGN WITH THE CORPORATE STATEMENT

"Culture brings together the implicit and explicit reward systems that define how an organization works in practice, no matter what an organizational chart, business strategy, or corporate mission statement may say." —<u>Deloitte Insights</u>

As the saying goes, things are easier said than done, but a company that genuinely believes in the value of its workers and vision will make the effort to follow through on its written statements, whether public or internal. A company's culture becomes problematic and toxic when people—especially managers and executive management—don't practice what they preach. Not only does the incongruence between words and actions project a message of dishonesty surrounding the company brand, it erodes trust and communication between employer and employees and ultimately sets a shaky cultural foundation on which sustainable growth and success cannot be supported.





FINAL NOTE

Culture is and likely will remain a common topic of interest in the business world. As outlined above, the nature of an organization's culture brings long-term implications to the organization's success. Despite being an invisible concept, its impact runs deep and can be felt in all areas of a business, from its sales to its reputation to its internal communications between employees.

As Ian Read, CEO of Pfizer, warns, "Culture touches and influences every function in an organization, from research and development to manufacturing to sales. Get it right, and culture can transform your company's performance and help sustain success for years to come. Get it wrong, and you'll pay dearly for it...for years to come."

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