PART ONE
Where to start

Foundations 01

It is fascinating how some principles of business apply only to those in certain sectors and how some have universal applications. That does not mean we cannot learn from all kinds of transactional styles. If I hadn't done so back when I was looking for a way out of business collapse during the 2009 US economic downturn, I would not have a company today, let alone a book. Good times come and go. My goal is to help readers build the type of structural foundation that helps businesses weather storms and take advantage of the sunshine.

Let's start by doing some homework. I have pulled together the characteristics that are proven to move businesses forward, as evidenced by the real-world track records of top companies. Throughout this book, you will see what worked for them, as well as for my company, PeopleG2, in our mission to provide employment screening and background checks to other businesses. Sift through these examples and choose what best suits you. But be sure to pay attention to the markers of bad company culture, which by themselves can bring down an enterprise. Before we get to the distinction between the good, the bad and the ugly, let me share my method for evaluating business performance and tracking which elements of culture appear to drive it.

Once I latched on to the certainty that how we interact at work and how we do business bears on our success, it was fairly simple to find good corporate benchmarks. We know the top companies, they are vocal about their culture, and we have ready resources to find out more. These corporations typically tell everyone what they are doing and how they are doing it, in books, articles, case studies, webinars, and any other way they can get their message out. Yes, it is great publicity for their products or services. But it also builds brand credibility and attracts the best people. By sharing with the world in an altruistic fashion, these businesses are also ensuring that top job candidates know what their companies are all about.

So, I went looking. Some of the best companies that I studied included Google, Costco, 3M, Zappos, Apple, Edelman, General Motors, Amazon, Warby Parker, Southwest Airlines, Nike, Facebook and Adobe. Along the way, I read about and studied hundreds of other establishments whose products and services you might use every day. How did they remain competitive? What makes them unique?

Analysing the best and worst companies

Let's back up to my starting point. Before hosting my radio show, and before my interest in culture had become an obsession, I had to take that first step to solve my own problem. At PeopleG2, sales were down, morale was even lower and we were fighting to survive. We needed role models. One of the first places I went looking was Google, the internet technology giant. It was easy to admire the beanbag seating, employees riding scooters in the halls and enjoying free meals, and the over-the-top visual persona that the company exudes. Yes, Google made its work environment attractive. But what was the result? Better yet, what were the vehicles to that virtual destination?

Google's Laszlo Bock, senior vice president of People Operations, graciously shared those secrets in his 2015 book, *Work Rules!*[1] He had spent a decade developing human resources culture at Google. He described three catalysts to that evolution:

1 Finding a compelling mission.

2 Being transparent.

3 Giving their people a voice.

That sounds really cool. But, what does it mean? How do you do that? What if you're not Google (ie lacking brand sexiness or warehouses full of cash and resources)?

I still had some thinking to do before I could understand how to apply concepts from one business sector to success in another. Maybe Google was too unique, I worried. They had all kinds of free rein to build culture their way – with the brilliant people they had, loads of cash and programmers, and their supermodel good looks. I tried to imagine what would happen if I let people ride around in scooters at PeopleG2, flying by my office on their way to the bathroom. That would not have worked. I needed to find a way to translate their example into how we could develop our own culture, in our own way.

As I analysed other top companies, it was apparent that *they* had done much of their best work in *their* own way. Yet patterns emerged. In studying hundreds of top companies on my own, surveying HR professionals and

C-level leaders, and having deep conversations with many of them on my radio show, certain truths kept appearing. Seeing the same broad concepts was exciting; however, noticing how specific cultural components can vary company to company *or* can be customized, was even more exciting.

I had hit upon a treasure trove of information. All I had to do was correctly interpret it. The immediate question I had to answer was, 'Is this true for the biggest and best only, or is it true for all companies?' I gained the context I needed to evaluate culture over time as I interviewed professionals from companies of diverse sizes, locations and offerings.

Still, I realized that studying only the best would not tell me enough about broken culture, and why that can drag down otherwise promising businesses. I also needed to provide some sort of scale against which other entrepreneurs could evaluate their own internal operations. So, besides looking at the superstars, I had to find some poor performers, as well as some truly awful companies. Further, I would need to link their status to their working culture, and to rate them across the spectrum of good, bad and ugly. Fortunately, we live in a world in which analytics rule.

I'm not alone in grading the performance of prominent businesses. Two respected sources for this effort are *Fortune* and *Inc.* business magazines, which publish their own findings each year. The 'Fortune 1000' list focuses on annual revenue to rank the 1,000 highest-grossing public and private firms. The 'Inc. 5000' list tracks the top tier of privately held enterprises that are experiencing the fastest growth, based on three-year revenue trends.

My working assessment pool included 10 Fortune 1000 companies, about 100 Inc. 5000 companies, and another 100 unlisted companies local to my Southern California headquarters. It was easy to identify the key players that were doing well. Profits are a great yardstick and, to some extent, reflect good company culture. In order to contrast the good guys with the companies that might be struggling, I also studied staff retention versus turnover, and customer and employee satisfaction.

Some of my sources for this more intimate and subjective information included the Better Business Bureau, and business review websites such as Yelp and Glassdoor. Yelp allows any users to post their personal experiences and assessments of local businesses online. Glassdoor publishes anonymous reviews of specific businesses, made by employees who work or have worked there. Their insights and ratings proved valuable in linking culture with a company's business standing.

Looking at the revenue numbers and comparing personal accounts of businesses by clients and employees allowed me to gauge companies' success. Then, studying how those companies conducted internal and external business revealed commonalities among their culture that naturally divided into good, bad or ugly classifications. I considered great revenue and low turnover numbers to be indicators of success. Businesses that could claim those metrics, in light of my research, tended to have good culture, and the opposite was true: the struggling companies shared common traits of bad or ugly culture.

You are probably already aware of how successful or challenged your company is in market performance. Where does your company fall on the culture scale? Here are some hallmarks to watch out for.

Signs of good culture

Suppose you wanted to start a homeowner's association. You might begin by assembling a group of residents and agreeing on what you want to accomplish – say, to maintain attractive amenities and to keep vacancies and disputes at a minimum. You would want to codify these points, so you would issue standards, rules and protocols. So it goes with creating business culture. Great culture doesn't just happen. The best examples of it are premeditated, monitored and open to discussion.

In the planning stages, most businesses create guidelines for what they want to accomplish and how they will do it. If yours hasn't done so yet, set up some strategy meetings, put heads together and issue these foundational goals:

- values statement;
- mission statement;
- vision statement;
- customer service focus.

These should express where your company is coming from and where it wishes to go. Clients and the general public may or may not ever see these guidelines. Their true purpose is to form a baseline understanding for staff members – at every level – of the company's *how* and *why*. Only by working from points of agreement can a workforce pull together.

We will talk more about these crucial statements in a moment. Once they become part of the company record, though, don't sweep them under the rug. Keep them in the working lexicon to keep everyone on the same page. It is well known that, not only does Google have great culture, people there talk about it all the time. Your company's values and priorities should be so well enunciated that each manager and employee can name them – and, prepare to adapt them, if necessary. The company ethos may need to change to meet new challenges or opportunities. To enable a dynamic, shared working philosophy, communication must be continually encouraged within company ranks.

How?

Here are some examples of how businesses with good culture do it.

Values statement

What is the difference between a company's values and its mission? Values are criteria used to make business decisions, while a mission is the desired result of those decisions. Too often, I see mediocre or failing management teams push everything into either a values or a mission statement. Separating these two different concepts is, first, a clarifying exercise. Then, any company member can use the values statement as guidance in policy meetings, interviews, departmental reviews and other interactions with employees, vendors and customers. Company values become the underpinnings for making decisions that will *forward* the company's mission.

So, what is a values statement? It is an expression of an organization's philosophical beliefs, from which – not coincidentally – a common culture develops. The pronouncement can be short or long, in prose or list form. Perhaps the most concise example comes from Adobe Systems, a well-known computer software company:

> 'Genuine. Exceptional. Innovative. Involved.'[2]

Four stand-alone words create the context needed to understand what drives Adobe's decisions and actions. You can see that a great deal of thought went into this model, because it speaks directly to judgement calls that the company's people will have to make:

- **Genuine**: want to know how to act with fellow employees? Wondering how to speak with that difficult client? This is clear-cut. Be genuine or, as the company website goes on to define that, be 'sincere, trustworthy and reliable'.
- **Exceptional:** 'Committed to create exceptional experiences that delight our employees and customers.' If you have ever used Adobe's Photoshop

program or seen some of the amazing things that artists come up with, this statement is perfect. Note that the work should engage Adobe's employees as much as the product should make customers happy.

- **Innovative:** what the company does should involve matching 'new ideas with business realities'. Spurred by this value, Adobe went from making graphic design software – such as Photoshop and Acrobat – to creating functional file formats for documents (the PDF) and web, video and audio editing programs. Without innovation as a core value, Adobe would be a far different company.
- **Involved:** this value promises equally attentive engagement with 'customers, partners, employees and the communities we serve'. The upshot is accountability across the board. The implied vehicle? Communication.

Mission statement

This goal-oriented definition of what a company strives to *do* is often overprocessed, which may be a sign of an ambiguous business focus. What does your company do primarily? Can you answer that in one sentence? Your mission statement should be easy to remember, simple to repeat and clear to anyone who see or hears it.

Here are two models of succinctness, TED and the Humane Society. TED is an online technology, entertainment and design conferencing platform that features videos by experts in those and other fields. These people are passionate about their topics and seek to ignite others' interest. If you have ever watched a TED talk, you know this mission statement is right on the money:

> 'Spread Ideas.'[3]

This mission statement has two words. *Two words*. Everyone remembers it. TED staff and speakers all get it and act on it. The audience gets it and is encouraged to pass along the new ideas that they find.

Another concise mission statement comes from the Humane Society of the United States, a nonprofit animal welfare advocate:

> 'Celebrating Animals, Confronting Cruelty.'[4]

Let's say you had never heard of the Humane Society and were unaware of their outreach benefitting 100,000 animals each year. Just by reading this mission statement, you learn their primary goal and constituency.

Vision statement

Unlike a company's decision-making philosophy or actionable goals, a corporate vision describes the *result* sought from that ethos and mission. In a best-case scenario, what do you hope your business transactions will accomplish in the wider world? Here are two good examples, one from Oxfam, a poverty-relief organization, and one from IKEA, a home-furnishings retailer:

> Oxfam: Our vision is a just world without poverty. We want a world where people are valued and treated equally, enjoy their rights as full citizens, and can influence decisions affecting their lives.[5]
>
> IKEA: At IKEA our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home-furnishing products at prices so low that as many people as possible will be able to afford them.[6]

These two organizations set a clear tone for what they want the future to look like. It is also clear that everyone would love to see these visions become reality. A just world without poverty? Of course! Well-designed furniture we all can afford? Awesome! Besides adding credibility and integrity to their public images, these vision statements also serve to give employees a reason to get out of bed in the morning.

I've noticed that vision statements tend to be a big-company 'thing'. Many mid-level and most small businesses do not have a vision statement. The visionary concept of the company or organization might be tucked away in the founder's or leader's brain, or it could be known to a select few staff members. If your company could be more productive and you don't have this defining statement, that definitely needs to change. When employees know *why*, they are much more invested in *how* to get things done.

Customer service focus

Making the customer your top priority seems like common sense, and many managers assume that everyone knows it and works with the customer in mind. Actually *doing* the things necessary to prioritize the customer within your company day after day is not so easy. Details and diversions get in the way. Failing to anticipate all the ways in which corporate communications and service interactions bear on the customer experience can cripple the effort to satisfy clients. A written list of customer service principles can help. This will offer any remaining tactical advice that is not covered by guidance from the values, mission and vision statements. Some general examples seen over and over again in top companies include:

- Be honest: it's okay to say you don't know.
- Be empathetic: make an effort to show you care and understand.
- Value time: the more quickly you resolve an issue, the happier the customer will be.
- Make a human connection: if an automated prompt could have helped, the customer would not be relying on you.
- Listen: make sure you hear what customers are is saying – and what they are not saying – about an issue.
- Be a product or service expert: relaying correct information is a big part of solving problems.

You can use surveying or brainstorming to come up with your clients' main concerns. In Chapters 4 and 5 see the suggestions for determining how key performance indicators impact customer service and how client surveys impact performance. Then, it is up to your management team to keep these fresh in every employee's mind and to see that they act on them.

Top-down communication

Open and inclusive communication is the final shared foundation of good company cultures. There are two general types of communication within an organization: those that flow down the chain of command, and those that flow up.

Let's start with those that flow down. This style is the most common and usually exists to some degree in every company or organization. How extensive are your internal missives from the top? Does your CEO regularly send out a company-wide e-mails updating the entire workforce on a new direction? Is someone talking about good news or bad news on a large scale? What about training webinars, sales updates or a company newsletter? These are good examples of baseline information coming from the top. As this book unfolds, we will get into the details of how to issue relevant and unifying communication from management's perspective.

The irony in top-down communication is how necessary it is, and how so many companies do not execute it properly. When done right, it allows leaders to point the company ship in the right direction. In Steven Covey's must-read book, *The 7 Habits of Highly Effective People,* the author writes: 'Management is efficiency in climbing the ladder of success; leadership determines whether the ladder is leaning against the right wall.'[7] Good leaders identify need-to-know information, set it in relevant context and get it out to their teams. Leadership is not the sole job of the CEO; if everyone who is labelled management in your company is not doing this regularly – even if it is just once a year – your culture may look good but will not stand the test of time. Remember, ping-pong tables and free pizza add to company culture, they don't create it.

Bottom-up communication

Many companies overlook the need for feedback from employees, either because management presumes they are doing everything right, or because if they are not, they don't want to hear about it. Keeping lines of communication open between staff and upper management is not about laying blame but has twofold value. This tactic is a conduit to new ideas that only the people 'on the ground' might devise, and it is a sign of respect for the intellect and well-being of those who draw a pay cheque.

I will have specific examples in later chapters about the many ways that my company, PeopleG2, makes this type of communication a priority. But one of the most prevalent ways to get feedback from employees back up to management is the annual survey. This can be an effective, personalized tool that captures individual insights, or a bloated, multiple-choice questionnaire that wastes people's time. It is worth doing some research or hiring a consultant to find the best way to evaluate how your staff is feeling, where their challenges lie and how you might make improvements.

Other opportunities can come from one-on-one meetings, performance reviews and team conferences – and they don't have to happen by invitation. Employees themselves often overlook the softer opportunities to express their views, such as team meetings or casual lunches. They typically focus on the formal requests for their opinions. By all means, hit them with annual surveys and ask for formal reports. But look for new avenues to make their voices heard. The greater the effort that the management makes to listen, the more valued the staff will feel, and the more eager they will be to share ideas and experiences that can help the company move forward.

Signs of bad and ugly culture

If working directives and two-way communication are signs of good culture, their partial use or absence point to 'bad' – or worse, 'ugly' – company culture. Bad and ugly cultures also show similar negative traits, to different degrees. These include damaging internal narratives, hostile working environments and high turnover of employees. Such grave problems cost the company, first in productivity and second in capital. So, we also find these companies low in the rankings, or out of the running, on the *Fortune* and *Inc.* revenue-based lists.

What happens when many of these businesses try to correct their errant courses? They overcompensate, exacerbating the above problems and tanking their workforces. The best way to escape a bad company culture? Leave.

The result of damaged communication lines and obstructive work environments are high turnover rates. Note that some businesses naturally have high turnover for other reasons, such as seasonality, competitiveness in a specialized field, or dangerous work conditions. Some workers change jobs for personal reasons. This type of job turnover is termed 'voluntary' and it occurs less frequently than the 'nonvoluntary' incidence of employees leaving their positions. The online blog Compensation Force posted a 2015 study of 28,000 organizations that determined the average voluntary turnover rate to be approximately 11.6 per cent.[8] The overall average turnover rate, including nonvoluntary, was 16.7 per cent. Here is a breakdown of those findings:

• All industries	16.7%
• Banking and finance	19.1%
• Health care	18.9%
• Hospitality	25.9%
• Insurance	12.2%
• Manufacturing	14.8%
• Not-for-profit	15.7%
• Services	14.9%
• Utilities	9.0%[8]

In doing my company rating research, businesses that exceeded average turnover became possible examples of bad or ugly cultures. As I dug deeper, I found one big motivation-killer for the average employee to do their job, and to keep doing it: a restrictive work atmosphere.

Too much control

Companies that start out with too many restrictions on employees may see them leave in higher than typical numbers. In reviewing HR management practices, I was shocked at the volume of time, space and paper wasted on regulating things such as lunch breaks, holidays, work hours, communication formats, dress code and other behaviour-conforming rules. In an effort to fix their own errors, they may mistake control for good business practices. They might add new rules and restrictions, and assemble a team of enforcers. The resulting negative, toxic energy drains the well-being of the company and limits what it can do for customers, vendors and the community. Soon, 'command and control' becomes the default management style.

How does it work? And how does it contribute to poor company culture?

First, someone with authority creates a rule or practice to enforce a desired outcome, without any input from those impacted by the rule. This type of disenfranchisement relegates workers to toddler status, demanding that they 'do what I say, because I said so'. But employees are not toddlers. They don't surrender like toddlers eventually do when they are too tired or powerless to fight back. Instead, they act like teenagers – wiggling around the rules, finding loopholes, being passive-aggressive, or flat-out defying authority and begging for a confrontation.

The irony is that none of this is necessary. Companies with good culture find ways to empower employees to make correct decisions themselves, rather than having to be reined in by management. Many restrictions in the workplace are superfluous to doing a good job.

Labouring under unnecessary rules is bad for morale, which is bad for motivation to perform, which is bad for… company culture. Sure, if your people work on an assembly line and everyone depends on the next co-worker in line to get the job done, then it makes sense to schedule floor hours and breaks at the same time. For less interdependent office workers, though, who cares if they want to take lunch at 11 o'clock instead of noon?

Often, the real problem does not arise from the employees as a group – it is that the individual hiring went poorly, and management failed to correct it. Maybe they erroneously selected someone whose skills or work ethic did not match the company's values, mission, vision or commitment to customers. Having brought the wrong person in to do a job, management then commands that person to conform to its ideal. To avoid taking responsibility for a bad hire, the honchos might dictate a long list of rules for everyone else's behaviour.

The fix would be to correct the hiring process – thoughtfully selecting the type of person who can make appropriate decisions about what to wear, when to take their lunch, and how to carry out the company's mission based on clearly communicated objectives. This brings us to another, more subtle culture breaker, which also comes from the top: neglect.

Lack of cultural support

The damage caused by failing to nurture good company culture might not be evident until a crisis occurs, such as weak sales numbers, an accident, or loss of a key client. But it is there, for sure. Lack of focus on internal relations may occur because management chooses other priorities, or because it believes its company culture is fine and runs on autopilot. The latter leaders may live in denial, thanks to having a hot product or service or a seemingly endless supply of customers. While sales are good, no one bothers to feed the culture. Into this void move employees in need of a unifying ethic, and cliques and subcultures form around those individuals who make the most noise.

So, what happens when popularity fades or markets shrink? A culture that has been operating by itself in rogue silos breaks down. Some areas may work, some may limp along, and other areas may fail. Suddenly, a once monolithic organization divides into parts of the whole. It is every employee for themselves, in an effort to protect their own interests, since no one knows exactly what the company interest is – or, if they do, they perceive it as antithetical to their own agendas. Tribes and individuals desperately protect their turf, withholding resources and information vital to the other groups. Simple examples might include doctors against nurses, teachers against administrators, teachers against other teachers, and your staff against your clients. Those pesky customers can get in the way of an otherwise pleasant work day!

Subcultures in organizations occur, and can be quite effective. However, when the overarching culture is not defined, subcultures take over, and generally not in the interest of the company as a whole. These employees set and realize their goals just to keep their jobs, or to earn a pay rise. Conversely, the best companies and organizations form teams of individuals who are motivated to freely cooperate and work outside of cliques and tribes towards the same goals.

So, how important to productivity *is* working culture, anyway? That is easiest to see in its absence. When bad cultures are at play, employees are left to freely create their own realities inside the company. They do this by adopting their perceptions and stories as truth. When something goes wrong, it is easier to believe that the people around you are doing badly than it is to admit you are ill suited to your job or are not doing your part to make things better. In later chapters, we will explore why this is so, and why humans do so much to avoid regret.

Alternate realities and circumvention of rules erode common culture, whereas shared goals and adherence to accepted standards build it up. By now, you should have the basic tools you need to identify the difference between companies whose cultures have gone from bad to ugly, and those doing culture well. The remainder of this book will serve to help you appreciate the benchmarks of good culture and implement them in your company.

How do we build good culture?

If your company is just starting out and you have the luxury of focusing on culture from the ground up, great. If not, and if you suspect your internal foundation could use some shoring up, the first step is to determine what is at risk or already shaky. Chapter 2 will help you to evaluate objectively where your company stands. Even if you consider your organization to be in the good culture club, by now you realize that circumstances change, and you should be ready to adapt from the inside out.

Chapters 3 through 9 will present the ideal cultural elements that will allow you to do that, or to excel during the good and bad times. I call these the 'seven pillars of success'. They can be used individually or in succession to form a comprehensive programme.

You will find clear and practical ways to integrate these concepts into your working culture in Chapters 10 and 11. A strong word of caution: sometimes change in one area reveals weakness in another. Culture-wise, many companies look good on the surface, but bad habits lurk just out of sight. Don't be surprised if those habits are exposed as problematic as you look to make improvements. Be prepared for some unknown issues to arise.

As you go through this book and find areas for cultural improvement, prioritize them. Use a letter, number or star system (A–B–C, 1–2–3, ***) to clarify which items are the most pressing. Then, when you are ready to enact change, there is only one place to go to get an unbelievable result: start with the bad. This suggestion comes from my personal experience. Success has always come more quickly when I tackled the areas where I felt we were the worst. This is where I see HR professionals trip themselves up repeatedly. They convince their CEO to make some small improvement because it is easy, will not be widely rejected and can give the organization a fleeting sense of accomplishment. That's great, but it leaves the heavy lifting for another day and increases the odds that it will not be addressed.

Think of it this way: you don't fix scratches when you have broken bones or internal bleeding. If you were in a car accident and were rushed to the emergency room, you would expect your doctor to stabilize the most serious injuries first. That is no time for denial. Even if your company is not headed for a metaphorical intensive care unit, there is always room for improvement. No one – and no company culture – enjoys perfect health. Companies that look robust, like Facebook and Apple, are always working on maintaining a healthy working culture. So, join the top companies, and let's get to work!

Notes

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