Creating a Conscious Culture

Key considerations for refining or reimagining culture for small and midsize businesses

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Creating a conscious culture

In the latest Vistage CEO Confidence Index survey — which captured insights from 1,518 CEOs and business leaders from small and midsize companies — 63% of respondents said they "strongly agree" that culture is critical to their company's performance and success. However, less than half (40%) said they "strongly agree" that the development and promotion of culture is an organizational priority.

At the same time, very few CEOs are pleased with the strength of their culture; of those surveyed, only 11% said they were satisfied. What can explain the gaps between the impact, prioritization and execution of culture?

It has to do with how leaders approach culture. **Instead of consciously creating their company's culture, some CEOs allow it to develop on its own**. And, because strong personalities can dominate the formation of culture, cultures do not always align with their company's mission, vision, purpose or core values. It's easy for this to happen, as culture is a naturally occurring phenomenon. It is the product of the collective behavior of group members, coupled with the expectations of group leaders.

But culture is too important to be left to its own devices. In the business world, culture defines how humans work together. It sets guard rails for how people collaborate, resolve conflict and treat one another. It establishes standards and expectations for work activities and performance. It influences whether top talent chooses your company or remains with your company.

This report serves as a **starting point for creating a conscious culture.** It explores different concepts of culture, outlines key components of culture and features insights from experts in organizational culture.

Part I: The case for culture

Part II: Components of culture

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Culture is Critical

63%	40%	11%
Performance and Success	Organizational Priority	Strength of Culture
Culture is critical to our company's performance and success	The development and promotion of our organizational culture is a priority	I'm satisfied with the strength of our organizational culture
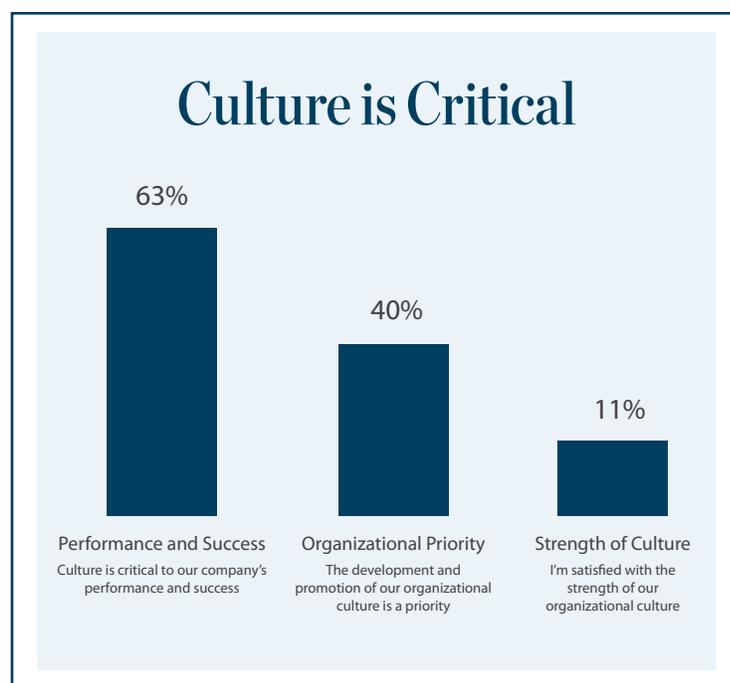
Source: Q3 2019 Vistage CEO Confidence Index

Part I

The case for culture

Culture has become increasingly important in small and midsize businesses. At a high level, this is due to two factors: One, the talent war has intensified, making it harder for companies to attract and retain the best people. Two, while the economy is slowing, revenue projections remain optimistic, which has intensified the need to hire people critical to meet growth expectations. Unlike prior slowdowns, talented employees have multiple opportunities to choose from because everyone is hiring. Moreover, many talented individuals already have jobs; some of them even work for you. What makes talent want to stay or leave is influenced by the company's culture.

Culture is your organizational gravity. It is the magnetic force that keeps good employees close to your business. While fair compensation is important to your employees, culture is the intangible force that emotionally connects them to the work they do and their coworkers. When an individual's beliefs align with a company's mission, vision and purpose, it creates a strong bond that results in greater engagement and better performance.

Your culture is also a force that repels or ejects people who don't align with your culture. Despite cultural fit being part of the hiring decision, mismatched people sometimes get hired. In other cases, existing employees will either change their behavior — or be unwilling to change — to fit the expectations of a culture that has evolved over time. Because culture defines acceptable behavior in a business, it also calls out inappropriate or inconsistent behaviors that the business will not tolerate. The stronger the culture, the clearer those boundaries are, and the more those boundaries are enforced by people who work for the organization.

In addition, culture attracts people who might want to work for your company. It radiates through your employees in their interactions with customers. It is reflected in how they talk with family and friends about where they work. The attitude or "vibe" of a company is obvious to the outsider. Just as employers are looking for cultural fit, talented people are evaluating a company's culture for fit.

> Nearly two-thirds - 64% - of CEOs rated culture as a "very important" priority for their talent management strategy.

Source: Q3 2019 Vistage CEO Confidence Index

Expert Perspective | Dr. Gustavo Grodnitzky
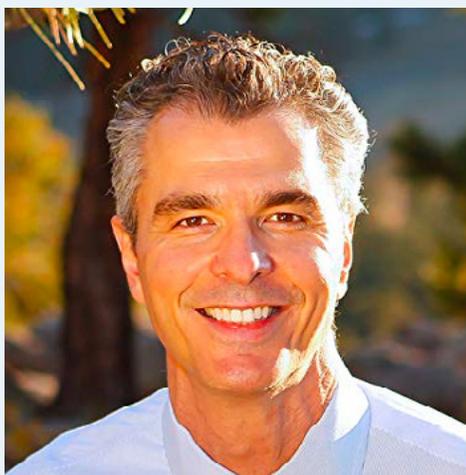
"Culture trumps everything."

Dr. Gustavo Grodnitzky
speaker, author, consultant and psychologist

Human behavior does not occur in a vacuum. It occurs in a context. The context in which we live and work is our culture. So, if you change the context or the culture, behavior follows.

Here's an example: If you take somebody who is loud and boisterous and walk them into a museum, church or bank, what are they likely to do? They lower their voice. You haven't changed their personality. You've changed the context.

In business, leaders create a culture, context or subculture that allows people to either flourish or flounder. Managers manage tasks; leaders lead people. When you manage tasks, you get people to comply with the minimum requirements of a goal. When you lead people, you get people to go above and beyond the goal.

Culture is like a garden. It is not something you can set and forget; it requires constant care. As leaders, we are responsible for preparing the soil, planting the seeds and picking the fruit of the culture. If you ignore your garden for a week, what do you get? A bunch of weeds. **We get the culture we create. We get the culture we cultivate. We get the culture we deserve.**

There's an assumption that if you hire an A-Player and give them a six-figure salary, they are going to bring the skills and experiences that they need to be successful. But, in my experience as a consultant, I have seen talented workers fail at their new role because they don't know how to operate in the new culture. **Top performers are not found. They are made in the crucible of your culture.**

For me, a strong culture is one that leverages primary human drives to motivate behavior and performance. Primary human drives are to connect and belong. In business, connect means to build genuine relationships; belong means belonging to something larger than yourself and having a cause. Money is a secondary drive.

A lot of companies look for competitive advantages through processes, procedures or people. **Culture is your competitive advantage**. It is the one thing you cannot buy, sell or trade. It cannot be borrowed, copied or stolen.

Part II
Components of culture

You can't see gravity, but you can always sense it. The same can be said about culture. You can't see it — aside from when your values are painted on your company's walls — but you and your employees can always feel it.

We can bring structure to this notion by looking at the four components of culture. These components are present in all organizations, from weak to strong. They manifest in the reality of your office.

1. Fused by trust

A strong culture is fused by trust. Trust is the connective energy that brings security and connectedness to a group of people. High levels of trust give people the freedom to focus on their goals without fear, provides a sense of community that encourages collaboration, and enables leaders to influence and guide the behavior of their people.

Trust is directly related to a leader's competency, consistency, integrity, transparency and relationships in an organization.

- **Competency** relates to someone's ability, aptitude, knowledge, experience and motivation to successfully perform a job. We trust that pilots who fly commercial airlines are competent; otherwise, we wouldn't get on a plane. If employees don't believe in the competence of their leaders, they are unlikely to trust in their decisions and direction.

- **Consistency** projects how someone will behave in any given situation based on how they behaved in the past. The prevalence of consistency promotes trust, while the lack of consistency promotes uncertainty.

- **Integrity** is the quality of being truthful and honest. Leaders with high integrity make decisions governed by values and earn trust as a result.

Components of Culture

Mission · Values · Language · Communication · Vision · Trust · Behaviors · Purpose · Rituals

Fused by trust
Defined by elements
Bound by business
Powered by purpose

- **Transparency** is evidenced when leaders facilitate dialogue and freely share data and facts with all members of the organization. They are clear and consistent when sharing news about all aspects of the business. This builds trust, regardless of how good or bad the business news may be.

- **Relationships** develop between leaders and employees over time through repeated interactions. This also extends to peers, other executives and the broader organization. Every interaction adds to — or detracts from — a trusting relationship.

2. Defined by elements

Culture is reflected in both what we say and what we do. It presents itself through elements including values, language, communication, behaviors and rituals.

- **Values:** Values define the qualities most important to the company; identify and memorialize the beliefs that exemplify a company's character; and guide the way humans work together in the company. They also influence how members of the organization engage with their wider community.

- **Language:** Culture is shaped by how we talk about ourselves and the people connected to our organization (e.g., customers, coworkers, managers and leaders). It is also shaped by how we talk about what we do and how we describe our mission, vision and purpose. When this language is used consistently, it promotes cultural alignment across the organization.

- **Communication:** The patterns, protocols and vehicles for communication impact the sense of connectedness and transparency in an organization. In the absence of information, employees will resort to rumors. Clear, consistent communication reinforces cultural beliefs and strengthens trust in an organization.

- **Behaviors:** Human behavior shapes norms in both society and business. The ways in which leaders behave set expectations for everyone else in the organization. If a leader is always late to a meeting, it sets the expectation that it's acceptable for anyone to be late.

- **Rituals:** Rituals offer observable evidence of culture. Rituals are shared experiences and routines. They reflect the cadence that an organization uses to communicate and collaborate. Company meetings, team meetings, cross-functional meetings and one-to-one meetings involve rituals of interaction and expectations that either reinforce or degrade culture.

3. Bound by business

Culture becomes relevant when it directly connects to the business strategy. "Part of management's responsibility is to evolve culture in the direction that will fit the strategy and help the company grow," says Thomas A. Stewart, executive director of the National Center for the Middle Market, which released the new report High-Performance Culture. Ideally, a company's strategy is informed by its mission and vision, which in turn guides the company's culture.

- **Mission** defines the goals of the organization. It describes the company's business and deliverables. Mission answers the question, "What do we do?" When the mission is clearly defined and understood, it provides the framework for decision-making at all levels of the organization.

- **Vision** defines the long-term and immediate direction of the organization. It articulates what is possible for the company in the future. It answers the question, "What do we aspire to do?" It articulates the "end-in-mind state" to plan for and work toward, which helps facilitate decision-making and establish priorities.

4. Powered by purpose

An organization's purpose binds people working together, in all capacities, to realize rewards beyond financial performance. It connects beliefs, values and social responsibility with business goals and objectives. Purpose is the why, not the what, that fuels the organization and drives human behavior. Purpose is the backbone of a strong culture.

Purpose-driven companies have a distinct reason for being. They can definitively answer the question, "Why do we do what we do?" Companies with clear purpose tend to value social and environmental goals, in addition to financial goals, and develop their business models accordingly. As a result, the deep sense of purpose gives meaning to employees' work and provides motivation beyond a paycheck.

Many companies that are driven by purpose also identify with social impact. Social impact puts people alongside profits. It reorients business thinking and decision-making to prioritize contributions to society. As a business model, social impact balances the needs of workers, customers and communities with opportunities for growth.

Expert Perspective | Ann Rhoades

"Culture has to be part of your company's DNA."

Ann Rhoades
President of People Ink

Culture is a culmination of the leadership, values, language, people, processes, rules and other conditions within the organization. **Leaders can only create the right conditions and working environment that will help the desired culture to emerge and flourish.**

Building a culture has to be systematic. It also has to be something that you maintain — just like anything that is worth growing.

To build a values-based culture, you need to develop what I call a "Values Blueprint." This process involves five steps.

1. Define your purpose or mission.
2. Define the principles or values that will allow you to fulfill that purpose, coupled with the right behaviors behind each of those values. For instance, if "excellence" is one of your values, what is that by definition? What behaviors do you want your people to show to ensure that value?
3. Build a hiring model and hire people that live and breathe those values. If you look at the employees at Southwest Airlines, they all seem very similar. That didn't happen by accident. That's by design.
4. Understand that every person and every person's behaviors create your brand.
5. Have a continuous discipline around getting the right results.

People think that culture is soft and unmeasurable. It's not. If you do it right, it's very measurable. You should see significant results after it's become part of your DNA. Some of the metrics to consider include employee turnover, customer feedback, employee feedback and other engagement metrics. Survey your employees and ask them: How long do you intend to stay? This is a good indicator of how well you're doing.

Also, survey your employees about their interest in making referrals. Ask them: Would you recommend this company to your family and friends as a great place to work? If a lot of your applicant flow comes from present employees, that's a good sign — especially if they're A-Players. If your C-Players keep recommending employees, that's not so good. **When values become a part of your DNA, C-Players will eject themselves from your organization.**

Make culture a focal point in your organization. Talk about culture often. Make it part of board meetings. Make it part of the conversation with employees. Make it part of all written communications. Every Sunday night, the CEO of JetBlue sends an email to employees in which he tells a story that highlights one of the company's values.

Culture has to be part of the operation. It cannot be an HR project. It cannot be a CEO project. It has to be part of your company's DNA.

Part III
Evidence of culture

How do you know whether your business has a strong culture? The most reliable evidence can be found in your people — those who work for you and those who may potentially work for you in the future. Here are a few indicators to look for.

Exhibit A: Your talent pipeline is full of great candidates.
If your company has a reputation for being a great place to work, your pipeline should have a steady flow of interested talent, regardless of how many positions you need to fill.

Exhibit B: The average tenure of your employees is high.
High retention rates and low voluntary turnover are signs of a great place to work and, therefore, a strong culture. For example, CVC Holdings attributes its high retention rate to its culture of caring for its employees. "We try to find people who fit our culture," says CEO Paul Esch, a Vistage member. "If they are here after six months, then they will still be here after 10 years. We just take care of them and value them."

Exhibit C: Employees are your best referral source for qualified applicants.
In the Vistage Q2 2019 survey of CEOs, 57% of respondents said that their most effective recruiting tool was employee referrals. If you have a high referral rate, you probably have a strong culture, too. Employees make referrals when they take pride in their company and believe it's a great place to work.

Exhibit D: Your employees are highly engaged.
While there are a number of ways to measure engagement, both quantitative and qualitative, engagement studies can quantify how your employees feel about your culture. This serves as a leading indicator of retention and cultural strength. In the Q2 2019 Vistage survey, 44% of CEOs rated employee engagement as a "very important" priority for talent management. When asked how engagement was measured, 43% reported that they gathered information through an annual engagement study, while 10% used pulse surveys.
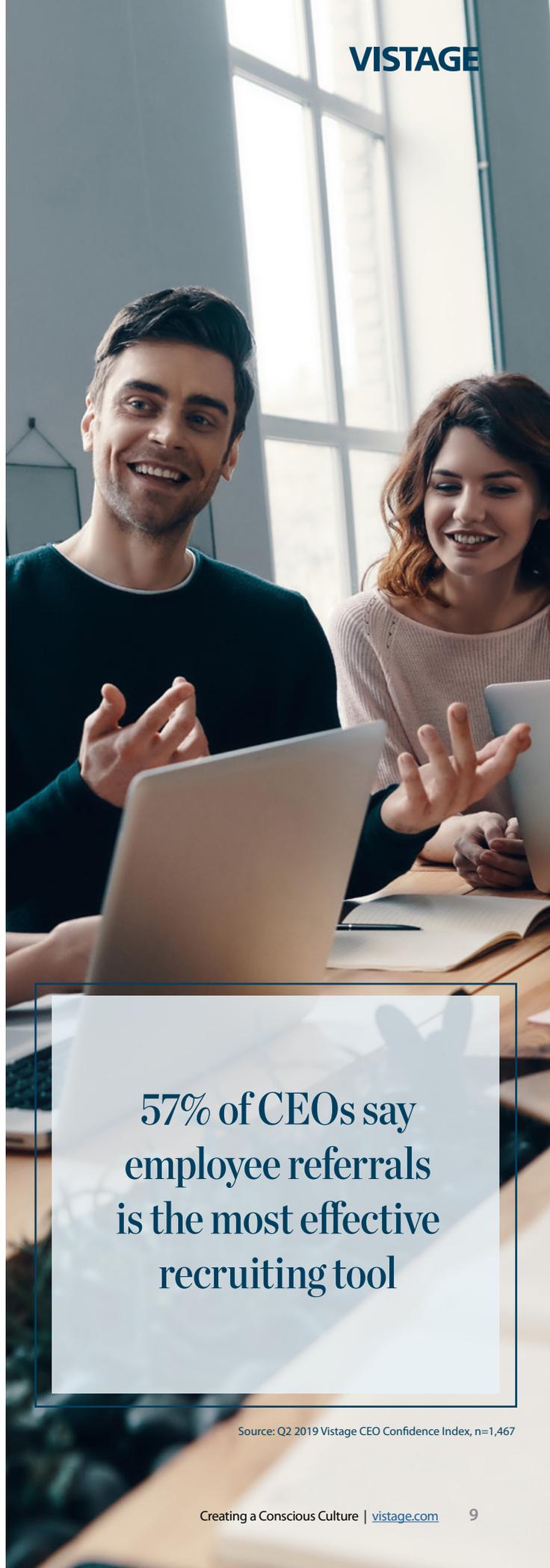
> 57% of CEOs say employee referrals is the most effective recruiting tool

Source: Q2 2019 Vistage CEO Confidence Index, n=1,467

Commitment to culture

Programs such as the Best Places to Work™ or the Best and Brightest Companies to Work For® recognize companies based on employee engagement metrics. However, these programs ultimately honor companies with great cultures, as deemed by their employees. For that reason, it makes sense to use these award winners as a proxy for companies with strong cultures.

What makes these award winners distinct? To find out, we compared the companies that were recognized multiple times as great places to work to other companies in our CEO survey. Our analysis revealed that these winners demonstrated greater focus and commitment to culture. Most notable is that just over one-quarter of the winning companies were satisfied with the strength of their culture — this is 2.5 times more than the other companies.

As we've said, rituals are part of culture. Winning companies demonstrated a deeper commitment to performing rituals that engaged their employees. These companies were:

- **60% more likely to prioritize creating growth opportunities for employees**

- **46% more likely to prioritize training and development of employees**

- **31% more likely to prioritize improving employee engagement**

To drive engagement and reinforce your culture, consider leveraging these five talent management practices.

1. **New hire on-boarding** presents an opportunity to share your culture with new employees. Some CEOs will personally share their culture with each new hire. Others will allow the new hire to discover it on their own.

2. **Reward and recognition** programs celebrate the performance and behaviors of the culture. Applauding both performance and behaviors can reinforce and strengthen the culture. If you only reward numbers (e.g., sales goals), the employee takeaway will be that "how much" matters more than "how."

3. **Employee development** programs and investments demonstrate commitment to improving and expanding each person's skills and capabilities. Programs for job advancement and personal wellness further demonstrate a company's long-term loyalty to each employee.

4. **Employee benefits** highlight the importance placed on the health, wellness and security of employees and their families. Like compensation, they are a measurable comparison between companies and cultures.

5. **Performance management** aligns the organization's financial goals with employee behavior. When goals are clearly set and communicated, decisions can be made with clarity that is fueled by the culture and connected to the team and individual.

Expert Perspective | Mark Taylor

"Culture comes from solving a business problem."

Mark Taylor
Vistage NYC Master Chair

There are so many misconceptions about what culture is. CEOs think it's touchy-feely. They think it's about having pizza on Fridays, jeans days and nice chairs for their employees. They think that culture is about coming up with some nice words, like integrity, respect or excellence. But no one really knows what those words mean. They're all in the eyes of the beholder.

Companies undergo cultural transformations when they solve a specific business problem. They do this by defining their noble purpose, aligning values with the purpose and changing people's behaviors to support those values. **To change behavior, you have to create the right policies, procedures and compensation programs.** You also have to reward and recognize people in a way that is consistent with the behaviors that you are trying to drive.

Here's an example: In Michigan, a mortgage company was having a problem with its employees being on social media, sending texts and shopping online while they were at work, which resulted in overtime. To solve this problem, they came up with a motto, "You Give Us 40 Hours. Everything Else is Yours." And then they started enforcing it. They would terminate people if they caught them using social media during the day, and they would terminate people if they were working after 6 p.m. That company was later voted the No. 1 workplace in their metropolitan area.

Don't make culture a theoretical exercise. It's not enough to say, "I walk the talk and I live the values." You have to take action. If integrity is one of your values, and someone exaggerates on their expense reports, are you willing to take action and fire them over it?

What distinguishes a company with a strong culture is there are clear expectations and the public recognizes the company name. If you work for a certain amusement park, you know that you can't swear, spit or smoke when you're on the park grounds. That's crystal clear. **When you hire people, be clear and upfront about your expectations.** Tell them, "This is the way that we do things here. Is that going to be a problem for you? If it is, maybe this isn't the right place for you."

Make sure your policies, procedures and compensation programs align with your culture. I've worked with companies that have said, "We want to have a collaborative culture." But then they paid their salespeople based on commission, which deters collaboration. There has to be consistency between what you say and what you do. If you tell people "this is how we work here" and then your actions are inconsistent with that message, that creates a disconnect.

There is a connection between culture and engagement. **And companies with highly engaged employees make twice as much money as those with unengaged workforces.**

Part IV
Executive summary

Culture has emerged as the top priority for CEOs. With no end in sight to the talent shortage, culture has become a critical tool for building and sustaining a world-class workforce. Serving as your organizational gravity, culture is the force that attracts and retains the best people while repelling people who aren't the right fit for your business.

Culture will develop naturally, or it can be created intentionally. As a CEO, you need to actively and consciously create the culture that you want through your words and actions. CEOs can only expect what they accept in the attitudes, behaviors and actions of their people.

Leadership recommendations

Make culture a priority. As a CEO, you need to actively develop and constantly promote the culture you want in your business. While cultural development starts at the top, all leaders need to embrace and reinforce culture so that their employees accept and practice it.

Question to ask: Is culture part of my day-to-day work?

Connect culture to metrics. Culture is interwoven with your ability to hire and retain. While there are no hard metrics for measuring culture, your metrics for time-to-hire and employee turnover will reflect the results. Culture is an engagement driver, so an engagement study or pulse surveys will also show results.

Question to ask: What metrics am I using to measure culture?

Lead by example. Employees at all levels watch the behaviors and actions of leaders. Ask yourself: Do my actions reflect our cultural values? How do I show up to work every day? Am I walking the talk? If you don't live your culture, your employees won't, either. Expect what you accept.

Question to ask: Am I walking the talk?

Articulate your mission, vision and purpose. And then communicate it — not only through email campaigns and posters around the office, but through your everyday actions and attitude. Culture will mutate on its own if not continuously and consistently reinforced by leaders, managers and coworkers throughout the organization.

Question to ask: How well-defined is our mission, vision and purpose?

May the force be with you.

Culture is the powerful, unseen force that connects and motivates the behaviors of the people in your business. It radiates through your people and into your community, becoming the brand of your workplace. Today's leading companies acknowledge culture's importance. Elevate your business by harnessing the force of culture to increase performance, productivity and employee engagement and become a destination workplace.

Contributors

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As Chief Research Officer for Vistage, Joe Galvin is responsible for providing Vistage members with the most current, compelling and actionable thought leadership on the strategic issues of small and midsize businesses. Joe is an established thought leader and analyst who has researched and presented to business leaders around the world on customer management, world-class sales performance and CRM-SFA technology.

Gustavo Grodnitzky | Speaker, author, consultant, and psychologist

Dr. Gustavo Grodnitzky is a speaker, author, consultant, and psychologist whose diverse background brings a unique and multidimensional perspective to his global clients. Complementing his Ph.D. in clinical and school psychology, Dr. Gustavo has extensive experience in interpersonal communications, strategic planning, change management and development of organizational culture. Since the year 2000, Dr. Gustavo has engaged with over 1,000 companies around the world. As a professional speaker and consultant, he has delivered more than 2,000 presentations on topics including corporate culture, emotional intelligence, building trust in organizations, and integrating multigenerational workforces. An accomplished author, Dr. Gustavo's book, Culture Trumps Everything®, is available on Amazon and all fine online book retailers.

Anne Petrik | Vistage Worldwide

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Ann Rhoades | President, People Ink

As PRES (Person Responsible for Extraordinary Service) and founder of People Ink, Ann Rhoades provides the inspiration and strategic direction for creating values-centric cultures for their clients. Ann has a respected reputation in the industry for her unique approach to creating customer-centric cultures. She is author of Built on Values, and is a popular speaker on the subject of customer service and how to build strong high performance organizational cultures. Prior to founding People Ink, Ann served as the Chief People Officer of Southwest Airlines, Promus Hotel Company (Doubletree Hotel, Homewood Suites, Embassy Suites, and Hampton Inn brands), and Executive Vice President for JetBlue Airways.

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Mark Taylor | Master Chair, Vistage Worldwide

Mark Taylor is a valued member of the Vistage community as a Master Chair with five Vistage Groups and as the Best Practice Chair for the NYC greater area. As author of the Leadership Field Manual: Exercises & Tools for Executing Culture Change, Mark also is a keynote speaker, Tribal Leadership trainer, and a results-oriented executive with a 35-year history as an accomplished CEO and corporate executive.

About Vistage Worldwide

Vistage is the world's leading executive coaching organization for small and midsize businesses. For more than 60 years, we've been helping CEOs, business owners and senior executives solve their greatest challenges through confidential peer advisory groups and one-to-one executive coaching sessions with accomplished business leaders. Today, more than 23,000 members in 20 countries rely on Vistage to help make better decisions for their companies, families and communities. The results prove it: Vistage member companies grow 2.2 times faster than average small and midsize U.S. businesses, according to a 2017 study of Dun & Bradstreet data.

Learn more at vistage.com.

About our research

Vistage Research curates subject matter from the Vistage community and collaborates with top thought leaders to create unique content. Vistage executives access actionable, thought-provoking insights from the Wall Street Journal/Vistage Small Business CEO Survey and Vistage CEO Confidence Index results, as well as national and local economic trends. Since it began in 2003, the Vistage CEO Confidence Index has been a proven predictor of GDP, two quarters in advance. Vistage Research provides the data and expert perspectives to help you make better decisions. Visit vistage.com/ceoindex and vistageindex.com to learn more.

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