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THE IMPORTANCE OF YOUR FIRM'S CULTURE

By:

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A front-page story in a recent Wall Street Journal reported that a pilot (Captain Denny Flanagan) at United Airlines actually tries to make flying fun for passengers on his planes. He writes notes to them, he raffles off bottles of wine, he provides them information on the flight and the causes for any delays, and takes photos of their animals traveling on board.

The reason this is front-page news is that United Airlines ranks next-to-worst in customer complaints, many people do not trust that airline and dread flying it, and the firm only recently emerged from bankruptcy. Captain Flanagan is an anomaly at United Airlines because he is customer-focused while the rest of the company is only job-focused (the typical employee orientation there seems to be “get my job done and collect my pay; if the customer is satisfied, great, if not, who cares?”).

Culture is destiny for a firm. Companies make money off their employees’ knowledge, skills, motivation, and attitudes. If the company’s culture does not line up squarely with customers’ needs, that company is going to be in trouble. Cultural differences largely account for why Target is so successfully financially and widely admired and shopped at, and why K-Mart, in the same industry with the same basic strategic approach, is not.

A quick definition of corporate culture is that it consists of the set of shared beliefs that dictate how work will get done in a firm. Thus, at Southwest Airlines, pilots and co-pilots may help load and unload baggage or take tickets when turnarounds are tight, while at American Airlines, job descriptions strictly dictate behavior. You can guess which one is more successful financially and which one is more fun to fly.

There is no “best” culture or one culture that fits all firms. It is important that a firm have a culture that lines up with its strategic niche. Thus, Wal-Mart needs (and has) a culture that aligns with its low-cost emphasis, while Google has a completely different culture that supports its extreme emphasis on innovation.

For many companies, their corporate culture is a non-issue—cultural matters simply don’t arise. But there are several circumstances where attention to culture is important. For example, if a company is underperforming relative to what it could be achieving (recall United Airlines and K-Mart), examining its culture for blockages to success may be in order.

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Most mergers and acquisitions fail to attain goals set for them—something on the order of 75% of such corporate combinations. In many cases, cultural mismatches are the cause. Recall the prominent case of AOL and Time Warner, and more recently, Chrysler and Daimler-Benz. And, anytime there is a major organizational change (opening up a new facility, introducing a new product or service, adopting a new technological innovation, etc.) the firm exposes itself to great danger from cultural misalignment and ultimate rejection of the change.

While a complete audit and assessment of a firm's culture is a non-trivial exercise, a quick snapshot of your firm's cultural situation may be obtained by answering some questions:

- Do your employees hold attitudes such as “not invented here” or “what’s in this for me?” or “the boss is always right” or “we tried that once and it didn’t work”?
- Do your employees feel that “there are not enough hours in a day” or that they spend too much time “putting out fires”?
- Are your employees unaware of what others in the firm are doing?
- Do your employees feel that meetings are generally a waste of time?
- Do mistakes lead to fault-finding and blame, or the correction of underlying problems?
- Are people afraid to speak up?
- Are your managers overwhelmed and exhausted, and so don't trust their employees and wind up micromanaging?
- Are your people honest with one another regarding workplace issues?
- Can people disagree with one another without causing enduring problems?
- Does your firm experience relatively high levels of either turnover and/or absenteeism?
- Is your firm growing in sales but not profits?

A firm's corporate culture takes years to develop. Uncovering what a firm's culture actually is, and then assessing its fitness for high levels of performance, corporate marriage, or the ready embrace of major organizational change are all projects that require a fair amount of time to conduct. As you would imagine, changing a firm's corporate culture is an important exercise that also involves a major block of time in order to complete successfully. Simple problems at a company can be dealt with quickly. Enduring, strategic issues take years to develop and commensurately long periods of time to correct. But, merely knowing the true dimensions of your firm's culture often provides ample clues as to what is going wrong and what steps to take to ease the situation.

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To discuss developing your firm's corporate culture or other organizational development matters, please contact one of our Directors at (714) 668-9500 or Info@ClientAdvocateNetwork.com.