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8 Ways Company Culture Drives Performance

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I write about the secret of company culture in entrepreneurial success



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It's not possible to conceive of a country with no culture. Wherever people gather, that's where culture can be found. Nevertheless, it doesn't happen on its own — especially where companies are concerned.

The right cultural foundation and the right priorities now could help your organization realize significant performance improvements. It might also deliver some of your strongest value propositions that can place you decisively above the competition. Read on to learn more.

1. A Rich Company Culture Leads to Innovation

It shouldn't come as a surprise that companies with healthy and well-realized cultures tend to innovate better and more often than companies that do not. Now we have formal scientific studies to explain why.

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The researchers mince no words: "Corporate culture is ... the most important factor driving innovation," said Rajesh Chandy, who teaches at the University of Minnesota.

The "why" is something we'll touch on further as we explore the other ways culture influences performance. It makes good intuitive sense though, doesn't it? If culture is, in part, about how well a company empowers its team members to perform their jobs accurately and thoughtfully, it follows that a healthy culture would inevitably lead to a stable of professionals who can solve problems in brand-new ways.

2. Culture Stresses Common Values and Common Goals

Another of the most important facets of company culture involves values. It might not sound like the most compelling priority for a new business venture or one that wants to hit the ground running with new products, but nothing in life is worth doing unless you have a good reason and a solid mission, right?

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Your company was founded on more than just anticipating incoming profits. It was founded because, as an entrepreneur, there are things in life that you value — and you want your company and your products to bring those values to others and help enrich their lives.

Having a robust company culture means living by those values and that mission each day and encouraging your teammates to do the same. A strong culture produces employees with a well-tuned sense of direction and helps create common definitions of success, so your company can grow as a team.

3. Strong Culture Means Better Retention

There are quite a few reasons why high employee turnover is a situation worth avoiding. Look beyond the immediately practical — it's about more than the material cost of seeking out, bringing aboard and training a new employee, which is admittedly quite high.

Think instead about what it means to preside over a company that people simply don't want to leave. If you've never researched which companies in America have the lowest and highest turnover rates, the results might surprise you. In 2013, the most famous names in the high-turnover column included Google, Amerigroup Corp. and Berkshire Hathaway. Meanwhile, Eastman Kodak, General Motors and CenturyLink had some of the longest median tenures.

What separates the wheat from the chaff, so to speak? It's culture — almost certainly. It's true that a company like Google operates in an industry where frequent turnover is common enough, but it'd be hard to argue that, for example, the allegedly troubling conditions in Amazon's warehouses played no role in the company's tie for second-worst turnover rate in 2013.

4. Corporate Culture Means Accepting and Celebrating Diversity

Much of the developed world seems to be walking back the progress it made over the last few decades where acceptance and civility are concerned. As human creatures, we tend to look at otherness with suspicion.

Our workplaces are meant to be places where folks can gather in common cause and leave behind all of the social and political baggage that has muddled the conversation elsewhere. A dynamic, rich and accepting corporate culture celebrates the opportunity to bring together people from various walks of life.

When that happens — when kindness and unity are made priorities — there's no stopping us. Cultivating diverse environments, whether it's a business or a college campus, results in individuals who are better equipped for collaboration and who are more likely to take disagreements in stride.

5. Corporate Culture Is Checks and Balances

Nevertheless, at the risk of sounding flippant, corporate culture is about much more than singing "Kumbaya" in a drum circle. We tend to emphasize the softer benefits of a strong culture — things like improved teamwork and happier employees — but the truth is that there's a deeply pragmatic reason why culture is important.

Just like any government, a company needs checks and balances — and culture serves as a strong foundation for those efforts. It informs everything you do and how you do it, including onboarding new hires, for instance. Your company's culture informs and governs this process by, for example, prescribing learning curves to help fresh employees learn the ropes.

You've cast a wide net and located some world-class talent, but without a strong culture and a roadmap to help steer their development, they'll get their start without a clear path or mandate in mind.

6. Culture Is a Long-Term Commitment to Excellence

One of the cool things about investing in company culture is that it pays dividends for years to come.

The studies we've referenced today provide an additional piece of insight: The ways you commit to building a positive culture today will pay off for you, but it might take a while. It might take years, in fact.

Dr. Michael Gillespie, of the University of South Florida, weighed in on some of this research by pointing out that a car dealership that commits to improving its culture today might not realize the benefits until those same customers decide whether to return to the dealership for a second purchase.

Therefore, culture is about much more than your performance in the moment: It's about committing to service excellence for the long haul and creating brand loyalty.

7. The Right Focus Means Greater Efficiency

We spoke before about company culture as a set of shared values. Let's unpack that a little further. Culture is all about what you value — and valuing the right things could mean a significant positive influence on your efficiency.

A great example of focusing on the right thing comes from Netflix and every other company with a no vacation policy. It's not at all what it sounds like — a no vacation policy simply means employees take time off when they need to.

Does it sound crazy? It's not. By instituting a policy like this one, Netflix is telling its employees they are one of the company's primary focuses. Their health and satisfaction in life comes before every other concern. Moreover, if a company encourages employees to invest time in themselves, their health and their happiness, it won't come as a surprise when team members exceed expectations and perform their duties more thoughtfully and efficiently.

8. Company Culture Is Increasingly a Marketing Advantage

After allegations of a poisonous company culture at Uber began to surface, do you believe the number of customers who switched to Lyft was less than or greater than zero? We suspect the latter.

One of the most critical realizations about company culture — and one well worth closing with — is the idea that your culture demonstrates what kind of people your organization is made out of. It's unmistakable when boardrooms contain hypocrites or folks who pursue profit and little else. Culture is your chance to tell customers what makes you tick, what you care about and the degree to which you're concerned with improving the world around you.

These days, instant access to information means secrets are harder and harder to keep. As a consequence, companies now need to be more transparent and personable when it comes to interacting with the people who buy their products and keep them afloat. If, as a business leader, you're not committed to running a conscientious company, or if your customers aren't sure what morals or sense of ethics you abide by, don't be surprised if they take their dollars to an outfit with a friendlier or less inscrutable disposition.

Whether you're on the ground floor of incorporation or you've been leading a company for decades, it's never too late to revitalize your culture. The message you craft by doing so — or by failing to — is one of the clearest messages a brand can send and brings rewards commensurate with the authenticity of your efforts.

William Craig

I am the founder and president of WebFX. For the past 3 years straight, WebFX was named the No. 1 Best Place to Work in PA, setting a new record in the history...

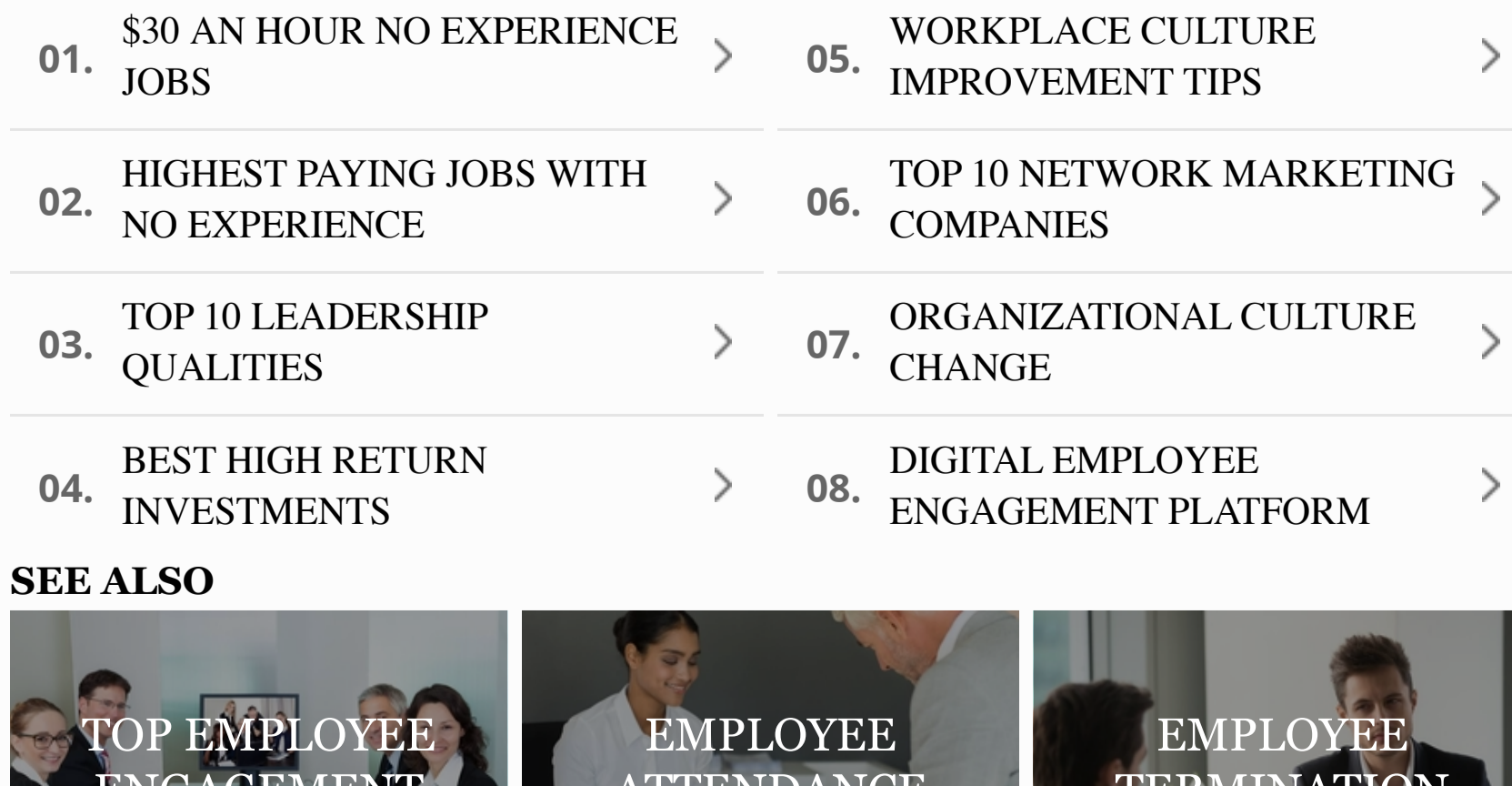
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