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Culture

More Than Just an HR Thing

Brand is just a lagging indicator of a company's culture.

—Tony Hsieh, CEO of Zappos¹

EVERY OWNER, EXECUTIVE, AND MANAGER is responsible for his or her team, department, or company culture. No excuses. Culture is no longer just a human resources (HR) priority or thing; it is a fundamental business thing.

Culture is the collective mindset and attitude of your employees. The mindset your employees bring to work every day determines how they will take care of your customers, how much effort they will put into their work, and whether or not they will stay with you long term. The impact of a negative culture within an organization is tremendous. Poor customer interactions, high turnover, and under performing employees cost organizations—depending on their size—thousands, millions, and even billions of dollars. The research from across industries is clear: when your employees are more engaged, your company is more productive and profitable; leading to better shareholder returns. Culture is the most important business thing today.

When it comes to culture, the question is not “Do you have a culture?” because you do, and every company does. The real question is “What type of culture do you have today, and is it meeting the expectations of your owners, customers, and employees?” This question really is at the heart of what every manager must consider: Is your culture making your business better, delivering the desired individual and team performance, turning customers into fans, and causing your best people to stay? If it is not, know that there are things you can do to change your culture to where you and your staff want it to be.

Many owners, executives, and managers focus their energies and investments on business, financial, operational, or marketing strategies, but the reality is that a culture strategy will have a greater impact on your business than any other thing. Peter Drucker’s phrase “Culture eats strategy for breakfast”² is probably more relevant in business today than ever before. Employees are the ones defining your business, it’s value and reputation, and for that reason, the ability to attract, retain, enable, and maximize your talent is critical for your business today.

Culture is a *business* thing, and all owners, executives, and managers must be involved (along with HR, if you have that department) to get the right culture in place for your business. According to Jay Haines, founding partner of Grace Blue, a global executive search company, “The cultural piece is to my mind now the single most important component of any chief executive role.”³ Now, the problem I see in many organizations is that culture is just an HR responsibility. Whether I’m speaking with an owner, executive, or manager, when I ask who is responsible for the company’s culture, the person almost overwhelmingly says “human resources.” This is the first problem I have with many organizations and the people running them today—they are leaving the task and responsibility of employee attitude up to a single person or team, when, in fact, it is everyone’s responsibility. As HR expert Michelle Crosby recently stated on our *Culture Hacker* podcast, “Culture needs to be owned by leaders at every level. Human resources has to play a role as a facilitator of that process, but not the owner of that process.”⁴ So with HR acting as the facilitator, everyone else must take on the responsibility of creating, supporting, and delivering an employee experience that instills a positive mindset, a delight in serving others, and a desire to make things happen.

Now, if you are an HR manager or, in fact, any manager who views culture as a priority, you may be nodding your head in agreement, but I

bet you are also thinking about those owners, executives, or managers around you who need some convincing. So let's consider in more detail the three areas where I think culture is most strongly impacting your business's profitability and performance today: your customer experience, how much effort your people put into their work every day, and your ability to retain your best and brightest people.

How Culture Determines the Customer's Experience

As you read in the introduction, I wrote this book because of the lack of service and consideration offered to customers by so many organizations today. Obviously, I want to make sure this point is front of mind. Now, I have sat with managers who plainly told me they are not a service-based organization, so maybe these rules do not apply. My response was simple: "Do you have customers?" Their response, of course, was yes. I continued on to say that in today's world, you need to start thinking of your business as a service-based organization, no matter your product or industry, because customers, regardless of what you are providing them, expect service, a great experience, or even just appreciation in return for their business. Also, when it comes to customers, you must understand that organizations have both internal and external customers. Although some of your staff members will not deal with external customers, they work either directly or indirectly with other employees, or internal customers, who do. So when we talk about delivering a great customer experience or service, we also want to consider how staff members work with each other to deliver the products and services of the organization.

We know attitude is critical in customer interactions, both internally and externally. There is an old hospitality axiom that says "Those with a good attitude always provide great service. Those with a poor attitude always provide poor service."⁵ This truth of hospitality is important in all industries, because it reminds us that the mindset and attitude of your staff members is probably the single most important aspect of making your internal or external customers feel good and of making your company successful. This line of thinking is not new. It was documented and demonstrated in the 1998 *Harvard Business Review* article "The Employee-Customer-Profit Chain at Sears," wherein the authors demonstrated that employees' attitudes led to a better customer experience and, in turn, better profits.⁶

So attitude, or how your employees feel about their jobs, defines the service and experience each customer receives. Every business owner and manager needs to be considerate of their employees' mindset when it comes to customer experience because those attitudes determine how your customers are treated, and how you treat your customers is what they talk about and share with their family, friends, and acquaintances, both in person and online. And specifically, what is being shared online is currently defining your reputation and brand more than any advertisements or marketing initiatives can do today. Mercedes-Benz CEO Steve Cannon said it best: "Customer experience is the new marketing."⁷ Customer experience is being defined by how your employees feel, and it indirectly tells us a lot about how you treat your employees. As Michelle Crosby said on the podcast, "The customer experience is a reflection of what is happening inside the organization, whether the organization intends or wants it to. What you reap on the inside is what you sow on the outside."⁸ What is happening inside every organization is some type of employee experience. And that experience is manifesting itself in how your employees feel about coming to work, which in turn is defining how your customer feel after every interaction.

Every interaction with your customer counts, whether to increase customer loyalty or customer spend. Lowe's Home Improvement provides compelling findings regarding the impact of employee engagement and customer satisfaction and sales. By quantifying the relationship between employee engagement and sales (starting in 2007), Lowe's found that a conservative difference between the highest- and lowest-engaged stores was more than \$1 million in sales per year.⁹

We have worked with the automotive industry for a number of years, and our work with dealerships, which are either small, one-off businesses often run by a family or centers that are part of larger automotive groups, has reinforced our belief that a focus on the employee experience leads to better customer experiences and profits, due to increased market share. What is most interesting about automotive dealers is that the majority of their revenues come from servicing a vehicle, not selling it, yet many consumers view the process of taking their car in for service as not unlike going to the dentist—very painful. When car dealerships emphasize customer service in the scheduling, drop-off, pickup, and follow-up process, they delight their

customers and build not only a strong, loyal customer base, reflected in repeat sales, but also a strong word-of-mouth reputation for service reliability around their community or town. And those touchpoints are all influenced and defined by the interactions customers have with and the attitudes of staff members. Your employees' mindsets definitely impact the loyalty of your customers and the financial position of your company.

Zappos CEO Tony Hsieh's quote, used to introduce this chapter, is a great line to remember. It basically says your brand is a reflection of your culture, not the other way around as most business people would have you believe. It highlights just how important culture is when it comes to a brand, and it reinforces why, for owners, executives, and managers, culture might be the most important area of focus today in terms of customer service and experience.

How Culture Determines Employee Performance

Great customer service and experience requires a lot of effort, and effort is the result of the energy someone directs toward a task. But a focus on culture is not just about better customer service; it applies to all tasks, roles, and jobs. You have to invest in your culture to ensure that your employees give their best and perform at their best.

A big part of the difference among average, good, and great is the attitude or mindset that people have. Attitude affects energy levels, cognitive ability, and how people feel. Although you cannot guarantee or expect that everyone will be positive and happy all the time, you want to ensure that you are not causing undue stress or negativity and that, for the most part, the experience of working at your company supports a positive disposition. A study by economists at the University of Warwick in England found that happiness led to a 12% spike in productivity while unhappy workers proved 10% less productive. As the economists put it, "Human happiness has large and positive casual effects on productivity. Positive emotions appear to invigorate human beings."¹⁰

The impact of a positive mindset cannot be downplayed in the work environment. Renowned sports psychologist Jim Taylor said:

Negative emotions can also hurt you mentally. Your emotions are telling you that, deep down, you're not confident in your ability to

perform well and achieve your competitive goals. Your confidence will decline and you will have negative thoughts to go along with your negative emotions. Also, since your negative emotions are so strong, you will likely have difficulty focusing on what will help you to perform well; the negative emotions draw your attention onto all of the negative aspects of your performance. Finally, negative emotions can hurt your motivation to perform because you just don't feel good and it's no longer fun.¹¹

In work as in sports, you cannot underestimate the impact of a negative attitude on performance.

One business that relies on and requires constant around-the-clock effort from employees is a cruise ship, where staff often work for weeks without time off, depending on the length of the cruise. During our time implementing a new culture within a European cruise ship company, the executive team focused on investing in the crew experience and found an improvement in effort and performance across all disciplines on the ship. When it comes to the amount of effort your employees put in each day, how they feel about their work and who they do it for matters significantly.

How Culture Determines Employee Retention

The attitude a person has about coming to work is also important in determining whether they are likely to stay with you. As full employment in many industries is coming closer to reality, employees simply have more options. What makes our current situation so interesting is that at the same time, the Millennial workforce is becoming the largest employee group. This generation and those who will come after them are more and more comfortable moving between jobs and industries to maximize their earning potential and find a greater sense of meaning in their work. That last point is critical; members of the next generation of employees will continue to leave jobs, managers, and companies that do not make them feel valued, provide purpose, or help them grow. In other words, they leave companies that do not give them a great experience.

It is also important to recognize that you are not just competing with and losing talent to those within your industry. The reality of a

global economy and an informed workforce is that talent transcends most industries. The founder of the Future of Work community, Jacob Morgan, says: “We are seeing a global talent war, not only in a particular industry or location, but with employees around the world.” He goes on to say, “What can an organization do to retain and keep top talent? Focus on employee experience and create an environment where employees want to show up, not necessarily where they need to show up.”¹²

With workers more comfortable and willing to leave you if you do not meet their expectations, the threat of turnover is real. The costs of such turnover are striking, both to the bottom line and, psychologically, to the staff who remain. In 2016, Julie Kantor, president of Twomentor, LLC suggested that the hard costs can range anywhere from 16% to 213% of a person’s salary, when you take into account training, onboarding, interview expenses, and advertising costs. Soft costs include lowered engagement for remaining employees when someone leaves, loss of productivity for new hires (it can take up to two years to reach the same level of productivity as someone who has left), impact on morale, gossip, and less effective service.¹³

One company that struggled with turnover due to a poor culture is CHG Healthcare Services. The following case study illustrates the changes that CHG made to its culture and the impact those changes had on its turnover rates.

Case Study: CHG Healthcare Services

CHG Healthcare Services is a healthcare staffing organization that serves thousands of hospitals throughout all 50 states in the U.S.¹⁴ In an industry plagued with high turnover, between 50% and 60% per year, CHG has not only managed to retain talent, but has also become a constant fixture on some of the most sought after company recognition lists. 2016 was the company’s seventh consecutive year on Fortune’s “100 Best Companies to Work For” list, and eighth consecutive year on the “Training Top 125” list, to name a few. However, this success was not always the case, and the company experienced many obstacles when trying to rework their company culture.

On a recent *Culture Hacker* podcast, Kevin Ricklefs, senior vice president of Talent Management, shared that the company had over 50% turnover

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15 years ago. This costly business issue was the catalyst for making a change. “When we wanted to reduce turnover, we started by asking our leaders and employees their opinion of our culture,” Kevin said.¹⁵ Giving employees a voice created a culture of feedback and a sense of ownership in the organization that is still present today. This focus on feedback positively impacted the leadership and communication style of the organization. As Kevin describes, “We give the employees every opportunity to have a voice in the company, and they continue to give us feedback and continue to help us be better.”¹⁵

But giving employees a voice about the type of employee experience they desired was only part of the process. The real lesson here is that CHG was willing to make some tough decisions to show that they were serious about making a positive cultural shift. Some of the toughest decisions included letting go of managers who were not willing to change or support the new empowered workforce at CHG. These tough decisions are why so many companies like to talk about cultural change, but so few undertake the necessary steps to make it a reality.

While the thought of changing culture can be overwhelming, Kevin provides some advice to the brave souls undertaking the journey: don’t try to go it alone. “Culture is everyone’s responsibility because it is about the employee experience. We train the employees and leaders on how to build a good culture and what we mean by a good culture. This aligns everyone in the organization.”¹⁵

For me, the best organization has an employee mindset where the experience of both internal and external customers exceeds expectations, every employee delivers his or her best, and there is below-industry turnover because the people want to be there. Quite simply, this must be the focus of every person owning or running a business today. Gallup in 2016 stated that “highly engaged work units outperformed disengaged work units by 10% in customer loyalty and engagement, 21% in profitability, and 20% in productivity.”¹⁶ The business case is clear and compelling.

Whether you are an owner, executive, manager, or HR practitioner, in today’s world, culture—the current attitude of your staff—must be your most important consideration, and delivering a better employee experience must be the most important thing that you focus on. Herb Kelleher, ex-CEO and cofounder of Southwest Airlines, said it best:

“Your employees come first.”¹⁷ If you put your employees first, then their experience at work becomes your top priority. And as American author and businessman Stephen Covey said so perfectly, “The main thing is to keep the main thing the main thing.”¹⁸ For us and for every manager, executive, and owner out there, that “main thing” must be the employee experience and its impact on culture.

Culture Hack: Every owner, executive, and manager is responsible for his or her team, department, or company culture.

1. Culture is the mindset and attitudes of employees about what they do and who they do it for. This manifests itself into how effectively they work with internal and external customers.
 2. Employee interactions with customers and what customers share about your business form the basis for your reputation and brand in today’s transparent social media–driven world.
 3. The mindset and attitude of your employees plays a significant role in how well they perform. How someone feels about coming to work affects their energy levels and even their cognitive abilities.
 4. It is important for the success of your business that you retain your best and brightest over the long term by creating a great culture—a place they want to work.
 5. Improving how an employee feels about coming to work requires the management and manipulation of the mechanisms that influence an employee’s experience. Culture Hacker is a methodology and series of tasks that will positively impact your employee experience. It requires the engagement and support of all owners, executives, and managers.
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Notes

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