



Pathway Advisors LLC



GETTING IT DONE

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Dear Friend,

Peter Drucker, the renowned management thought leader famously said, “Culture Eats Strategy for Breakfast.” That’s a catchy phrase if ever there was one – and it’s true. There’s a far more significant truth though. Specifically, a winning culture which truly aligns corporate goals, strategies and tactics with employee goals and needs can deliver a committed, agile, and increasingly competent workforce with the power to propel a company towards its highest aspirations.

So, yes, it’s crucial to acknowledge that a culture which has been afforded little attention will quite possibly eat strategy for breakfast. It’s far more important, though, to recognize that a thoughtfully nurtured culture has the potential, in effect, to deliver a great seven course dinner at a Michelin rated restaurant.

As a turnaround advisor who primarily works with smaller and mid-sized owner-driven and family controlled businesses, I’ve observed first-hand many times how financial and cultural transformations go hand in glove. Accordingly, while universal, my comments here are intended first and foremost for companies in these segments.

I’m passionate about these thoughts and would really enjoy hearing your comments on this too often overlooked management imperative.

*With my very best wishes,
Gerry*

**CORPORATE CULTURE REALLY
IS THE “SECRET SAUCE”**



So, What Exactly Is “Culture” And Why Is It So Important?

I’ve searched the body of literature about corporate culture with the hope of finding a succinct definition that fully resonates for me. I’ve yet to find quite the right one. As I did my research, though, I happened upon literature published by The Gallup Organization’s “Culture Transformation Practice.” Yup – you read that right. They talk about culture “*As a sort of an invisible hand that guides and shapes an organization.*”

This is as close as I got. My one comment is that the organizational factors which shape a company’s culture are actually pretty visible. *It’s the cumulative effect of these factors that’s “sort of invisible.”*

Examining The Issue

It’s understandable. As a rule, when I walk into a distressed company, real cultural challenges are playing out. Of course, you may have the “chicken or egg” question. Regardless, please have no doubt that while cultural issues generally worsen as financial difficulties grow, in every case I’ve observed they were problematic well before.

That having been said, first let’s look at the most significant characteristics I typically see in a counterproductive, if not thoroughly toxic, corporate culture:

- Loss of both confidence and trust in ownership and senior management – in part if not in whole
- Employees who believe they’re neither heard nor valued
- Employees who want to give their all but believe it won’t make a difference
- Employees actively thinking about moving on

When you see, as I have, companies with baseline cultural characteristics like these, it’s not a huge leap to understand how closely culture and financial performance are linked.

Now, with these common, counterproductive cultural characteristics as the backdrop, let’s examine the *underlying factors* I typically see that spawn them:

Organization and management practices

- Leadership with obvious room for improved performance
- An unclear authority structure
- Ineffective decision making processes (Too fast, too slow, avoidance)
- A lack of discipline and accountability
- Ineffective or non-existent planning combined with chronically weak execution
- Insufficient top-down communications
- An insufficient focus on teamwork

HR/employee practices

- Unclear job descriptions
- Infrequent or non-existent performance reviews
- Insufficient focus on bottom-up communications
- Ineffective hiring practices

- Lack of a meritocracy
- Lack of focus on employee growth and training
- Below market compensation and benefits

Financial management practices

- Heavy focus on sales combined with a lack of focus on the Balance Sheet
- Failure to *seriously* prioritize profitability (Really, it's true far more often than you'd think)
- Failure to manage to a plan (to the extent it exists)
- Failure to produce timely, accurate financial and operational data

The good news on all of this is that with a commitment from ownership and management, every one of these factors can be vastly improved. The clear caveat, however, is that the process takes time under any circumstances and can be constrained by both limited financial resources and the need to upgrade some personnel.

Harnessing The Power Of The “Secret Sauce”

In order to get the right perspective, let's start by thinking about the endgame of a cultural transformation initiative. Specifically, it's the development of an ***engaged workforce that sees their personal goals, and their company's goals, strategies, and tactics, as being aligned.*** In other words, by helping their company achieve its goals, employees are confident that they're forwarding their own goals as well.

Now, let's look at the ***beliefs, shared values and resulting behaviors*** essential to bringing a cultural transformation initiative, and its vast benefits, to fruition.

I. BELIEFS

It all starts with a strong, company-wide belief in the commitment and capability of ownership and senior management to effectively address the underlying factors which are dragging down both their company's financial performance - and its culture.

So where to begin?

Without doubt, ownership, and senior management has to 1) sincerely search for and examine the issues at hand; 2) assess which are particularly meaningful; and 3) look in the mirror and get clear about what their role has to be in fostering a cultural transformation. In many cases, the help of an experienced professional may be an absolute essential.

In turnaround situations, help may be forced. When a company is consistently underperforming, but not suffering severe financial difficulty, though, it's far easier for ownership and senior management to simply avoid the issues. There should be no doubt though. When ownership and senior management don't act, a workforce simply won't develop a strong belief about their ability to lead their company ahead. And without that belief, a culture which supports consistently strong financial performance is a flat out impossibility.

But what happens if ownership and senior leadership does decide to really step up? An important place to start is to engage employees in sincere dialogue. Simply asking about their views on major company issues and getting their suggestions has two real benefits. First, employees can begin to believe they're valued. Furthermore, these

conversations are bound to generate solid, actionable ideas.

Taking the next step, a good strategy is to start by focusing on just one or two festering issues. In my experience, organizational factors which impact basic day to day operations is a rich vein. To that point, I've always found it fascinating to see the impact of timely team meetings which provide 1) clarity as to priorities; 2) clarity as to action steps to be taken; and 3) accountability for assigned tasks.

Going further, organizational, HR and financial management issues *must be addressed consistently*. Even more importantly, ownership must “walk the walk and talk the talk.” Cynicism is hard to erase and an employee group’s belief about ownership and senior management’s commitment to act can be undermined in a matter of a months – if not weeks.

II. SHARED VALUES AND BEHAVIORS

This is where the real power of the “Secret Sauce” resides. That’s because when leadership is believed in, they can foster the shared values and behaviors that lead to the passionate, long-term, aligned efforts that drive performance.

A “Statement of Core Values” is one very effective way to begin embedding them throughout a company. Regardless of how it’s communicated though, crucial shared values and behaviors to be emphasized are as follows:

- Being proactive
- Being flexible
- Being a committed teammate, listener, student, and mentor
- Being self-accountable and self-disciplined
- Being open and ethical

Again, as I pointed to when talking about beliefs, these values and behaviors have to be constantly reinforced. If not, they’ll just dissipate.

Final Comment

I opened with a quote and will close with one as well because I can’t say it any better than Lou Gerstner, the long-time CEO of IBM:

“Culture isn’t just one aspect of the game; it is the game”

You might consider this extreme - but I don’t.

RECOMMENDED READINGS

The literature regarding corporate culture is so rich that I want to provide a list of just a few readings that can expand your understandings.

NOTE

Some of these readings are focused on larger companies. Regardless, they have substantial relevance to companies of all sizes.

Articles

10 Tips For Changing Your Company’s Culture

Christina Folz

Society of Human Resource Managers, June 2016

How to Build Your Small Business Without Ruining Your Culture

Timothy Carter

Entrepreneur Magazine, May 2021

Company Culture Is Everyone's Responsibility

Denise Yohn

Harvard Business Review, February 2021

Books

Corporate Culture and Performance

John Kotter and James Heskett

Simon and Shuster, April 1992

Culture Connection

How Developing a Winning Culture Will Give Your Company A Competitive Advantage

Marty Parker

McGraw-Hill, July 2012

Culture Renovation

Kevin Coyle

McGraw-Hill, January 2021

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