

Member's Quarterly

Winter 2017 Edition

Feature

Is There Sludge in Your Corporate Culture Fuel?

Improve culture and reduce your costs



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Have you been worn down by year after year of cost cutting? Every budget cycle brings back the mantra of “do more with less”. Maybe you’ve flattened out your organization by taking out layers of management or scaled back to focus on core competencies. Perhaps you’ve reduced travel costs by implementing virtual meetings and conference calls. Maybe you’ve gone so far as to cut employee training or employee recognition events. Eventually you run out of options and become frustrated by the constant demand to find more areas to cut.

Have you looked at the cost of your culture? Surely one of the most visible costs of a terrible culture is high employee turnover which results in increased hiring and training costs. But what about productivity costs associated with bureaucratic or fragmented cultures where employees don’t feel empowered? What should your company focus on when trying to cost out the impact of your culture?

The first step is to identify the elements of a “bad” culture. Several models have tried to define the values that contribute in a negative way to the performance of your organization. Whether we call them “limiting” or “negative” values, they drag a business down rather than propel it forward. You can build the best racecar in the world and hire highly trained drivers. However, if there’s sludge in the fuel, your race is destined for mechanical failure.

I remember a time when I was managing a division in corporate Canada. We thought our division was performing pretty well. We undertook an overall cultural assessment and discovered a few limiting values. To our surprise, bureaucracy, finger-pointing, blame and inward focus all made the list.

We realized that acting on these results could have significant effects on our costs and revenues. Clearly, if we shifted more of our inwardly focused energy to customer service, we could improve customer satisfaction and loyalty.

When we dug deeper, we found even more impacts. Our employees estimated they were spending almost 15 percent of their time doing paperwork, managing the circulation of documents for approval and writing daily status reports. In addition, every week they sat through four-hour meetings recapping the prior week’s activities in excruciating detail. A whole tier of managers spent their time collecting and reviewing reports only to pass them further up the organization. We had checkers checking the checkers in order to make sure that when directors presented their reports, they incurred no risk of someone else at the table contradicting them.

Finally, we identified another alarming misuse of time — the total hours employees spent in coffee or smoke breaks, gossiping about co-workers or complaining about problems and barriers. When our accountant brought me the time-study results, the dollar value of the time employees spent grumbling was more significant than I’d dared to imagine. Previously, I had been charged with developing cost-saving programs and we were digging madly through ways to improve process or performance. Suddenly, I knew the cost of the company’s limiting values — a gold mine by comparison!

Too often, leaders underestimate the impact of limiting values in their organization. When it comes to putting dollars in the budget for programs focused on culture improvements that will ultimately result in cost savings, these initiatives are rarely on the radar. Leaders often regard changing the cultures as something they should do to boost employee satisfaction and reduce employee churn. Yes, improving culture certainly has these benefits, but it’s clearly worth the effort to attach a financial cost to limiting values.

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The cost doesn't need to be accurate down to the last penny. Realistically, the cost will be plenty large enough when you get through the analysis. In our case, when we calculated 20 percent of inefficient time on a base of 400 employees at an average hourly rate of \$20, the cost was more than \$2.5 million a year. While it's unrealistic to think any company could eliminate all inefficient time, you can imagine what a difference it would make to even cut it by half.

Addressing your limiting values is a root-cause analysis. It gets to the foundational issues rather than quick fixes, which is like simply putting additives into your existing fuel system. Instead of dreaming up nickel-and-dime, one-time cost savings programs such as eliminating travel or employee events, make the time to analyze the costs of your limiting values.

Imagine the competitive impact you can make when you improve the culture of your organization while reducing your costs by six or seven figures! Without the sludge, you'll have a high-octane fuel capable of launching your organization out of the middle of the pack.

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