

Leaders must go beyond giving lip service to culture if they want to reap the benefits of a healthy, effective, sustainable one.



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Three actions leaders can take to go beyond giving lip service to workplace culture and build a healthy, effective, sustainable culture at their organizations.



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Leaders Must Go Beyond Giving Lip Service to Culture

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When it comes to culture-building, business leaders talk a good game, but shirk their responsibility for it. That's my conclusion of research conducted by researchers at National Bureau of Economic Research. Fortunately the research also points to three actions leaders can take to go beyond giving lip service to culture.

The paper, [Corporate Culture: Evidence from the Field](#), sought to investigate questions such as "Does corporate culture matter?" and "Can differences in corporate culture explain why similar firms diverge with one succeeding and the other failing?" The researchers engaged a robust study, surveying nearly 1,900 CEOs and CFOs across a wide range of public and private firms and conducting 18 in-depth interviews, and conducted solid external validation for their methodology and findings.



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their firm.

- 79% rank culture as at least a “top 5” factor among all of the things that are most valuable.
- Cultural fit in merger and acquisition (M&A) deals is so important that 75% of executives said they would walk away from a target that is culturally mismatched. Another one-third would require discounts between 10-30% of the purchase price of the target.
- 92% believe that improving corporate culture would increase firm value.

That’s the good news.

The bad news: Only 16% of respondents indicate their firm’s culture is exactly what it should be.

And more bad news: When asked what is preventing their firm’s culture from being effective in practice, 69% blame their firms’ underinvestment in culture. The same percentage believe “leadership needs to invest more time in the culture.”

So business leaders are essentially saying they’re not happy with their culture, and the lack of investment in culture – specifically the investment of time -- is to blame. These are the top executives of their organizations – aren’t they the ones that determine how attention should be given to culture?!

Findings like these make it clear that leaders may *say* culture is a priority, but it’s what they *do* that matters. Leaders must go beyond giving lip service to culture if they want to reap the benefits of a healthy, effective, sustainable one.

Fortunately for those leaders who do want to ameliorate an ineffective culture, the research reveals some actions that they can take:

1. **Institute cultural norms in addition to stated values.** In fact, the researchers state that cultural norms -- day-to-day practices that reflect the desired culture -- are as important as stated values in achieving culture-building success. For example, “having integrity” may be a cultural value the firm strives for, while company leaders foster a “willingness to report unethical outcomes” – a cultural norm or action that reflects the value. It’s easy to see how setting and enforcing norms such as “decision-making reflects long-term,” “urgency with which employees work,” and “coordination among employees” would help shape an organization’s culture. Leaders should articulate clear expected behaviors to reinforce their firm’s values.



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misalignment between cultural values and business needs prevent them from being exactly where it should be. In my own experience, I've found this happens when values are considered "soft stuff" for Human Resources to manage and don't recognize the connection between talent quality, attrition, and productivity and business results. But there is a clear evidence in this research and other studies that values impact firm outcomes, so leaders should determine the specific attitudes and behaviors that align with the business strategy and cultivate a culture around them.

3. Don't rely on formal institutions to shape culture. Executives in the study do not acknowledge that formal institutions such as corporate governance (12%) and executive compensation (12%) do not drive the firm's current culture. In fact, respondents report that incentive compensation actually works against the effectiveness of culture by attracting/retaining the wrong type of people to the firm (47%), focusing too much on short-term objectives (27%), and encouraging insufficient risk-taking (23%). 38% believe corporate policies prevent the culture from being exactly where it should be. Leaders must either downplay these formal mechanisms or better align them with the firm's culture.

Have you come across business leaders who only talk about the importance of culture but don't really do anything about it – or whose actions and decisions actually detract from it? Please share in the comments about how common you think this problem is -- and if/how you've overcome it.

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