Transforming Attitudes and Actions:
How Senior Leaders Create Successful Workplace Cultures

Dale Carnegie
Research Institute

These days, it is popular to explain the success or failure of companies everywhere with the simple statement "*It's their company culture!*". It's an attractive and logical explanation. A strong corporate culture is hailed as the key to winning in a competitive marketplace; a weak one, the death knell. While the explanation is easy, the topic of culture is complex. We all think we know what we mean when we use the term, but do we?

While we can begin to describe a company's culture based on how things are done and the values they profess, its real essence is the unconscious thoughts that drive employees' decisions and behaviors each day. These thoughts are based on shared assumptions, typically originating with a company's founder, which employees have successfully applied to solve internal and external challenges over time. This success serves to validate the assumptions and eventually results in a collective understanding of the right way to think, feel, act and interpret the business world.

The culture, then, determines how employees see themselves as part of the organization, how they relate to customers, how they interact with authority, approach problem-solving, how they understand the business overall, make strategic decisions, describe their company's purpose and more.

So what makes a strong culture? It's not as simple as an abundance of business blogs would suggest. In fact, outside of those that suffer from such crippling elements as distrust, dishonesty, widespread negativity, or lack of strategy, any given culture is neither inherently "right" or "wrong". The strength of a culture must be evaluated in relationship to the environment in which it competes: in each company's situation, there may be cultural elements well-suited to achieving success in its current and expected future business environment, and others that aren't. When leaders suspect that a part of their culture is becoming maladapted to overcoming the challenges they face, they must act to improve it.

Just 21% of 600 senior leaders in a recent survey across four countries said their own corporate culture is "excellent".

In a recent survey across four countries[1], Dale Carnegie & Associates set out to examine the perceptions of senior leaders on the strength of their own company cultures, their attitudes about its importance and impact, and actions they are taking to improve it. While studies of corporate culture are not uncommon, they often encompass employees at all levels in an organization. We chose to focus specifically on those who *lead* in order to understand their mindset and the efforts being taken at the highest levels of an organization to address this important issue.

In addition to analyzing the data from the entire set of leaders, we found a subset of particularly successful companies and explored how their *attitudes* and *actions* differed from the rest. We defined this subset beginning with the leaders' own assessment of the strength of their company culture; 21% of our respondents described their corporate culture as excellent. We then added more objective measures designed to select only those organizations that truly stand out from their competitors as being successful. In addition to senior leaders indicating they have a strong corporate culture, to be included in this best-in-class subset which we'll call *culture champions (CC)*, the organization must also be exceeding its financial goals compared to expectations, and have lower turnover and higher employee engagement scores relative to others in its industry.

---

[1] India, Germany, the United States and Indonesia

Challenges to Building a Great Culture

If culture is so important, why aren't more companies getting it right? Creating and maintaining a positive, unifying culture in the face of a fast-moving business environment is difficult for many reasons, beginning with the challenge of accurately assessing one. Research shows that employees from different areas of the same organization often have very different perceptions of the company culture[2]. And, simply because it is so ingrained and familiar, it can be difficult for those within the culture to see it clearly.

Even when leaders are able to achieve a comprehensive, objective view of their company's culture, it's far from simple to effect change when needed. Corporate culture runs deep; the fact that it's embedded in nearly everything an organization thinks and does is what makes it so powerful – and so hard to transform. In addition, success itself breeds resistance to change: the very elements of a corporate culture that have helped an organization thrive can become liabilities as the business environment evolves. Companies involved in mergers or acquisitions must deal with the integration of multiple corporate cultures, and for organizations operating internationally, societal cultures – the customs, ideas and behavior of diverse peoples and nations – add further complexity.

The emergence of new ways of getting work done through technology also complicates the management of a company's culture. Culture stems from shared learning and the very nature of the human interactions which engender that learning has shifted in many cases. Working relationships may be transient (in the case of ad hoc teams and contract employees) and may increasingly lack the face-to-face intimacy that can speed the creation of trusting relationships (in the case of employees working remotely). In addition, employees' perceptions of the companies they work for are now shaped by more than traditional, official channels, such as communications from HR and their direct supervisors, but also through company-supported social media and even outside forums such as GlassDoor and LinkedIn, where a company's message and image can be difficult to control. Senior leaders from *culture champion* companies seem particularly attuned to this shift. In fact, 44% of CC leaders cited *workplace transparency* as a challenge to maintain a high-performing culture, compared with just 27% of other respondents.

In addition, some of the same desired outcomes that make having a strong corporate culture so important, such as productivity and employee retention, are directly related to some of the problems cited by our survey respondents as challenges to maintaining that culture. Senior leaders said that *pressure to increase productivity* was the leading challenge to creating and maintaining a positive company culture, followed by the trend of *increasing employee mobility* and *more demanding employees.*

In the face of these challenges, the effective management of corporate culture depends heavily on the attitudes of an organization's senior leaders.

Workplace developments that present challenges for creating a great culture

	CC Leaders	All Other Leaders
Pressure to increase productivity	46%	50%
Workplace transparency	44%	27%
Increased employee mobility (turnover)	40%	42%
Employees working remotely	40%	28%
Integrating mergers and acquisitions	38%	28%

■ CC Leaders ■ All Other Leaders
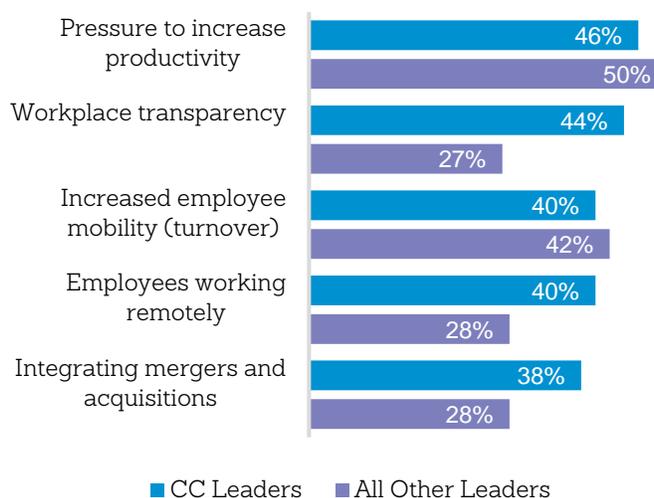
[2] "The Workforce Institute at Kronos and WorkplaceTrends Employee Engagement Lifecycle Series: Who's the Boss of Workplace Culture?". (2016, March 9). Retrieved July 30, 2017, from https://www.kronos.com/about-us/newsroom/whos-boss-workplace-culture-hr-managers-and-employees-disagree-says-new-workforce

Attitudes

As Dale Carnegie is credited with saying, "Our thoughts make us who we are," and CC leaders' thoughts and attitudes are different from their peers' when it comes to corporate culture. Success begins with leaders who believe in the importance of corporate culture, and are convinced of its impact on their organizations' bottom line. When we asked executives about their company's commitment to supporting a high-performing culture, very few said that company culture is *not* a priority. Delving deeper, though, differences in attitudes emerged.

Attitudes toward the impact of corporate culture among senior leaders

	CC Leaders	All Other Leaders
Culture is a priority	95%	94%
Culture has a strong impact on financial performance	92%	58%
Culture has a strong impact on EE	98%	72%
EE has a strong impact on financial performance	92%	67%
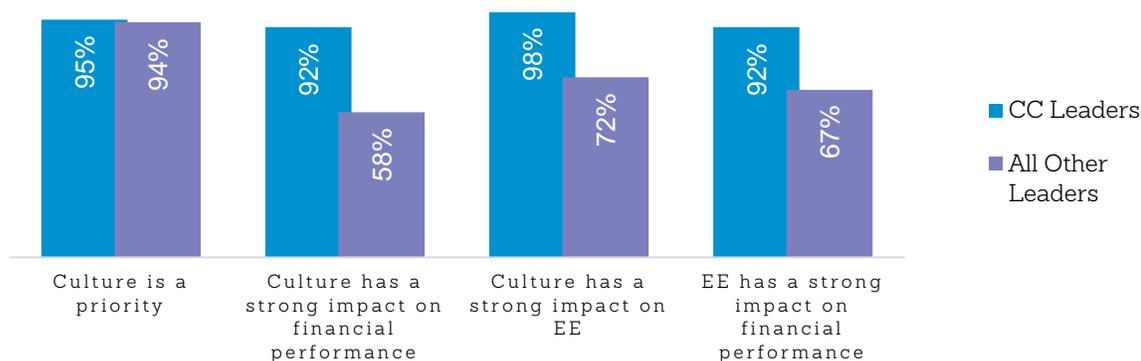
Almost all the leaders in our study from successful companies (92%) believe that culture has a high impact on financial performance or is critical to reaching financial goals. By comparison, just 58% of all other leaders in our study believe that company culture has an important impact on financial outcomes. Since many leaders answer to shareholders who are primarily focused on financial performance, an understanding of this link is imperative. A landmark study by James Heskett, Professor Emeritus at Harvard University, suggests that *as much as half of the difference in operating profit between organizations can be attributed to effective cultures.*[3]

A positive, healthy culture drives financial performance by establishing an environment where employees are motivated and inspired to do their best work, that is, where employees are engaged. In our study, just 2% of leaders from successful organizations said culture had only moderate, slight or no impact on employee engagement (EE) compared with 28% of all other organizations. Said another way, nearly 3 in 10 of those organizations who did not meet criteria for the CC group are handicapped by the mindset that it doesn't really make much difference when it comes to engaging employees.

---

[3] Heskett, J. L. (2012). *The Culture cycle: How to shape the unseen force that transforms performance.* Upper Saddle River, N.J: FT Press.

A similar disparity in attitudes emerged on the financial impact of employee engagement. Ninety-two percent of executives from the group of culture champions believe that having highly-engaged employees has a strong impact on financial performance or is critical to reaching financial goals. Logic suggests the impact is there. From Dale Carnegie & Associates' employee engagement study – disengaged employees are likely to feel anxious, bored and irritated – hardly emotions we'd expect to bring out an individual's best efforts at work. But despite the significant and mounting evidence to the contrary, one third of leaders from the survey from non-high-performing companies said that engagement has only moderate, slight or no impact on financial outcomes.

CC leaders also differed notably from other senior leaders in terms of their perceptions of what they consider extremely important for creating a high-performing culture. They identified *employee training* (64% of CC leaders vs. 32% of all other leaders), *trust in senior leadership* (62% vs. 35%), *strong customer focus* (62% vs. 34%), *clear strategy and goals* (57% vs. 34%) and *encouraging strong relationships between employees and their managers* (57% vs. 30%) as important areas of focus.

Critical areas of focus for creating a high-performing corporate culture according to CC leaders

Providing employee training	64%
Creating a strong customer focus	62%
Developing and maintaining trust in senior leadership	62%
Providing clear strategy and goals	57%
Encouraging strong relationships between employees and their managers	57%

Another notable finding from the survey was that senior leaders from CC companies recognize that creating and maintaining the desired corporate culture is very much an ongoing process. While by definition, these leaders claim to have a strong culture, more than one third of them (35%) also said they currently have room for improvement.

Actions

Actions follow attitudes, so it was no surprise to find that CC leaders, who know how important culture is, are also *doing* something to improve their culture. Here again, one of Dale Carnegie's timeless observations is relevant: "Knowledge is not power until it's applied."

When it comes to specifics, about 84% of executives from leading organizations are currently taking measures to enhance their culture, compared with just 66% of leaders from all other organizations. Effective culture champions look for ways to continuously reinforce the elements that are helping the organization succeed, and to change those that are no longer productive as the competitive environment shifts. The situation differs for every organization, and that means the necessary actions will differ too.

CC companies consistently surpass the others in terms of their performance on the attributes they identified earlier as key elements that drive culture. Sixty percent of CC senior leaders said they are excellent in *providing employee training* (vs. 20% of all others), *creating a strong customer focus* (52% vs. 20%), *conveying clear strategy and goals* (49% vs. 17%) and *encouraging strong relationships between employees and their managers* (51% vs. 17%). CC organizations also more often succeed in *establishing the necessary supportive processes and procedures* that enable their people to affect these key areas in their daily work (56% vs. 17%).

Percentage of senior leaders who report they are currently taking action to improve their corporate culture

84%

66%

- CC Leaders

- All Other Leaders
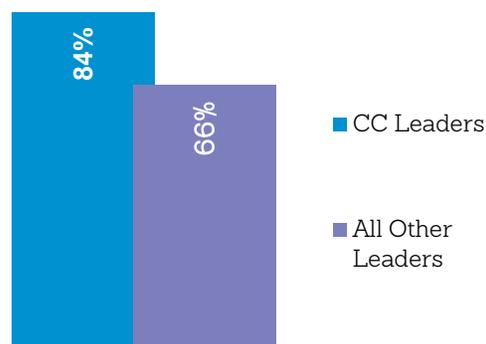
One area where even successful companies struggle is in creating and maintaining trust in senior leadership.

One area, though, where even many CC companies report struggling is in *creating and maintaining trust in senior leadership.* Just under two in five (38%) CC companies say they do an excellent job of it, and fewer than half that number (18%) claim to do so among the other organizations. Anecdotes of well-intentioned companies professing one set of values, while overlooking inconsistencies – even minor ones – in their own senior leaders' decisions and behaviors relating to those same values suggest one explanation for the persistent problem in that area.

When it comes to efforts directly related to engaging employees, there were more similarities than differences between the two groups of organizations. According to executives from all companies in the study, the top three things companies are doing to improve their culture through engaging employees are: *providing developmental training* (43%), *improving workplace conditions*

> CC leaders were significantly more likely than others to have offered flexible work locations and created clear paths for career advancement.

(37%) and *creating clear paths for career advancement* (30%). CC leaders were significantly more likely than others to have *offered flexible work locations* (38% vs. 22% of all others), and *created clear paths for career advancement* (44% vs. 28% of all others).

In terms of effectiveness, outcomes differed, as might be expected. Overall, however, leaders tended to agree that some measures have been more valuable than others. Providing *developmental training, improving workplace conditions, offering more competitive pay and benefits, creating paths to career advancement* and *offering flexible work hours* topped the list for the most successful measures.

Effective culture champions also recognize that whatever they choose to do to strengthen their culture, they can't do it alone. While senior leaders certainly impact culture through their words and actions, leaders throughout the organization reinforce it. When lower level leaders stray, culture silos develop. In fact, of CC leaders in our survey, 46% said that either middle managers or direct supervisors actually have the greatest impact on their company's culture (as opposed to the senior leaders themselves or front-line employees). Those who hope to strengthen their organization's culture must involve leaders at every level.

Even with attitudes in place, actions planned and involvement by leaders at every level, change efforts fail when companies overlook the importance of measuring their progress. Without tracking HR metrics or employee survey results to gauge progress over time, leaders can be misled into assuming that activity will bring the desired results. Whereas measuring employee engagement was part of the criteria for leaders of *culture champion* organizations, only about half (51%) of all other leaders said they do so.

The Bottom Line

If creating a high-performing and engaging corporate culture were easy, the business world would have tired long ago of its obsession with the topic. Instead, it is becoming increasing clear that the spotlight on corporate culture is not misplaced, and in fact should be intensified. Given the impact it has on everything from strategy to employee engagement and financial performance, corporate culture can't be left unattended by senior leaders who hope to win. Organizations are well-served to make it a priority, and while each company must navigate its own unique path toward cultural excellence, there is much to be gained by embracing the right attitudes and studying the successful actions of those who are demonstrating their ability to get it right.