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Culture is a Business Issue

Corporate culture is often thought of as that touchy-feely stuff that is difficult to define and should be left up to Human Resources to manage. For some it conjures images of toys scattered through the office and Segways running up and down the corridors, while some young pierced tech guy sits at his cube jamming out to music while he works. The reality is that culture is a business issue that has significant impact on a venture's ability to generate a return on investment and should be prioritized and measured just like other business objectives such as financial growth, product development, sales, marketing and the like. Culture is defined as the identity and personality of an organization. It consists of the shared thoughts, assumptions, behaviors, and values of the employees and stakeholders. Culture is dynamic, ever-changing, and evolves with time and new experiences. Many factors help drive and define the culture, including leadership styles, policies and procedures (or sometimes lack thereof), titles, hierarchy, as well as the overall demographics and workspace. Culture is not just about having Nerf guns and scooters in the hallway. Culture exists in every organization, whether it is by design or by default.

Venture-backed companies understand the key importance of financial performance. They often live and die by it. The board will generally have stated goals around spending control, revenue generation and/or revenue growth. Culture, on the other hand, is rarely a metric that is monitored or viewed at an organizational level or by the venture companies that back the organization.

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impacting the talent, the product, the clients as well as the revenue, why would a company not measure, review and intentionally nurture something so important and critical to its success?

You don't have to have a name like Google to understand how culture can drive a business strategy. Invodo is a venture-backed company in Austin, Texas, that helps other businesses increase sales through the power of video. Invodo takes pride in its culture, and it intentionally drives and promotes that culture with its new employees. One of the ways it does this is with a scavenger hunt for new employees that they have 30 days to complete. Items on the list include introducing yourself to the five executives of the company and scheduling a lunch with each one of them. Other items on the scavenger hunt include finding out how the company got started, identifying who was the first employee of the company, sitting in on a call with an Enterprise Sales Representative and finding out where the co-founders' favorite coffee spot is located. Also as part of the hunt, new employees have to memorize the Invodo code (company values) and the mission statement. They then recite it at the next quarterly meeting. It is an incredible way to quickly integrate new employees into the organization's cultures and to energize them about the company's mission, vision and values.

In addition to the scavenger hunt, Invodo actively celebrates success by awarding two high-performing employees with the Samurai Sword and the Warrior Spear quarterly. The Samurai Sword is awarded to the Enterprise Sales Representative who closes the most deals in the quarter. The Warrior Spear goes to the Market Developer who earns the most points in a given quarter for setting sales appointments. Both are coveted awards that employees work hard to achieve and other employees rally around to celebrate.

To help promote its culture, Invodo has a Fun Committee. The Fun Committee is a small group of employees who plan everything from the Wet Your Whistle Wednesdays (a themed happy hour event that takes place in the office every other Wednesday) to the annual holiday event.

It's not just fun and games at Invodo. It works hard to deliver great results for its clients and shareholders. As a result it was recently nominated as one of Austin's Best Places to Work, an acknowledgment of its thriving culture, team atmosphere, great benefits and, most importantly, engaged employees. Even more importantly, its revenue and client base are continuing to expand.

For many venture-backed companies, the elements of their culture originated with the founder or other leaders who were instrumental in the early stages of the organization. Sometimes that culture developed through default, while in other companies there was intentional execution to drive and promote the culture. As new leaders come into an organization they often are encouraged to adopt and follow existing practices. Cultures are perpetuated as stories of people and events illustrating the company's core values are retold and celebrated. The benefits of a strong culture can be endless. A strong and thriving culture will:

- establish a foundation for success
- Attract and retain top talent for the organization
- Promote the brand of an organization
- Increase employee engagement

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The organization's culture is the foundation that can promote growth and hinder complacency. For start-up companies, driving the culture in the early stages is important. One of the easiest places to do this is in the hiring practices. Cultural fit has been known to be the biggest reason around employee turnover and management distraction. If an organization hires talent to fit the culture and the desired company values then it has a win-win situation for both the employee and the organization. You can't change who people are at their core. Of course, skills are important; however, if necessary, skill gaps can be closed through training and development.

Hiring decisions are one of the most important decisions that managers are going to make for the organization. For young venture-backed companies, there is often an absence of a hiring process and skills. It is critical that managers receive the appropriate training on interviewing and hiring techniques that will improve their opportunity for success. Additionally, a consistent hiring process partnered with trained managers will minimize the organization's risk as well as help drive the culture. A strong hiring practice will also help in retaining the top talent in the organization. Top talent will quickly become frustrated if they see a pattern of bad hiring.

While people drive the culture, the culture drives the brand…or is it that brand drives the culture? The truth is they are too intimately tied together to discern which comes first. Great companies leverage their culture to promote their brand. Companies such as Zappo's, Southwest Airlines, Disney and Google take pride in their culture and use it to promote who they are as an organization. Every interaction with an employee, a client, or a stakeholder is an opportunity to brand the organization. These very interactions are the ones that over time define and reinforce the organization and the culture that permeates it.

Culture has a tangible impact on employee engagement. Employee engagement is a measure of an employee's commitment to his or her job, team, manager and organization, which results in increased discretionary effort or willingness to go "above and beyond" normal job responsibilities. This level of commitment is critical in the success of early stage companies and also results in the employee's intent to stay with the organization. The primary factor that seems to separate an engaged employee from just a satisfied employee is that the engaged worker consciously puts forth additional effort in a manner that promotes the organization's best interests. Not only does engagement have the potential to significantly affect employee retention, productivity and loyalty, it is also a key link to customer satisfaction, company reputation and overall stakeholder value.

Employee engagement drives workforce productivity. Multiple studies demonstrate how a strong and thriving culture with high employee engagement leads to greater employee productivity. Innovation and creativity are often key to the growth of early stage companies. In a great culture where new ideas are respected, and mistakes are viewed as opportunities for learning, employees can actually enjoy their work and be energized by the environment around them. They are naturally more productive because they are eager to be part of a company where they feel valued and their contribution matters. It is a simple concept, but happy employees make for happy, successful companies.

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worked hard to develop. Culture, like the brand, becomes the fabric of an organization. The stronger the culture and the brand, the more difficult it is for competitors to pose a threat to the organization.

Treehouse Island, Inc. is a venture-backed company based in Orlando, Florida, that believes that education can be fun and entertaining. It hopes to change the world by delivering high-quality skills that are in demand right now, such as web design, development and iOS, all at an affordable price. It may not have a Wet Your Whistle Wednesday like Invodo, but it does have Thirsty Thursdays, which it refers to as a "Chill the Heck Out" event. This offsite happy hour is but one opportunity for employees to get together and socialize. These and other company events are posted on a Culture Calendar, or for a more interactive experience, colleagues can connect virtually in the campfire chat room. Other items on the Culture Calendar include Improv night, group gatherings, potlucks and even contests. Recently it held a challenge for the employees to design a nemesis for its company mascot, Mike the Frog.

At Treehouse, you will find Nerf guns, Legos, flying miniature helicopters and some strange decorative art. Aside from the rich benefit package and a free lunch every day, Treehouse pays a full salary for a four-day workweek. They don't work Fridays...ever. Currently Treehouse has around 40 employees but is adding one or two new employees each week. With rapid growth, it is easy for the culture to shift if someone isn't intentionally driving it. Treehouse acknowledges that its founder, Ryan Carson, is the principal driver of the culture, but it has also empowered other team members. It has colleagues charged with driving internal culture and the external culture and social branding of the organization. In light of its rapid growth, one of the ways it manages its culture is through a comprehensive on-boarding process that places special emphasis on integrating and engaging remote employees. It leverages the campfire chat room and other avenues of social media to connect with colleagues that aren't located in the same physical space. Treehouse has put significant and intentional effort into developing its people and culture. As a result, Treehouse continues to grow and be a place that attracts fresh talent. In the last six months, its revenue has grown by 150%.

Both Invodo and Treehouse have established a strong foundation to become enduring companies over the long term by leveraging their culture as a key competitive advantage and strategy. However, culture alone, will not guarantee success.

Emotional Canine, whose name has been changed to protect the guilty, was one of those not so happy endings. Emotional Canine was a startup company that thought it had the next greatest idea. It too believed in the value of a thriving corporate culture. It hadn't even run its first payroll and it hired a Cultural Officer for the organization. It strategized about its culture, hiring practices and the vision of the organization for weeks on end. It worked hard to mold the culture and drive others to embrace the values it had espoused. In the end, Emotional Canine probably spent too much time focusing on its culture and not near enough on its actual business plan. A great culture can only get you so far; it doesn't ensure the success of a business strategy that doesn't make any sense.

Like Emotional Canine, there are plenty of venture- backed companies that think they are the next big thing with a cool new product. Many of these companies are focused on the short-term results but don't stand for anything meaningful for the long- term. If they want to create a success Chat with Sales

If an organization finds that it has not proactively established its culture or that the culture is not aligned with the organization's values, there is hope. Culture is deeply rooted and doesn't change easily, but leaders can manage and influence it. If a venture- backed company wants to focus on creating a strong culture within its organization, the best place to start that journey is with the leadership. Leaders should personally examine how they can exemplify the importance of building a strong culture that supports the business's initiatives and personally commit to promoting a workplace that supports top talent. Here are a few simple ideas to get started:

- Culture starts with the organization's leaders. Employees model the behaviors of leaders. It is important to keep in mind that leadership and management are two different things. Leadership has to do with the character and behavior of the individual and how they influence the behavior of others and may not have any relationship with positional authority or the reporting structure. True leaders lead their peers, their subordinates and can also lead those above them. Management has more to do with positional authority and job responsibilities. The way people and teams are managed says a lot about the organization. When focusing on culture, focus on the company's leaders as well as managers in order to have the most influence.

- Create alignment between values and behavior. Successful cultures assimilate the mission, vision and core values of the organization. Companies with successful cultures are clear about their purpose, what they stand for, what they believe in, whom their customers are and whom they want to become. Additionally, it is critical that the products, policies and behaviors of the organization align with the stated values. A company's values should do more than just live inside a PowerPoint. They should be brought to life in the people, events, products, space and the stories that are told. They should be used in selecting the right talent and in managing and developing that talent.

- Alignment between business goals and individual objectives is critical to success. Business goals should be clearly communicated at every level within the organization. Regardless of the position, all employees should understand how their own individual goals and expectations align with the company's strategic goals. It is important that employees can articulate what the organization is trying to achieve and how they fit into that picture. Employees want to be part of an organization that is moving forward, and they appreciate knowing how their efforts should be directed and how they have an impact.

- Heroes and superstars should be encouraged and celebrated. Celebrating and rewarding achievement will drive others to success. Invodo recognized this with its Samurai Sword and Warrior Spear. Recognizing heroes isn't just about having an employee of the month program, however; it is about

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- Focus on learning and development within all levels of the organization. Learning should be a continuous process for each individual and should demonstrate value and ROI over time. It is important to invest in employees for further growth and development in their career in order to grow the talent pool and capabilities of the organization. Significant shifts in the economic, technological and social fronts over the past years have forced talent to confront new challenges and opportunities. Organizations that foster a learning environment and train their people to properly address those challenges develop a competitive advantage. Creating a culture where learning is valued can be seen as a strategic advantage for the organization.

- Incentivize culture alignment. For example, if customer service is a core value, implement mechanisms to measure such service and reward employees for exceptional results. Likewise, if innovation and creativity are a priority, reward employee contributions to development of new products, improvement to existing processes or other key areas of focus for the organization. Incentive compensation should drive employee behavior and results that align with the company's core values. If it doesn't then the organization is wasting its money.

- Strive to promote trust by operating with honesty and transparency. A transparent organization is one where the company takes proactive measures to ensure that employees know what is going on and it welcomes employee feedback. It does not require that the company act on every recommendation but rather that the company is open to dialogue. Town hall meetings, company newsletters and informal fireside chats are some of the simple ways that small companies can promote transparency and trust.

Is the culture a product of design or default? Traditionally, venture capital firms have not focused on identifying or measuring the culture of their portfolio companies. As culture drives the financial performance of the firm, there should be specific, measurable goals around culture, just like other key performance indicators. Each new venture has a set of values and a culture, whether or not it was intentionally engineered. Organizations should endeavor to create a business strategy to communicate, cultivate and measure the culture to drive business performance. The growth and productivity of a venture is dependent on having an aligned workforce that can innovate, execute, and meet designated targets. A thriving culture that engages the workforce will generate a return on investment through the success of the organization's product, people, customers and brand.

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