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"BRINGING BUSINESS TO THE BLUE RIDGE REGION OF VIRGINIA"

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## Defining corporate culture

By [Deborah Nason](#)

After the downsizing, the process improvement, the budget-slashing and more, what does a company have left to compete with? For thriving companies in the region, and those that aspire to be like them, the secret weapon is organizational culture.

Two of Roanoke's well-known success stories, Advance Auto Parts and Thomas Rutherford Inc., have recently committed to explicitly defining and articulating their respective cultures; while the Wather G. Mason Center for Business Development at Lynchburg College is in the midst of a new initiative to assess the organizational culture and leadership of a number of Lynchburg area companies.

Why is organizational culture important? For one thing, it can impede or foster progress. "Too often people focus on the technological solutions and they overlook the people elements, [which in turn] makes it difficult to sustain the technological changes," says Laura Rathburn, statewide practice manager for people systems services for the Virginia's Philpott Manufacturing Extension Partnership. "We're trying to integrate the soft skills into the technological solution—we're in the forefront of doing this."

Rathburn lists a number of warning signs that suggest a dysfunctional organizational culture: high employee turnover, low morale, high absenteeism; and numerous grievances, complaints (from employees and customers), or accidents. Even quality is affected, she says, in a "general not caring about the company; and employees [not having] a good understanding of processes and how to follow them."

Patrick Morin, president of DD&H Consulting in Lynchburg, adds several other indicators of possible cultural distress: "When a company finds itself stagnating, less efficient, or less fun; when the numbers are not keeping up with competitors; or when the company is not keeping up with technology or educating employees."

But when a business has a culture that works, it rocks. Rutherford has grown from \$7 million in revenues to more than \$40 million over the past 10 years (19 percent average annual growth). Its 2005 annual report crows "We have been able to preserve and strengthen our culture along the way," says John Parrott, senior vice president and Roanoke division manager. The 51st largest insurance brokerage in the U.S., Rutherford has also experienced only three percent annual employee turnover over the last 10 years.

Non-profits can have high performance cultures too. "If we were a business, we'd be kicking butt," says Joe Sgroi, director of human resources for the Roanoke County. He points out that the Board of Supervisors recently voted to reduce the real estate tax rate, "[proving] our government services must be profitable."

Employees of Roanoke County pride themselves on working "cheaper, faster, better," he says. But what pressure could a non-profit be under? "Compared to the private sector, we're more under the microscope," says Sgroi. He adds that the organization needs to be nimble in order to respond to challenges such as unfunded mandates.

Employee turnover is 11 percent, he says, compared to 15 percent nationally for state and local governments; the average employee has nearly 10 years of service. With more than 1,000 employees, there were only three grievances filed last year. The last citizen survey, administered in 2001, showed a citizens satisfaction level of over 93 percent, versus 60 percent for peer counties.

Sgroi describes the norms of the county's culture as: "an expectation, especially among management, of cooperation, adaptability and flexibility." There is also an expectation of employee "engagement," which he defines as "happy, helpful, positive, and service-oriented." The reward is not pay, he says, "but having someone say 'we appreciate your idea and we're going to put it in place.'"

Companies such as Roanoke-based Advance Auto Parts deem culture to be so important, that they have taken steps to codify it. Keith Oreson, senior vice president of human resources, says the company's leadership team was recently surveyed to describe the Advance culture. The results:

- \* "We care about our team members/family/community.
- \* "We have a strong focus on the customer.
- \* "We are very results-oriented, whether on sales, profit, etc.
- \* "We strive to have integrity in everything we do.
- \* "We have a tremendous sense of pride in our accomplishments and in being part of the organization."

Similarly, Rutherford leaders, in a recent strategic planning exercise, indicated that culture was in the top five in their list of "what we do well and what we want to continue to do well," says Parrott.

"If we keep growing at about 20 percent a year, we recognize the need to continue to focus on nurturing and developing our culture," he says. "It's one thing to have a great culture and 25 employees, but it's another thing at 200 or 500 employees." To that end, the company has decided to "identify the culture and put it in writing to recognize the importance it has played in our success."

DD&H's Morin, a specialist in organizational culture consulting, is a champion of clearly articulated statements of culture. In 2003, he led a culture change intervention for a 650-employee real estate investment and management company. One result of the six-month process was a wallet-sized brochure (based on the Ritz-Carlton model) containing the company's mission, motto, "Employee Promise," "Three Steps of Personal Service," and "Basics" (21 of them).

These statements serve, in part, to reinforce the desired changes in individual behavior. For example, Basic Number 10 states: "Each employee is empowered to address and resolve customer issues even if it requires breaking away from one's regular duties."

Morin says that employee turnover rates dropped 57 percent after the intervention. Organizational change is deeply complex, however. "There's a myth of change," says Reginald Shareef. "It's almost politically incorrect not to talk about it. But there's a comfort level with staying with the known. Even though it's totally dysfunctional, we're socialized to it. The values become so ingrained, that when you introduce something new, it's like an act of disloyalty." He is a professor of political science and public administration at Radford University, specializing in organizational behavior and change.

Shareef cites a particularly vexing model, the egocentric organization, where "everything revolves around a few people. They think they know everything, and they don't listen to anyone."

Individual cultural perspectives need to be recognized as well. When making sense of an organization, he says, it is important to look through the lenses of geography, culture, gender and cultural norms. "Women, for example, have been 'acculturated' to be quiet. With Blacks, it's the same problem." "Identity construction" is another issue, he says, meaning, "We're able to do what we can see ourselves doing."

Ultimately, compensation is the most important ingredient, says Shareef. "Everyone starts out with a mission statement," he says, but if you're looking to change culture, "unless you tie it to compensation, people don't change behaviors. More culture change interventions fail because they continue to reward people for other behaviors. Talk about participative management all day, but if you reward autocratic, egocentric behavior, that is what you will get."

At Advance Auto Parts, managers are considered a critical element of a high performance culture. "The immediate supervisor has the most influence on a person's desire to stay with the company, and on [his or her] level of engagement and productivity," says Oreson. He adds that managers' bonuses are linked to employee engagement. "We are in the process of defining the behavioral expectations of what any manager should be doing to support the culture.."

Rutherford has taken several innovative approaches to nurturing its progressive culture over the years. In 1991, the company implemented an employee stock ownership plan (ESOP). "It enables people to think like an owner," says Parrott. "If we didn't already have a really strong employee-focused culture, we wouldn't have done it. It makes [employees] more passionate about what they do. Clients and prospects have reported this."

Other activities include sending support staff for a long weekend at the beach (their responsibilities are covered by the executives), and quarterly communication meetings, where leaders share financial data, new company initiatives, investments; and recognize "big wins" and individual accomplishments.

"Changing culture is not like changing products-it's changing habits," says Lee Schimmoeller, who teaches management at Lynchburg College. He warns, "You have to be careful of what you measure, because that's what gets improved." A former mechanical engineer and tank designer, he is working on a doctoral dissertation focused on leadership and corporate culture. Change requires attention in several areas, he says, including:

- \* Rewards. What behaviors are being rewarded?
- \* Symbols, such as titles (VP of Finance, but manager of QC) and who gets the nice offices?
- \* What gets talked about? "What's the first thing that comes out of a leader's mouth when addressing employees?"
- \* Setting behavioral examples, even in small actions.
- \* Changing business processes. "It's hard to get people doing the same job to do it differently," he says. "It's more effective to get them to do a different job."
- \* Socialization.

Morin advises vigilance in reinforcement. "It's a constant, constant reminder. There has to be a reward though-and the strongest reward is esprit de corps. If you only reward with money, you have a culture of mercenaries."

(Deborah Nason is a Roanoke-based freelance writer.)

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