



Don't ignore the culture club

In a business world awash with private funding and an insatiable appetite from shareholders of public companies for increasing returns year on year, is culture still seen as a priority by current business leaders? **Tim Clouting** of Savannah asked a group of sector leaders for their thoughts

It's been said that if culture eats strategy for breakfast, then it gets its appetite from purpose. If you don't, therefore, stand for something, you stand for nothing – a very dangerous place to be for any organisation.

At our latest boardroom lunch we discussed the active management of culture.

The CEO of a leading casual-dining business discussed how organisations grow and change over time. As they mature, they often require new leadership, as long-term employees (who have always acted in a certain way) are often the most resistant to change. It is healthy for business to evolve, and things shouldn't stay the same. Your values should remain stable but you should be able to evolve as an organisation, and culture is central to doing that successfully.

A portfolio chairman from within the hospitality sector commented that culture and strategy are inherently entwined. One was not more important than the other, they were opposite sides of the same coin, and an organisation could not truly reach its full potential unless both were in balance with one another, one supporting the other and vice versa.

In his view, when comparing the different dynamics at play between the retail sector and the hospitality sector, he felt there was a much stronger focus on culture and service in the hospitality space.

The leader of one large UK multi-site casual-dining organisation outlined the importance of culture to its rapid growth over the past 10 years. While he recognised that the culture changed as the company expanded, getting bigger didn't mean the change had a negative impact on the culture. Conversely, as the business grew, the senior team ensured it continually reinforced the original values of the brand. Sometimes you also had to let senior people go, those who were too tied to 'how things used to be', or if the business had outgrown its capability.

Dysfunctional companies

We also discussed the issue of where culture sits in a business's priorities and how much time leaders, particularly in turnaround environments, can spend motivating teams.

A CEO of a sizable private equity-backed hospitality business (acquired from the original founders) spoke of the challenge of uncovering a culture that inherently didn't value its people.

Not only was the culture of the brand dysfunctional, there was very little infrastructure, systems or process. Decisions had always been made by the founders, so

No 1 in team: the most successful organisations over a long period have enjoyed a thriving culture



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their exit created a void of indecision.

In a worsening market, he had worked hard to try to create trust with the old team while formulating a new vision and strategy. He'd tried incredibly hard to create a new culture and build a talent pipeline, but it had been extremely difficult, as he's had to build from the top down as well as bottom up. This has slowed his transformation/growth plan as systems/processes and trust needed to be built over time and couldn't be created overnight.

The dysfunctional culture has made everything harder and slower to implement. A strong, clear culture helped enable a business 'to sing'.

One non-executive director said he had worked for a large FTSE organisation that had a 'do as I tell you' culture, driven by a domineering CEO. Over time, most of the really talented people left, as they wanted to contribute, to add value and not just implement (conversely all the more average people stayed a long time and progressed into senior leadership positions). There was no debate, no one capable of thinking for themselves or challenging the CEO. As the share price continued northwards the board became rather too comfortable and failed to challenge new ideas, deferring to the expertise of the successful CEO. Everything was geared towards getting the numbers in the right place. However, when that CEO moved on, a lack of investment over many years quickly caught up with the organisation and it was soon plunged in to crisis and various profit warnings. Culture and purpose were, therefore, critical for the long-term health of a brand and you ignore it at your peril.

Perhaps, however, he commented this was simply a natural by-product of society's

obsession on immediate success, where CEOs were given less time to deliver results.

Working for the love of it

A partner of a large US-based private equity fund was asked whether they ever discussed the importance (or value) of culture. He said they didn't because it was difficult to truly assess at due diligence stage and therefore impossible to place a value on it. In assessing whether to buy a new asset, he said you could evaluate whether it was a well-run company or not, but that was really all you were focused on.

The founder of a multibillion-pound leisure organisation talked about how he'd set out to create the type of business he would have loved to work in (as a younger man). Over 20 years, the senior team had largely stuck together and all made a lot of money. They now worked for the love of it rather than the cheque. He was happy to share the wealth creation throughout the entire organisation.

The CEO of a sizable hospitality organisation talked of the importance of keeping their employees absolutely at the forefront of their decisions. The whole senior executive team would 'adopt a business unit' every other Friday where the team would work in one of the units, talk, listen and engage with those on the front line. Out of this, they could take what they learned and that allowed them to make improvements that really started to make a difference, from their induction and appraisal processes, through to shift patterns and working environment. They are currently looking at getting rid of their twice-yearly appraisal process and replacing with empowering/mentoring sessions instead.

Results focus often prioritised

Going back to the quote at the start of this article, it seems from the perspectives in the room that while the long-term benefits of a positive culture are clear to see, in the short-term, a focus on delivering results and value to shareholders will often be prioritised. Yet, the most successful organisations over a sustained period always have clear purpose and a strong thriving culture. Without due care and attention, it was all too easy to see this erode, sometimes acting as the first step to terminal decline and extinction. The majority of people want to work for an organisation where they are valued, have clear direction and a sense of purpose. It is those businesses, when combined with a compelling strategy, that truly stand out and will win the war.

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