



NEXT GENERATION CULTURE BUILDING IN TRAVEL, HOSPITALITY AND LEISURE:

“Does Culture still eat strategy for breakfast”?

Five years ago, we met with leading figures from the travel, hospitality and leisure sectors at one of our quarterly Boardroom Lunches and the topic of conversation turned to the relevancy of Peter Drucker’s famous quote: “Culture eats strategy for breakfast” - and whether that was becoming more, or less, true, as the pace of change accelerated.

That now seems like a lifetime ago.

In the intervening period, organisations have had to weather an endless storm of disruption from lockdowns, staff shortages, supply chain challenges, inflationary pressures and spiralling energy costs. So, when we recently reconvened for another boardroom event, we wanted to find out if and how perspectives had changed.

Was culture more, or less important, now than it was before? In what ways was it different? Have company cultures got stronger or weaker? And do chairs, non-executive directors and investors genuinely care about the culture their CEOs foster, if they are delivering financial results or shareholder returns?

These are some of the questions we put to our guests. Highlights of the ensuing discussion are shared below.

Can you put a price on culture?

One of the private equity partners told us that they increasingly examine cultural factors when considering whether to invest. How low is employee turnover? Does the company score well for employee satisfaction? Happy employees, the thinking goes, equals satisfied customers – and satisfied customers help drive a healthy bottom line. In this sense, culture can be a good indicator of the underlying health of a business. So while it’s hard to put a monetary price on culture, it is an ever more important part of their thinking when they come to invest.

“It’s rare that a business with a bad culture succeeds over a long period of time.”

Covid: the good and the bad

Talk turned inescapably to the pandemic and its impact on organisations and employees. Some of our guests maintained that culture performed a critical role throughout the darkest days of 2020 and 2021. Covid took a disproportionate toll on the leisure, travel and hospitality industries, leaving many workers exhausted and burned out, particularly at senior levels who were battling never before seen challenges while vast swathes of the frontline were on furlough. A strong company culture was one thing that could pull people through.

“Culture does not guarantee financial performance, but it does help to preserve it.”

At the same time, Covid has made culture-building harder than ever. We may all have adapted to remote working, but some of the culture issues it raises remain unresolved. How do you create a distinctive work environment when everyone’s work environment is different? How do you establish bonds between team members? How do you integrate new employees and cultivate talent? How do you manage the board effectively when you have only ever met them virtually. As executive fatigue is becoming more of a “thing”, a strong culture can carry those people through the tough times, albeit it was voiced in several quarters how many boards and executive teams probably need to be refreshed.

Everything is out in the open now

One major shift over recent years is how visible and talked about culture has become. Ten years ago, anyone outside an organisation would have struggled to get a sense of what it was like on the inside, apart from anecdotal evidence. Now it’s all too easy. Glassdoor may not be entirely trustworthy, but it does offer a much-viewed window into day-to-day company life.

Another private equity partner, mentioned how he and his colleagues recently scheduled a meeting with a prospective company acquisition, to talk specifically about the Glassdoor results of the company. Likewise, candidates will look at Glassdoor and similar sites and dig much deeper than they might have historically done, when deciding whether to apply or accept offers of employment. Companies with poor or unhappy cultures and a high turnover of staff, no longer have anywhere to hide.

How culture can impact hiring and growth

People are getting pickier about where they work. Gen Z candidates, who make up an increasingly large proportion of the workforce, tend to have higher expectations of employers than those of previous generations. If you want to attract and retain the best talent, having a strong culture is key.

This becomes particularly important in times of rapid growth. As one Chairman pointed out, companies with poor cultures struggle to scale at speed because they simply cannot hire the people they need quickly enough, or the most talented executives, and neither can they retain them in sufficient numbers.

This aspect is not restricted to the executive ranks and several attendees shared stories of how they weighed up potential board opportunities based on the culture of the company and calibre of the NEDs and Executive Team. One plural board chairman described how he would now only take on a chair role with a new organisation if he felt he could add value, but as importantly, liked the people and thought that the experience would be enjoyable.

“I need to like the people on first meeting them, but feel that I can fall in love with them over time.”



Expand equity to increase engagement

Can you strengthen culture by giving employees a greater stake in company success? Several of our attendees certainly thought so. One CEO of a private equity-backed leisure firm described how they had attempted to drive equity as far down the business as they could rather than concentrating it in a handful of C-suite roles. The general managers of all their clubs across Europe are now equity holders. This has had a positive effect not just on engagement and retention but also on financial performance, as managers felt a greater sense of ownership over their P&Ls.

“When people have equity in the business, they become more bought into the company culture, not just mentally but emotionally as well.”

Final thoughts

It is an exciting and challenging time for the travel, hospitality and leisure sectors. After three years of facing existential crises, some executives are close to breaking point while others are enjoying a resurgence in their fortunes. Can we still say that culture eats strategy for breakfast? It's probably more accurate to say that they're intertwined and a business cannot reach its full potential relying on one over the other. But a strong culture in an organisation, with a clear purpose and meaningful values, undoubtedly helps organisations survive and thrive by energising and uniting employees, increasing employee engagement, and convincing talented leaders to join the organisation and to remain and grow with it.

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