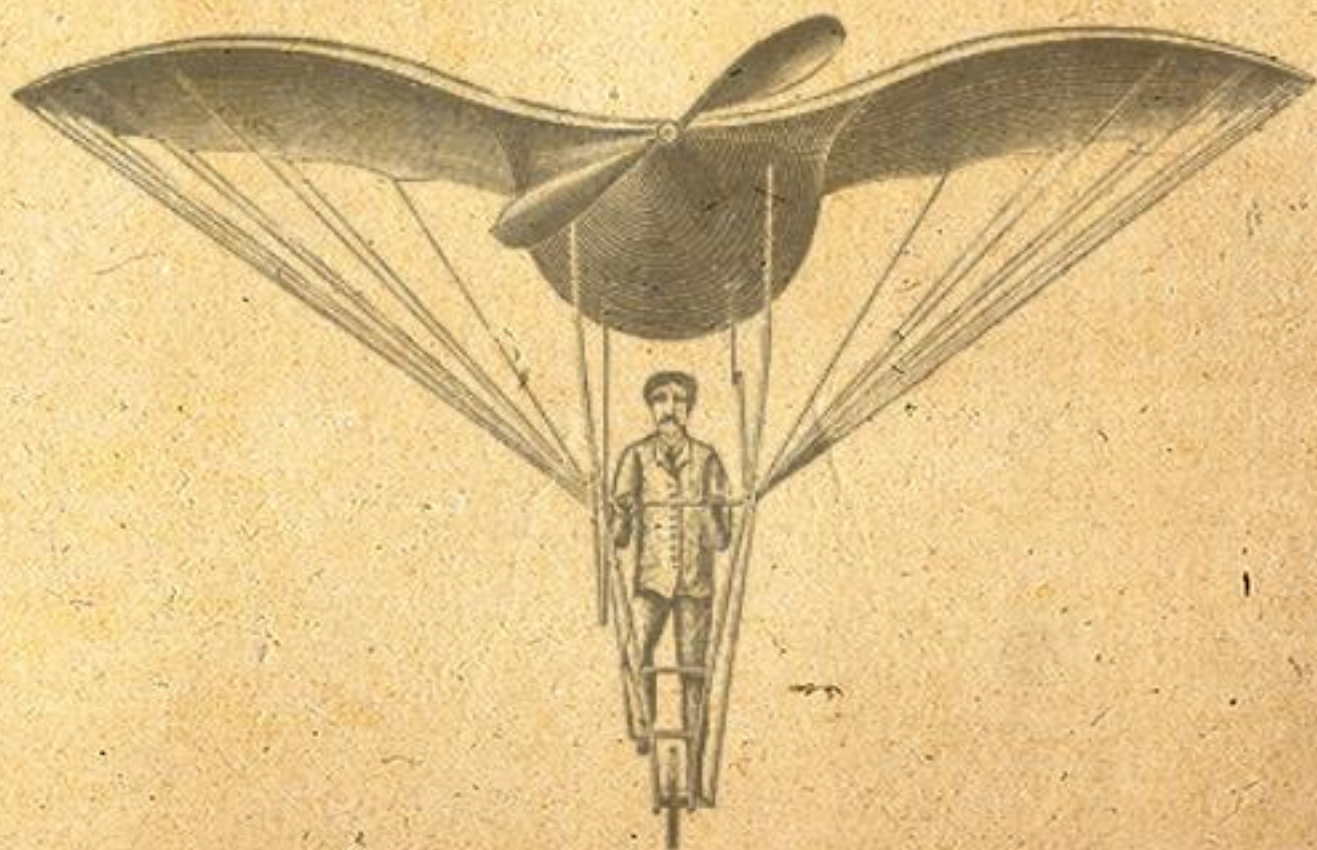


CULTURAL RAMBLINGS

TEN OBSERVATIONS ON COMPANY CULTURE



By

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Introduction

The other day I was having a chat with a fellow entrepreneur here in town, and one of the many topics we bantered about was “culture.” Specifically, culture in early-stage companies. Those that know me personally can attest to the extreme importance I place on culture, and subsequently the level of passion at which I invest in it. After a while, he made the suggestion that I write all of my ramblings into some semblance of a coherent post here on the Pothole.

Of course, being of unsound mind and several beers, and given that he was interrupting my verbal stream of arcane yet profound mutterings about some business model or another, I dismissed the idea and kept on yapping. This cycle repeated itself several times, and I capitulated only after I was exhausted, out of breath, and clinging to the edge of the table to keep myself from spinning into a frenzy. Something like that. So, here goes nothing.

Now, technically speaking, everyone is inherently qualified to write about their observations (and even their views) on “culture.” These are simply mine. Right, wrong, or indifferent by anyone else’s standards, the views I present here were shaped over the years, from having worked in companies of all sizes (from Fortune 500 to startups to turnarounds to the military), and across at least a dozen different industries.

My aim here is to share my observations on companies and founders that can honestly say that “culture” is a strategic advantage, and those where it works against the company’s goals. This is not a magic list of the things you need to have in your culture. No such thing exists.

Tenet #1: There is no such thing as a “bad culture” in a successful company.

Nope. Doesn't exist. Anywhere. There isn't one single successful company on the face of the planet that has a bad culture.

Before I go further with this notion, I should frame this a bit. Any culture, if it doesn't support the business in a positive way, is of course, bad. I am referring to the context of company culture as viewed by, and pertaining to, the individual employee here. If the company is a successful one, then the culture works – at least at a macro level.

Cultures don't fit into people – people fit into cultures. You see, any culture can theoretically “work”, provided you populate it with people who can thrive within the resulting environment. A company could have a culture of physically beating people with whips, in an office where the heat is permanently set to 105 degrees and Barry Manilow is blasted 24x7, and you could still find enough people in the world who would want to work there, and who could thrive there (although in this particular example, it might take you a while to get a critical mass of employees who want to drink that Kool-Aid). And if that company is doing well, then they don't have a bad culture. Just one that might not be right for a particular person.

Think of the “worst” *successful* company for which you've worked. No, not that one. The one that you and your friends have deemed to have a “seriously WTF?” culture. You likely aren't working there anymore. But someone stayed when you left. And someone took your place when you cleared out your locker and swore you'd never play football again. Someone that you thought was a complete “idiot” got a great promotion. Whether that person was truly an idiot or not is beside the point here. Was the company's culture a “bad” one? Absolutely not. It simply wasn't the right one for you.

I started my career by working in really big companies – because that's what everyone told me I should do, I guess. At some point, I realized that a stereotypical “big company” culture was not going to be a vehicle that would facilitate my success. Were those “bad” company cultures? Nope – absolutely not. There were (and still are) plenty of people who prefer that sort of thing. They've done quite well for themselves.

So, please stop saying that “Johnny's company has a sucky culture.” That simply isn't true – assuming Johnny's company is a successful one (or at least headed in the right direction.)

Tenet #2: Culture is really agriculture

Culture, in a business context, is defined by the good Noah Webster and Charles Merriam as:

“the set of shared attitudes, values, goals, and practices that characterizes an institution or organization”

The key word here being “shared.” If the culture isn’t “shared”, well ... I wouldn’t want to be you. As a founder, your job is not necessarily to “dictate” your culture, but to “facilitate” it. You facilitate it by seeding it, and nurturing it- much like a gardener. Both are accomplished by hiring the right way, and walking the walk yourself, as a founder. It’s just that simple.

Prize winning tomatoes aren’t going to arise if other plants are siphoning off precious nutrients from the soil. If you don’t want pumpkins growing in your tomato patch, then don’t plant them to begin with (keeping in mind that a person who needs a job may very well look you in the eye and tell you that they are a tomato, when in fact, they are a pumpkin in disguise.)

Or, we can fall back to the cliché of the sports analogy, this one shared with me by @Unblakeable. As legendary NFL coach Bill Parcells once said “You are what your record says you are.”

If weeds sprout up along the way, then pull ’em. Weeds have never, nor will they ever, magically morph into tomato plants. You have to become a proactive gardener.

So how do you serve as a proactive gardener for your company? Well, I suppose there are a variety of ways to approach this. However, a reasonable start would be to fire unhappy employees. Not doing so can be akin to knowingly planting a dandelion right in the middle of your garden – nothing good can come from it remaining there.

Now, before you start sending me emails or comments about this, please allow me to clarify a few things. When I say “unhappy”, I am not referring to someone who is having a bad day, or even a bad stretch. I’m talking about people who are fundamentally unhappy with being there in the first place. And I’m not espousing being a hard-ass and patrolling the halls. Sit down with them. Explain the lay of the land. Offer to help find them another job through your own network in a place where they will thrive. Most seriously unhappy employees will handle that message just fine, and then they’re more likely to leave as your ally rather than your pundit.

As with everything you do, the manner in which you choose to become a proactive gardener will affect your culture. This is an incredibly pivotal dimension.

Tenet #3: Culture is shared, not owned

A successful company culture isn't "owned" by anyone. It is simply part of the fabric. When I say "successful", again, I am not referring to a culture that a given person will necessarily "like." I'm referring to a culture which contributes directly or indirectly to the bottom line, and is considered a vital asset to a company's long-term success because it helps to move the needle in the right direction.

I get a kick out of seeing companies that have "Chief Culture Officers." Are you serious? WTF? Companies need people to manage customers, projects, capital, and human resources – not culture. When culture becomes something that is over-monitored, with people fiddling with knobs and levers, it loses some things incredibly vital in terms of cultural "DNA" – sincerity and trust. You may as well just stick a fork in it ... it's done.

Look around. Are your colleagues in a natural fervor about your product? Your customers? Your momentum? Do your customers get giddy about your product releases? Are your best and loudest evangelists unaffiliated with the founders and the company? If not, there is no magic Chief Culture anything that is going to fix that.

-1 style points if you have a Chief Culture Officer.

Tenet #4: Culture is more important than talent

Employees that have cultural buy-in produce more horsepower and velocity. It has been my experience that this holds true even when an employee has an average skill set. The math is pretty simple here. And employees can and will lose that velocity if there is a negative shift in the cultural landscape. 'Tis simply human nature.

I've long held the belief that "passion nearly always defeats talent." Anyone who has played football, and faced a team with far superior talent, no doubt heard similar things from their coach. Queue up your favorite football motivational phrase here.

- 11 players, 1 heartbeat
- Talk with your pads, play with your heart
- Hustle and heart are what set us apart

I'm a lifelong fan of the Alabama Crimson Tide. Growing up, coach Paul "Bear" Bryant was second only to God in my house (and community, frankly). My basement man-cave is a veritable shrine to the man. One of my favorite pieces of memorabilia is a plaque hanging near my pool table. You may be familiar with the Bryant quote it contains:

If you believe in yourself and have dedication and pride – and never quit, you'll be a winner. The price of victory is high but so are the rewards.

He's talking about passion and culture, folks – not talent. Nowhere in there did Bryant say "oh, and you have to be an incredible football player or this doesn't work."

Bryant also put it another way:

I think the most important thing of all for any team is a winning attitude. The coaches must have it. The players must have it. The student body must have it. If you have dedicated players who believe in themselves, you don't need a lot of talent.

Rockstars are great, no doubt. A great many companies are capable of attracting rockstars, and indeed, there exist rockstars that can thrive in any given culture. However, the right talent alone is not guaranteed to further your culture. I would rather have a room full of mediocre talent that is unified in a common, shared culture than a roomful of rockstars who can't function for more than 15 minutes together. If you can hire a roomful of rockstars that all share your culture and can productively coexist, consider yourself very lucky – it doesn't happen very often.

Attracting talent is one thing. Retention of that talent through cultural buy-in is one chasm that I often see companies fail to cross. The inability to retain top talent can be an indicator that your culture (and vision) isn't shared. Mistakes made here will cause an inordinate amount of trickle-down issues over time, including a systemic destruction of your desired culture. And that breaks everything else.

Tenet #5: Management, please bring good walking shoes

The proverbial “walk the walk.” Sadly, there are people in the world who suffer from a severe case of the “do as I say, not as I do” syndrome. My Dad tried that business with me and it doesn’t work, trust me (kidding Pop – RIP). Founders that insist on behaviors other than the ones they exhibit are doomed to appear on the negative end of a Harvard Review Case Study. Oh, it’s still technically a culture, but it’s a culture of promoting dishonesty, laziness, and a host of other undesirable things.

I once worked for a guy who insisted that employees stay focused on the tasks and goals at hand. Focus, focus, focus! Noble, and I don’t think any rational person would disagree with that statement. Unfortunately, this routinely fell apart due to the founder’s propensity for bogarting everyone’s time during the day, evangelizing and constantly expanding his vision – which simply added more work. Fatal disconnect. And while I can’t believe I just dropped a stoner term in a blog post, the point remains. The founder made it impossible for his employees to satisfy this aspect of his desired culture.

A friend of mine shared with me the story of a company he worked for here in Atlanta back in the dot com days. The founder was a great guy – very well-liked across the organization. However, he insisted on everyone working late into the night to reach stretch goals while he was out partying. WTF? If you aren’t present and engaged (in the right way), that’s a heaping bowl of Fail Flakes.

As a contrast to the previous example, a Florida-based company I am familiar with had a very “party-centric” culture (founder included). They were incredibly successful in their time. Shared culture with an engaged founder. It wasn’t about the partying.

Extreme examples, but you get the point. Not walking the walk is the proverbial “two steps back” for every step of progress made.

Tenet #6: Lemming cultures are doomed to fail

Companies that lack a unified culture are often the ones that are the least malleable. This makes them far less likely to adjust to changing business needs, or in extreme circumstances, to re-invent themselves. Investors need to look very hard at what culture is being fostered before opening their wallets. Even the most flawed organization can still post great gains – to a point. But then what? Eventually, there is a chasm to cross. If everyone is leaping to their own drumbeat, well ... I call that a “lemming” culture. Wheeee!

To cross those key phase lines in a company’s evolution, everyone better be building a bridge – together – not flinging themselves off into the abyss thinking they are doing the right thing because they have no frame of reference. If your culture isn’t making this happen organically, then there’s some strange things afoot at the Circle-K.

Tenet #7: Top-down cultures can work, Bottom-up cultures rarely do.

Almost as a summation of the points listed above, cultures that are championed from the top have a chance to become a strategic tool – provided the company hires right and the behaviors of the management team are supportive of it. In cases where a company largely hires to talent-based profiles, and not necessarily ones grounded in culture, “bottom-up cultures” can form. While they rarely, if ever, rise to a point of pervasiveness, they can cause “pockets” of discontent. Not good.

I recall a growth-stage company I consulted with some years back. Good guys, all. But the hiring profile of the company was grounded in check boxes with no attention paid to deep cultural fit. Human nature kicks in at some point. Without a shared culture to guide them, everyone marched off in their own direction. The inevitable silos formed with each member of the management team having a passionately differing view as to which market direction product should go. Because of the lack of a unified culture to govern themselves, reconciliation of the product vision became a pipe dream at best. I counted at least 4 different cultures in that company.

All of that trickled down into the development team, where everyone was convinced that their architectural approach to solving a given problem was better, or easier, than the next guy's. And so on. Result? Well, a whole lot of code got written, yet the never worked right. And the lack of a unified culture prevented any effort to try and address the issues in a cohesive manner. A hefty pile of wasted capital, and a failed product launch ensued.

Queue Benny Hill.

Tenet #8: Culture needs to be a due-diligence component

I am very fortunate to have a fairly extensive professional network. One of the things I am called on to do from time-to-time by my friends is to assist in performing due diligence on an acquisition or investment target. These efforts most often center on technical and financial aspects of the product and business. While those are certainly major components of such transactions, I always encourage a cultural dimension to the due diligence process.

In my view, “culture failure” is one of the primary reasons that some companies can’t seem to get their act together. The product can be compelling, and the industry opportunity gigantic; but unless the culture is transparent and shared, it can be difficult to unravel things when necessary, or avoid avoid disaster in other areas.

All things being equal, any product or business model can be “fixed”, but it gets a lot easier when there exists a culture that facilitates the effort. And most of the time, this isn’t the same culture (or people) that got them there in the first place.

Tenet #9: Culture is a raw material, an ingredient baked into your product

You know raw materials, right? Things that go into making your product. Silicon, steel, plastic. And yes. Culture. You can even make an argument that “culture” can be an indirect part of COGS.

Whether you like it or not, and/or realize it, your company’s culture manifests itself in your products and services. Your customers will see this, and it will affect their purchasing decisions. Yup. And this folks, is the ultimate arbiter of whether or not a company’s culture is considered to be a weapon, or an anchor. Whether it works.

There is a direct, positive correlation between shared employee ownership of culture and product. When people aren’t grooving together, the product suffers. You can create a pretty good profile of a company’s culture by simply dissecting their product.

There are lots and lots of companies that purport to disrupt an industry. Very few actually do. The successful ones have a culture that shows through to their customers – via their products and services – not just in their marketing efforts. Your customers have to dig your culture, too, albeit in a slightly different way.

Ask yourself: does your company culture align well to your product line? Does your product reflect the culture you are trying to promote, or does it simply reflect the one that exists?

Do you think that we’d be talking about Apple’s Mothra and Godzilla quarters if the Apple culture wasn’t evident in their product? How many web servers do you think that Linux would be powering right now if it had a different cultural feel?

Customers are relatively easy to get. Think marketing and good salesmanship. Repeat customers and referrals are not. Think product line. Culture can and will affect both, and in far more ways that you might imagine on the surface.

Tenet #10: Culture can be a compass.

Culture can be a great indicator of a lot of things, positive or negative, within an organization. Consider the following list of items and reflect on the positive and negative applicability of each.

- Retention of top-level talent – are you churning or retaining knowledge and experience?
- Customer retention levels – are you replacing exiting customers or adding new ones?
- Frequency of product releases – is stuff getting out the door, or just spinning in the mud?

Those may seem obvious to most. So let's go deeper. Some more subtle things that **may** indicate that a cultural "mis-alignment" exists within an organization (as you read each, I'll leave it to you to contemplate their meaning and potential applicability to issues relating to culture):

- The local candidates put forth to your company by external recruiters appear to be largely B-players
- Your mid-level managers (and even below) are on a lot of local vendor call-lists
- Instead of going the extra mile, employees become insular, and overly protective of their personal time
- The same people go to lunch with each other every day, and never in the office – always out
- There is a deafening absence of laughter in the office
- You have more problem-creators than you do problem-solvers
- Everyone has a checklist, or two, and none of them sync
- The media (social or otherwise) no longer cares about your product, or your company
- The total number of customer service reps you have outnumbers those that actually sell the product
- The total number of people who build product outnumbers those that actually sell and support the product
- You can't get a hold of anyone when you need them – ever
- The magazines in your lobby are outdated
- You are more often approached by bankers and intermediaries than you are VCs
- There is a lack of community-involvement among your employees
- Business Process "Fix-It" consultants are circling like sharks
- People seem to look for reasons to say "no", rather than "yes"
- Despite lots of "product", and even "customers", you have no true strategic partners
- Everything seems to be a "fix" or "workaround" rather than an innovation

- There is no sense of urgency with respect to fixing customer-facing issues
- Most initiatives fail not because they were bad ideas, but because they simply didn't cross the finish line
- The wrong people are trying to solve legitimate problems
- Disparate groups are trying to solve the same problem
- New hires arrive on day one, and no one knows who they are, or why they are there
- Vendor selection has replaced the intellectual property generation process
- There are more closed doors and whisper sessions than there are brainstorming sessions
- And last, but not least, one of my favorites – the coffee pot always seems to be empty.

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