

The Importance of Culture on an Organization's Growth

Having been a real estate advisor for more than 37 years, I am continually amazed at how many organizations fail to focus on their corporate culture in making real estate decisions and in their everyday business operations.

Whether advising technology, financial services, oil & gas or public-sector companies on their real estate facility needs, I have noticed the same lack of focus on the organization's cultural element. Invariably, real estate decisions, mergers and acquisitions, or just running a business annually, boil down to the economics. While I certainly understand the importance of focusing on the economics, there are other factors that impact a business such as its strategic business plan, the human capital element, the culture and brand of the organization, the operational ability to execute the strategic plan, and of course, the financial viability of the organization. If any one of these business drivers are not actively in sync, the productivity of an organization will suffer.

For instance, think back to some highly published mergers and acquisitions where "culture" is the main culprit that torpedoed the viability of these mergers:

- New York Central & Pennsylvania Railroad
- Daimler & Chrysler
- Norvell & WordPerfect
- AOL & Time Warner
- Sprint & Nextel
- HP & Compaq
- Bank of America & Merrill Lynch
- Volvo & Renault



Before focusing on the cultural impact of mergers, let's look at culture as it relates to operating a business.

What is the purpose of your business? I know you'll say it's to make money, but what is the real purpose of your organization? A purpose statement is the nucleus of a business, and it's the bold affirmation of why a company exists.

For example: Southwest Airlines. Their purpose is not running a profitable aviation business, but "to connect people to what's important in their lives through friendly, reliable and low-cost air travel". When I think about my experiences with Southwest Airlines and examine their purpose statement, they radiate this statement in everything they do with me as a customer in the seat. The Kellogg food company says their purpose is not to make cereal, but "nourishing families so they can flourish and thrive". You get my point.



Do you have a purpose statement? If you do, does it guide your daily operations? Can your people effectively articulate the same purpose statement to your clients, customers and other employees? If not, empower your people to help you express how your company impacts the lives of your customers, employees and community.

Depending on whose study you read, it's believed that anywhere from 60% to 90% of mergers/acquisitions fail due to the lack of focus on culture. In a recent study, 58% of those polled admitted that culture was not a focus of their acquisition strategy. Common mistakes that are made by the C-suite in navigating a merger/acquisition are things like:

- Failure to add an element of objectivity by executives
- Failure to focus on the client and customers soon enough in the merger/acquisition process
- Lack of focus on determining the integration and retention of human capital, and communicating to employees
- Lack of established goals and objectives of the merger
- How to mitigate risk and a stated plan to address the risk
- A failure to develop an internal and external communication plan
- Development of metrics and benchmarks to measure the success of the activity
- Lack of focus of both organizations' "purpose" and the merging of those "purposes"
- Failing to address the drag on productivity while working through the process
- Failure to identify the biggest stakeholders and influencers in the process and gaining their buy-in and having them help the organization communicate the attributes

Intuitively, we all know that culture can be one of the biggest assets, or one of the biggest liabilities of an organization. When we talk about culture, because it tends to be a "feel-good" subject, you can see people's eyes glaze over, but culture is at the core of why an organization exists and how it behaves. Culture impacts talent, the product or service a company provides, the clients and customers, the employees and yes, the revenue.

Here are 5 ways to improve your culture today:



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Sources: The Hay Group, Axial, Wharton Business School, Harvard Business Review, Conscious Capitalism

