

Perspectives

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The Importance of Culture

How Company Culture Can Drive an Organization's Growth

A company's unique culture can be the most important attribute to success or failure.

A strong corporate culture consists of the intangible values that embody your brand. From who and how you hire, to every aspect of your organization's operations, your company culture guides how you operate and what you stand for. Real estate decisions are a critical business driver of your company culture.

Whether advising technology, financial services, oil & gas, or public-sector companies on their real estate facility needs, Citadel Partners has observed a lack of focus of an organization's culture when making major real estate decisions. Invariably, whether making a facility decision, completing a merger or acquisition, or just running a business day to day, the economics of a real estate decision can surpass everything else when assessing your real estate criteria.

While focusing on economics is critical when making a real estate decision, there are other factors that should be carefully considered: executing the strategic business plan, the proper deployment of human capital and resources, as well as the cultural impact on an organization. If any one of these business drivers are not actively in sync, the productivity and strength 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
- Volvo & Renault

To truly understand the impact on a company's culture—especially when mergers and acquisitions occur and cultures collide—let's look at how it relates to operating a business in today's dynamic global marketplace and what to focus on.

Depending on what study you read, it's believed that anywhere from 60% to 90% of mergers and 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 M&A are things like:

- Failure to add an element of objectivity by executives
- Failure to focus on the client and customers soon enough in the M&A 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
- Mitigating risk by developing 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 on both the 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 to communicate the attributes

Cultural Impact on the Bottom Line

What is the purpose of your business? Obviously, it's to make money, but what is the real purpose of your organization? A well-defined purpose statement or value proposition is the nucleus of any forward-thinking business and a bold affirmation of why a company exists.

For example: What makes Southwest Airlines such a beloved company for employees and customers alike? Their purpose is not solely about 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 consistently radiate their purpose at every point they interact with me as a customer. Similarly, Zoom Video Communication Inc.'s purpose is to "make communication frictionless" and help people connect and collaborate in a virtual environment. Getting more satisfied customers onto the Zoom platform and keeping them there has an immeasurable economic impact on their business and creates a digital culture that didn't even exist a few years ago.

Does your organization have a purpose statement or value proposition? If so, does it guide your daily operations? Can your people effectively articulate the same ethos 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. Do you have a way to ensure that your company is operating as designed? Accountability is another important piece of making sure your people are actively living out your purpose. Allowing and encouraging reasonable accountability within an organization can help it thrive.

Intuitively we all know that culture can be one of a company's biggest assets, or conversely, become one of its biggest liabilities if not handled properly. When we talk about the importance of culture from a real estate perspective, it tends to fall into the "feel-good" category and you can see people's eyes glaze over and ask, "What does real estate have to do with culture?" However, 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 it serves, the employees who deliver on the value proposition, and yes, ultimately, the revenue and bottom line.

Here are 5 ways to improve your culture today:

- Develop an effective internal and external communication plan
- Provide flexible work options with proper tools and resources
- Establish realistic performance measurements and financial goals
- Promote teamwork with a focus on excellence, fun and engagement
- Create a unique business environment where people thrive

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