



WHAT'S THE ROI ON CORPORATE CULTURE? 5 WAYS YOUR CULTURE INITIATIVE WILL PAY OFF

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“I know that culture is important, but how do we measure the ROI of a culture initiative?” It’s a valid question. As business leaders, we all want to make sure the investments that we make in our organizations pay off.

You may have a solid grip on how to measure the ROI on equipment purchases, IT development, or expanding your sales team—things that are easy to chart and compare. But what about something intangible like corporate culture?

There are studies that show some tantalizing statistics, claiming companies that focus on their culture have a 52% higher stock price, or are 28% more profitable, or have 36% more productivity. But those numbers are questionable. How can you isolate the many variables that may impact those increases?

Using ROI for Business Decisions

We hear these questions all the time and our position is that the ROI on culture isn’t something you can accurately measure. But it may be your most important asset. By its very nature, ROI is a calculation: you divide the net profit by the cost of the investment. While it can be a helpful tool for some decisions that business leaders need to make, it also has drawbacks.

Factors like interest, tax, and net vs. gross profit can muddy the outcome. And confusing cash flow with profit or neglecting to establish a true baseline can skew the formula. These conditions affect even the most concrete investments.

When it comes to measuring something intangible, like culture, the ROI formula lacks the scope to measure the whole picture. The standard calculation doesn’t offer a way to measure the sometimes subtle but significant ways that culture improves just about every aspect of a business.

ROI: Redefined for Culture

Business leaders who have invested in their culture, and consciously work on it, will tell you the ROI is evident in the way their people perform every day. A strong operational culture permeates every process, interaction, decision, and action. The impact of a strong culture is real, but it isn’t something that can be measured with a calculation.

Here are five of the many ways that culture makes a noticeable difference in a company—and all of them affect the bottom line.

1. Retention and Engagement
2. Winning More Business
3. Attracting Talent
4. Conflict Reduction
5. Improved Performance

RETENTION AND ENGAGEMENT

After you spend time and money recruiting, training, and bringing employees up to speed, it's critical to keep them in the fold. Companies with a revolving staff door are drained with continuous onboarding costs and risk lower production, lack of continuity, errors, and slumping morale.

A strong organizational culture creates a workplace environment that boosts job satisfaction. People are more likely to stay because they are more engaged.

WINNING MORE BUSINESS

Companies are always looking for a competitive advantage. Business leaders will go to great lengths to perfect their products and services or their delivery options. But these are things that your marketplace opponents can copy. Everyone is essentially offering the same thing in your specific business sector. So how can you stand out?

A high performing company culture can be that extra element that your competitors can't duplicate. If you define the behaviors that you know drive success, and your team consistently practices those behaviors as part of your company's culture, you've created your differentiator.

ATTRACTING TALENT

A company with a dynamic culture is a magnet for talented recruits who are a better fit. But according to Monster.com, despite this increasingly important aspect of recruitment strategy, only 31% of business leaders say their culture makes them sufficiently competitive.

That's because smart recruits aren't attracted by a culture that relies on values posted on their website or fun perks for the staff. Top job seekers are looking for a cultural atmosphere where they can thrive and have a meaningful career. They want to work for a place that triumphs in the market because of the way things are done, not just by what things are done.

CONFLICT REDUCTION

We're human. And whenever people work together, occasional conflict is inevitable. What sets one organization apart from another is the way people respond to conflict when it happens.

Whether they're petty or substantial, conflicts can be an enormous drain on a workforce. When they happen, people retreat into a defensive, self-preservation mode. Their focus shifts away from what's best for the company, and this can be costly. The delay in productivity and excessive time it takes to patch things up waste precious resources.

Culture provides leaders with a better coaching platform. And it gives clashing team members a shared language and ideology that gets them on the same page faster. The unified approach to addressing problems reduces the need for drama as things are sorted out. Molehills don't turn into mountains, and things are resolved much faster.

IMPROVED PERFORMANCE

You may have a lot of great people working for your company. But no matter how talented and driven they are, if they aren't joining forces to hit organizational goals, they're wasting potential. A strong culture can galvanize your employees into a championship team that consistently outperforms the competition in your field.

THE BOTTOM LINE

These are just five of the areas that high performing culture significantly contributes to the financial health of an organization. And none of them fit into a black-and-white ROI calculation. But just because you can't measure them directly, doesn't make them less real.

To learn about the clear and proven steps you can take to begin a culture building journey, reach out to Carlos Quintero at 864-349-1032 or 770-842-8744, or email carlos@one2onecx.com



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