Imagine the Impact

CULTURE MATTERS:
SO WHY DO WE PAY SO LITTLE ATTENTION TO IT?

Research for the Medalist Group
Maryann Kerr, MA, Leadership
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the MEDALIST GROUP

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INTRODUCTION

A social profit organization's ability to achieve mission-related success is severely limited inside a toxic culture. Whether you work in donor development, communications, program delivery, government relations, finance, administration, or human resources, organizational culture will impact your level of success. This isn't new information - it's something we've known for years. The phrase 'culture eats strategy for breakfast' was attributed in 2006 to Peter Drucker by future Ford CEO Mark Fields (Forbes). Peter Senge explored it in "The Fifth Discipline: The Art & Science of the Learning Organization". Bolman & Deal, Wheatley, Lencioni - the list is long of authors suggesting that paying attention to an organization's culture is critical. So why aren't we doing anything about it?

Well, some of us are. This research questions the role of culture and an organization's health to address the issue of turnover in the social profit sector. A healthy organization is defined as one where organizational politics are limited, morale is high, employees are engaged and have role clarity and finally – turnover is low. (Patrick Lencioni, The Advantage)

WHY THIS RESEARCH NOW?

My first job in the social profit sector was in 1986. I was responsible for two initiatives for the Kidney Foundation in Toronto. To raise a million dollars through the door to door canvass in March and $300,000 in the sale of peanuts to schools, hospitals, and business in the lead up to Halloween each year. I learned a lot and have since worked in many organizations and helped raise over $110 million for a variety of causes.

Many of the key players in this industry are responsible for teams who raise over $100 million in revenue per year. I am proud of the $110 million I helped to raise in the span of my entire career, and this smaller number illustrates that I worked primarily for small to mid-sized organizations. I dabbled in large healthcare and university fundraising as a consultant, but my passion was in social change philanthropy.

Over the course of 33 years, I constantly encountered organizations and leaders who cared deeply, but had little experience with the creation of a healthy organizational culture. The impact of this on the sector is staff and volunteer turnover which impacts the experiences donors have with our organizations. As I look ahead to the future, I believe the greatest impact I can have in the social profit sector is to actively help create healthy organizations and cultures.

I approach this research as an individual with deep knowledge and empathy for the professional fundraiser and the challenges they face within organizations where politics, role confusion and turnover are high, and morale and productivity are low. After more than 30 years in this sector, I recognize that a focus on organizational health is a game-changer. We need to create workspaces where fundraisers and all those who work in the social profit sector are supported for success - this is how we will make change happen.

RESEARCH METHODS & PARTICIPANTS

I gathered data through individual interviews, focus groups and surveys. I interviewed a range of social profit executives from organizations of varying sizes and reached a diverse group of individuals. The organizations covered areas such as healthcare, donor development, education, child welfare, and social services. They represent local, national and international organizations. Combined, the interviewees represented:

164 years of service to the sector

$463 M in annual revenue

$3.59 B in endowed funds

Focus group participants represented close to 100 years of experience and included individuals with experience as both fundraisers and grantors. The survey sample was small – only 58 responses, 51 of whom worked in the sector. 75% of these respondents had over 10 years' experience in the sector. 43% had over twenty years' experience.

RESEARCH LIMITATIONS

The research may be limited by the reach of my professional network. The research represents primarily mid-side to large organizations and did not focus on small or volunteer led organizations. Further, we did not interview volunteers or Board members rather we ensured that most of our interview candidates were themselves volunteers and Board members though they were responding to the research questions in their capacity as staff. The research can be expanded in a variety of ways in future iterations.

SECTOR CONTEXT

The social profit sector represents 8.1 percent of Canada's GDP or approximately $ 151B to the economy. The impact of the sector is immeasurable as it seeks to address an endless array of social issues including poverty, homelessness, gender equity, and climate change. It includes large institutions like hospitals and universities and small volunteer driven social and recreational clubs. The sector employees 2 million people in Canada and utilizes almost 2 billion volunteer hours each year.[1] Ours is a complex business.

WHAT DID WE LEARN?

1. ATTENTION TO CULTURE IS CRITICAL

Not surprisingly, most research participants agreed that attention to culture and organizational health is critical to long term success and sustainability. However, most also agreed that we do not pay enough attention to it. Outside of the occasional off-site event for staff or leadership team development, culture and organizational health are back-burner issues when they need to be top-level priorities. Several participants stated that there is a lot of misunderstanding with what we mean by 'organizational health'. Two focus group participants highlighted the following:

> "Folks think that staff picnics or baseball games or the annual holiday party are all we need but it is so much more than that. And often, by the time you get to do these kinds of social activities with people, there is so much tension during the workday you don't really feel like even going but it's frowned upon if you don't."

> "CEOs believe if we play together we'll stay together but the truth is when the work itself isn't collaborative and you feel judged rather than supported by your peers, chances are that you don't really want to hang out socially or sit in the common area together."

Further, this is not short-term or quick-fix work. Organization's need to consistently pay attention to cultural health, just as they pay attention to fiscal health. It takes focused time and attention. One long-term CEO of a large organization said:

> "We focused on creating more professional development opportunities for employees which in turn, we believed, would contribute toward lower turnover. We created formal mentorship programs in the organization. I should say, this is not something you do overnight, it is a journey. It is something that must be led by your CEO but also engages everybody in the organization. You need to be transparent with your board about this and report to them on how we're doing vis a vis morale, how we're doing vis a vis the engagement, how we're doing vis a vis the turnover et cetera."

Successful social profit leaders pay attention to culture. One, whose illustrious career earned him countless awards and support stated that when he arrived at his current organization, the turnover rate was 40% and is now only 8%. The health of the organization was a key strategic driver and part of how he is measured by the board:

> "So it is something that we have spent a lot of time on here because I came into the organization at a time when turnover was forty percent, morale was bad, there had been negative media about the organization and my predecessor, the organization was missing its financial targets, and it was one of the first things that I had to get addressed and spend considerable time and effort on…. I needed to put in place a strategic plan, I needed to build an organizational culture that would support the plan as well as also support reaching our fundraising goals. I needed to build relationships with employees because I was the new guy and you have to build credibility and likeability at the same time. So, for me, the whole culture issue wasn't, "Well, I'll get to it after I do my plan," for me it was part of the key things I needed to do as I arrived."

Another, who is almost 4 years into her current CEO role and who is lauded by many as a great leader, coach and mentor said:

> "When I joined three and a half years ago, we were at a place in our history that was hard for staff. Where there was really low employee engagement and productivity, high turnover, record low results. So, I was charged with changing the direction. The first and most important thing I did was address culture. And that came around because we're a high listening organization so every staff member at every level had a role in creating a culture where politics and confusion are gone. There's a lot of transparency, a lot of co-creation of things so that employees are part of things from the beginning as opposed to all those assumptions that can be made when you have limited information.
>
> I believe what you measure is what you do, and so we benefit from the annual measurement that the larger institution does on employee engagement. The foundation gets to be part of that. For 10 years running, we were the lowest group within the cohort in terms of engagement, and within 6 months we leapt to the highest and then held that spot ever since."

2. IT STARTS WITH THE BOARD

I've lived the experience as a board member, in receipt of staff communication about toxic workplace culture including behaviour of the CEO. It is devastating to hear staff so frustrated they had no other recourse but to speak to the board. The staff know that communication with the board may end in their own termination, but many take the risk. Others wait to speak up until they've left the organization, either by choice or termination. At that point, most boards look at this communication as 'sour grapes' and it's not taken seriously. It is a no-win situation for employees. One need only look as far as JAZZFM91 in Toronto for a recent example (see article here).

The best way to avoid these situations is for boards to take responsibility for workplace culture through their evaluation of CEO performance. Measurements must be in place around employee engagement and turnover. The CEO of a large organization who is responsible for tens of millions in revenue each year stated:

> "I think the board is interested in the performance of an organization. And the performance of the organization is in part, driven by the culture of the organization. My board, in evaluating my performance, wants to know what are our employee engagement scores? When they do my performance review, they look not only at what I do in terms of accomplishing key metrics, but how I do my job and that relates back to the culture.
>
> So, I believe the board must look at culture and hold the CEO accountable. The management team and the CEO must be transparent about culture to the board and report how well we're doing with respect to it. So, the execution of it may be operational, but the strategy and the performance around it absolutely needs to be shared with the board."

One of the best parts of doing research is staying open to surprise. Only once did we hear someone express that culture and organizational health are not part of a board's responsibility. One CEO claimed that culture and organizational health issues are purely operational and not the purview of the board.

The remainder of participants noted that a Board cannot effectively govern without an understanding and consistent measurement of culture.

Participants also agreed that organizations can achieve a measure of success without paying attention to culture. However, it is not sustainable over the long term. When asked about this, one CEO stated:

> "I think it can be successful but it's not sustainable. And I would say that you must define what success looks like, really. If you're going to define success as a fundraising number and you get to the fundraising number, but you do so under great duress and losing people and having high turnover and all the rest. Is the organization successful? Well, maybe in one element of it but overall? I would say no. And certainly, the sustainability of the health of the organization won't be there."

Another CEO of a midsized organization raising about $15 million annually stated:
"You know, in my definition of success, I would say emphatically no. Are there organizations out there that have toxic or challenged cultures that are raising lots of money, yes. And so, it's not impossible to have success by some traditional definitions without strong cultures and with high turnover. But I would say they could be far more successful, in a more meaningful way that's true to the reason why our organizations exist, if they have a strong culture."

3. COHESIVE LEADERSHIP TEAMS ARE ESSENTIAL

The responsibility for the execution of strategies to ensure great organizational culture starts with the board and CEO, followed by the leadership or management team. For a leadership team to be fully engaged requires trust, cooperation, and a shared vision. A healthy culture also needs to be set as a priority.

A recent Twitter poll conducted by Fundraising and Communications consultant Vanessa Chase Lockshin received responses from 374 people. 61% cited toxic work culture and management as a reason why they left a job in less than two years.

Results from my Culture Matters survey may provide a deeper analysis of this.

- 70% of respondents stated that their workplace culture was poor or fair.
- 67% rated the effectiveness of their organization's leadership team as not effective to somewhat effective.
- Over half of respondents rated their workplaces as either not kind to somewhat kind.
- 77% said their workplace was somewhat to not at all inclusive.
- 61% indicated they did not know if there was a team responsible for organizational culture in their organization.

The good news? 51% of respondents were aware that their CEO receives an annual performance review from the Board. Unfortunately, that means 49% are not aware that this happens. We asked not whether the CEO receives a review but whether staff are aware, because great CEO's involve their teams in their performance evaluation and, at least selectively, share the results. One VP of Philanthropy whose international development organization raises $ 35M annually commented:

> "I was asked in one job every year by the board chair to sit down and have a frank conversation. I thought very carefully about that. I would bring a piece of paper that had the positives and the development opportunities. I framed that conversation to make clear that I would do that for any CEO. It didn't matter who it was.

> This board chair asked to meet with me in their tenure every year over three years-... and then we would revisit that list and I would say whether things have gotten better or worse or different.
>
> There are new things in each category. That was the most positive. I really felt like the board, if they continued with that CEO, had their eyes open. And they knew. And they were making a conscious decision to put up with those development areas because they obviously felt that there were more positives than negatives.
> I felt like they listened and heard me and I assumed they were asking other people ... They were confidential about that. But then I felt okay. I've said my piece and they continued to operate like that. So, I know where they stand."

Significantly, those not in leadership positions were more likely to speak to the impact of dysfunctional leadership teams on the quality of their day to day work life. Many suggested that while their own teams functioned well, the inability to connect across disciplines dramatically reduced their effectiveness. In Silos, Politics and Turf Wars, Patrick Lencioni points out that:

> "Silos – and the turf wars they enable – devastate organizations. They waste resources, kill productivity, and jeopardize the achievement of goals. But beyond all that, they exact a considerable human toll too. They cause frustration, stress and disillusionment by forcing employees to fight bloody, unwinnable battles with people who should be their teammates. There is perhaps no greater cause of professional anxiety and exasperation – not to mention turnover – than employees having to fight with people in their own organization." (p. ix)

Lencioni goes on to speak to the importance of leadership teams and their functionality as a key component of breaking down silos across an organization. Further, ensuring that leadership teams have cohesive, agreed upon short term goals that drive their agenda, within their strategic priorities, ensures we use our time wisely and move forward in the same direction.

And while Lencioni's assertions about silos are almost universally accepted, twice we heard from participants who suggested we need to accept that politics and silos are the way of the world in complex, multi-level organizations. For these two individuals, both VP's of Development, the suggestion is that we just put our heads down and get the job done. When I tested this feedback with others the response was this: How do you raise money for an organization that you know is wasting time and resources through a lack of focus and in-fighting?

4. CULTURE IS EVERYONE'S RESPONSIBILITY

It was abundantly clear that research participants believe everyone in an organization has a responsibility to promote a healthy workplace. While participants strongly agreed it's critically important that this is modeled at the leadership level of the organization, they also indicated that each of us can and must own culture. The CEO of a mid-sized healthcare organization said,

> "It's something that I'm really proud of my team about in terms of their commitment to culture. We are very clear about our values, so everybody knows what our values are and again, through our process of collaboration, help define what those values mean to them. Every staff meeting, which we have bi-weekly, we have values nominations where people nominate their peers for demonstrating our core values. We have two or three people getting values awards from their peers and it really means a lot.
>
> We do lots of little things like that to reinforce and keep it all in the present so it's not just something where we have a great retreat and then you come up with a document and get a nice structure and make sure we have a good performance management plan in place and then back to business. It's something that we're as committed to as we are to donor stewardship or as we are to strong fundraising strategy. It is one of our key success factors."

A VP of Philanthropy at a large, national multi-level organization asserted:

> "I do think it's the CEO's job, I think also it is technically everybody's job to build a healthy culture, I don't believe it just resides in any one person's place. You can have one toxic employee at any level of the organization, or one toxic board member and no matter how much good work you do, it undermines everything. So, I do think it's about the CEO setting the tone, setting the vision, having a very close listening ear, having a good functioning, collaborative leadership team, and exiting those board members who perhaps misunderstand their role or context, or value."

One of the most loved CEO's in the U.S was Herb Kelleher. Much has changed at his famed Southwest Airlines since he was involved in the day to day management and company performance year over year consistently showed growth, profitability and was ranked first in customer satisfaction.[2] In those days, Southwest led the airline industry, and Kelleher was so loved by his employees that 16,000 of them contributed to a full-page newspaper advertisement on "bosses day" to show their appreciation.[3] "Kelleher claimed that the most important group in the company was the "Culture Committee," a seventy-person cross-section of employees established to perpetuate the company's values and spirit."[4]

Organizational Culture expert, Carolyn Swora recently posted on Linked In:

> "I know the theory and I've professed it for several years in my work - culture is shaped by the CEO. I get it. I experienced it first hand for many years and I see it now with many of my clients. However, I also see exponential change creating a whole new workplace with a new set of rules. I believe the only way we are going to make work better and blast through the enduring employee engagement issue is to create successful, thriving subcultures within the larger organizational culture and that means everyone in a company can have an impact.[5]"

5. GREAT CULTURES CREATE COMPETITIVE ADVANTAGE

From Zappos to Netflix to Canada's own Bruce Poon Tip at G-Adventures, time and again business experts in HBR, Forbes and Inc. magazines, to name just a few, point out that great corporate cultures are a key competitive advantage. It is largely recognized by leader after leader in successful corporations that if we take care of "our people" – they will take care of our customers.

> "If you forget about your people, you can forget about your culture; perks and money have their limits in inspiring true commitment. Business is a truly human endeavor and having a positive workplace culture makes for happier employees. Happy employees will have a profound impact on your company's success. In fact, you'll likely outperform the competition by 20 percent." (Forbes, William Aruda, August 2017)

The same is true in the social profit sector. Two of the CEO's who focused strongly on culture when they arrived at their organizations saw an uptick in net revenue and employee engagement and a decrease in staff turnover within 18 months of their arrival. When asked if organization's can be successful when cultures are toxic two representative comments follow:

> "You know, in my definition of success I would say emphatically no. Are there organizations out there that have toxic or challenged cultures that are raising lots of money? Yes. It's not impossible to have success by some traditional definitions without strong cultures and with high turnover. But I would say that they could be far more successful in a more meaningful way, that's true to the reason why all of us, all our organizations exist, if they have strong culture."

> "I think it can (be successful) but it's not sustainable. And I would say that you must define what success looks like, really. If you're going to define success as a fundraising number and you get to the fundraising number, but you do so under great duress and losing people and having high turnover and all the rest. Is the organization successful? Well, maybe in one element of it but overall, I would say no. And certainly, the sustainability of the health of the organization won't be there."

It follows that if organizations struggle with sustainability, in part due to workplace culture issues, the sector itself is at risk.

RECOMMENDATIONS

WHAT DID WE LEARN?

As we face increased competition in a disrupted marketplace, organizations who do not pay attention, will not thrive. We will not overcome the issue of turnover if we do not continuously nurture culture. Turnover is expensive. It costs organizations and the individuals who leave them. Turnover means less funds spent on mission delivery. Turnover means donors do not have consistent relationship managers or meaningful stewardship. Turnover means talented individuals leave our sector altogether. Turnover is a symptom of poor organizational health, toxic cultures and disengaged employees. It is fixable.

1. CO-CREATE YOUR ORGANIZATIONAL CULTURE

The Board of Directors defines organizational culture, often as part of the strategic plan development and in partnership with the CEO. They will use words like 'people-centered', 'bold', 'proactive', 'innovative', 'respectful', 'trusting', 'transparent', 'collaborative', 'inclusive', 'evidence-based', 'prudent', 'accountable', 'good stewards', 'kind', 'leading-edge' and so on. The words themselves are simply that. The CEO, leadership team and staff must take those words and create meaning from them. The CEO with their leadership team operationalizes culture and the entire team is responsible to nurture and grow it. In this work, it can be a surprise to discover that what one person or team considers to be respectful or collaborative is very different than another. The culture needs to be deeply defined to allow employees to understand behavioral expectations.

2. ESTABLISH BENCHMARKS & EVALUATE YOUR CEO

There are many tools available to measure engagement and turnover rates as well as how effectively your organization lives their values. The first step is to determine where you are today and where you want to go. This work must be part of how the Board measures the performance of the CEO. Annual employee surveys as well as individual interviews with the leadership team are an important part of this process. The CEO can only be held accountable if the team she works with is part of her annual review. A CEO who is afraid to have the Board Chair or HR Committee speak to her direct reports may have something to hide. If the culture is meant to be transparent and respectful, this is an action that reflects those values.

3. HIRE EXTERNAL SUPPORT

Careful development and nurturing of your culture are game changers. When you task a diverse, inter-disciplinary team of individuals to own this work it becomes something very different than the highly over-used "social committee." This is about more than planning the holiday party or summer picnic. It is more than book clubs and guest speakers. A healthy workplace, as defined in 1998 by Health Canada, considers the physical environment, individual health practices and organizational culture. Your OH Committee is tasked with ensuring all three of these areas is well managed. The creation of terms of reference for this group will vary by organization but essential is involvement of the leadership team who need to ensure the committee has the authority to act in pursuit of their goals.

4. CREATE AN ORGANIZATIONAL HEALTH (OH) TASK FORCE

Careful development and nurturing of your culture are game changers. When you task a diverse, inter-disciplinary team of individuals to own this work it becomes something very different than the highly over-used "social committee." This is about more than planning the holiday party or summer picnic. It is more than book clubs and guest speakers. A healthy workplace, as defined in 1998 by Health Canada, considers the physical environment, individual health practices and organizational culture. Your OH Committee is tasked with ensuring all three of these areas is well managed. The creation of terms of reference for this group will vary by organization but essential is involvement of the leadership team who need to ensure the committee has the authority to act in pursuit of their goals.

5. DISCUSS CULTURE AND ITS IMPACT

In the social profit sector, we've long celebrated mission moments. Many Board and Staff meetings begin with an impact story about individuals, families or communities positively impacted by our work. When did we last celebrate the care and nurture of our culture? Is there a story this month that keenly illustrates a beautifully collaborative process and its outcome? What about an act of kindness that built a greater sense of inclusion and respect? Further, when you find yourself faced with a situation that is not in keeping with your desired culture, discuss ways to ensure it doesn't happen again. Learn from your missteps. We all make them, it's what we do with them that matters.

6. IMPROVE YOUR PERFORMANCE MANAGEMENT APPROACH

If we believe that culture is important and that continuous feedback is a tool for improvement, let's revamp the performance review process into something ongoing and meaningful. Too often I've seen employees with fantastic annual reviews find themselves suddenly out of work. If we are not engaged in open, honest and ongoing feedback with our teams we allow problems to fester and grow. Great performance management, coaching and listening, are key to the creation and fostering of culture.

7. DEVELOP GREAT TEAMS

Organizational health has effective relationships at its core. In an organization where we actively listen to one another, practice transparency, trust one another, engage in healthy conflict and have at our core the desire to support each of our colleagues to succeed a brilliant culture can emerge and grow.

Patrick Lencioni describes great teams as doing these five things:

1. They trust one another
2. They engage in unfiltered conflict around ideas
3. They commit to decisions and plans of action
4. They hold one another accountable for delivering against those plans
5. They focus on the achievement of collective results [8]

Ultimately, for us to achieve great cultures and nurture healthy, successful, mission focused organizations, we must have each other's backs.

CONCLUSION

CONCLUSION

This sector, viewed from my perch as a researcher, student, consultant, volunteer, board member and employee, has achieved so much good for the world. The cost, however, has been to many of our dedicated staff who face burnout and disappointment. While we have achieved much, there is no doubt that careful, consistent and continuous attention to culture and organizational health will allow us to do much more. By acknowledging past mistakes and adhering to the recommendations listed above, I believe the culture can change.

One of my favorite interview participants closed our conversation with an interesting observation. She pointed out that when CEO's choose to ignore culture, they make a choice on the kind of culture they support because culture exists whether we foster it or not. Our success, the lives of those we serve and the lives of those who serve the sector, depend on us getting this right. Imagine the impact.

[1.] All statistics from www.imaginecanada.ca
[2.] Bolman & Deal, page 397
[3.] Ibid
[4.] Ibid
[5] https://www.linkedin.com/pulse/do-you-believe-culture-can-change-from-bottom-up-carolyn-swora/
[6] Jim Clifton & Jim Harter, It's the Manager, Gallup Press, 2019
[7] National Quality Institute, 1998, Canadian Healthy Workplace Criteria
[8] Patrick Lencioni, The Five Dysfunctions of Teams, 2002

ABOUT MARYANN KERR

Maryann Kerr is Chief Happiness Officer/CEO and principal consultant with the Medalist Group, a boutique organizational development and philanthropic firm she founded in 2016 with the mission to create well led, kinder, collaborative, inclusive workplaces. She is a true believer that the health and well-being of our workplace is directly correlated with the health and well-being of our employees.

With over 30 years in the philanthropic sector, Maryann has served multi-faceted local, provincial and national organizations in executive leadership as well as senior philanthropic positions. She currently sits as Past-Chair of the Board of Directors, Gilda's Club Greater Toronto and as a Member on the Board of Directors for Next Gen Men.

Over the course of her career, Maryann has worked with outstanding teams of volunteers and staff to raise over $110 million for the social profit sector.

the MEDALIST GROUP

About the Medalist Group

The Medalist Group is a boutique organizational development and philanthropic firm founded in 2016 by Maryann Kerr, a Chief Happiness Officer with a goal to co-create well-led, collaborative, inclusive workplaces where productivity/mission delivery and employee engagement is high, and turnover is low. The Medalist Group believes social change won't happen unless sustainable movements and organizations exist to encourage and develop a healthier workplace for a healthier you.

www.themedalistgroup.ca