

May 7, 2020

**LOL: Measuring Culture: 9 Factors (or 4 simple questions...)**

Typical “Finalist Presentation” Exchange:

*Buyer: “Does your firm have a strong culture?”*

*Finalist: “Absolutely. It’s our competitive advantage. We pride ourselves on it.”*

*Buyer: “How do you know it’s a strong culture?”*

*Finalist (in disbelief): “Haven’t you seen our ad campaign?!”*

*Buyer: “But isn’t your ad campaign a little biased?”*

*Finalist (eyes rolling): “Well if you’re going to push me on it. There was an article in a trade magazine that praised our culture.”*

Okay, a bit exaggerated, but every finalist tells the buyer, “We have a great culture.” When FCG hears that response our knee-jerk reaction is, “Interesting. How do you measure it?” Awkward pause. Then the save, “We do an engagement survey each year.” (Smug satisfaction that he recovered.)

Sorry, engagement surveys are NOT culture assessments. The former is useful but not for measuring culture. For example, engagement surveys don’t tell you if a firm is “investment centric” or “sales centric.” They don’t provide information about the core values of a firm: existing vs. aspirational. They don’t tell you about the biggest gaps between what a firm’s culture has currently and what it needs for future success.

FCG designed a survey specifically to measure the health and effectiveness of investment cultures. 9 factors indicate the strength of a culture. They are:

1. **Existing Cohesion:** are staff members rallying around the same core values?
2. **Alignment of Values:** existing to aspirational. Does what we have match what we want?
3. **Sludge:** how much dysfunctional behavior exists (blame, gossip, disrespect, etc.)?
4. **Effective Decision Making:** does the culture support good decision making?
5. **Loyalty** of staff: does the staff feel a loyalty beyond their paycheck?
6. **Top Talent:** can the firm attract and retain top talent?
7. **Sludge in Top 10 Values:** has any of the dysfunctional behavior become widespread?
8. **Culture Hierarchy** (Maslow): does each level of the cultural hierarchy get sufficient attention?
9. **Culture Tradeoffs:** is the staff aligned around the tradeoffs that all investment firms face? (example: “investment centric” vs. “sales centric”)

Firms that excel in all these factors we deem “Focus Elite.” In 2013, FCG produced a white paper describing the eight “Elite” firms called, “Linking Strong Culture to Success.” (Fortunately, these firms have excellent track

records of success. If that weren't the case, culture consulting would be an even harder sell...) For more on these elite firms, including their names, see our white paper.<sup>1</sup>

The 9 factors listed above are mostly self-explanatory, the key is developing a tool that measures them. FCG has developed—wait for it—just such a tool. (Shocker) And while our tool is rigorous, there is a much simpler way to measure strong culture. (Please don't tell my colleagues that I am giving away the secret for free. They'll tie me up and force me to watch Sensitivity Training videos.) The simpler metric is to focus on four questions that evaluate the Culture Hierarchy levels. All good cultures meet the psychological needs of their staff members on these four levels (from our friend Maslow, remember college psych?).

Maslow Level & payoff	Core Values for this level	Sample Survey Question (Likert scale: 1 – 6)
<b>Purpose/Meaning</b> Connected to a higher purpose, work is meaningful and provides benefit to all stakeholders	<ul style="list-style-type: none"> <li>• Purpose-driven/Make a difference</li> <li>• LT Perspective/Vision</li> <li>• Client Satisfaction</li> </ul>	<b>Our organization has a compelling purpose.</b>
<b>Mastery/Development</b> Team is engaged and becomes high performing	<ul style="list-style-type: none"> <li>• Leadership Development</li> <li>• Excellence/Continuous Imp.</li> <li>• Growth Mindset (learning culture)</li> </ul>	<b>I feel like I have the opportunity to use my talents and abilities regularly.</b>
<b>Belonging/Connection</b> Team is engaged and functional	<ul style="list-style-type: none"> <li>• Collaboration/Teamwork</li> <li>• Inclusive</li> <li>• Humor/fun</li> </ul>	<b>I feel connected to my teammates and a sense of belonging with my team.</b>
<b>Safety/Security</b> <b>SCARE:</b> Speak up Challenge Ask questions Risk Experiment	<ul style="list-style-type: none"> <li>• Curious/Open to other views</li> <li>• Respect</li> <li>• Trust/Sincerity</li> </ul>	<b>I feel safe to ask questions. I speak openly and take appropriate risks.</b>

People—which presumably includes your staff members—have the four basic needs shown in the graphic. If these needs are met, people feel engaged and motivated. If asked, “Does your firm have a good culture?” they will undoubtedly say “Yes.”

The graphic also includes the commonly stated values that firms express in their culture statements. (Column two) When FCG reviews culture statements, we look to see that there is at least one value for each level of the hierarchy. For example, if a firm's culture plan ignores the Mastery/Development needs, you can be sure that many employees will be frustrated. Currently, the younger members of the workforce are especially eager to grow and develop. FCG often helps leaders design opportunities to meet these needs. (The first step is to help the aging leaders move away from the viewpoint, “I had to make it on my own. We're not going to coddle these people.” Not helpful.)

The four statements in the right-hand column cut to the chase. For example, the question, “Do you feel safe to ask questions, speak openly, and take risks?” will tell you if the culture is meeting the basic safety needs of the staff members. (Have people score them on a scale from 1 to 5.) A healthy culture would show strong scores for each level.

<sup>1</sup> *Linking Strong Culture to Success* on our website in the writings section: [www.focusCgroup.com](http://www.focusCgroup.com)

The practical question becomes: how do you address lower scores? If people don't feel safe in your culture, then you will suffer from the "SCARE" acronym, namely people will NOT:

- Speak up
- Challenge
- Ask questions
- Risk
- Experiment

So, how do you create a culture where people feel safe? That question is addressed separately in our CFA article, *Living in a Virtual World: 10 Tips for Culture*.<sup>2</sup> Back to our question about measuring culture. As they say in the movies, "We can do this the easy way, or the hard way." The hard way actually isn't that hard: FCG's culture survey mentioned above. (More shameless advertising...) But the easy way is readily available to all: ask the 4 questions and see what you get. As usual, KISS wins the day: *Keep It Simple, Stupid*.

Now, if you find yourself being asked, "Does your firm have a good culture?" you have a snappy answer:

"Yes, we've addressed the four basic psychological needs that all people face—described in Maslow's work, *The Hierarchy of Human Needs*--and adequately provided for them. Therefore, our staff members feel exceptionally engaged and motivated to perform at high levels."

Plus, I'll give you \$10 if you can say this to someone with a straight face...

Stay calm and culture on.

Jim

*P.S. The material in this article is from an FCG Webinar called, "Measuring Culture." The slides and recording are available for free. Just email Laura at [lercoli@focusCgroup.com](mailto:lercoli@focusCgroup.com)*

*And tune in every Monday morning at 9 am central for Jim's weekly Webinar on Culture. (Again, ask Laura for Zoom information)*

---

<sup>2</sup> See *Enterprising Investor*, May 6, 2020, *Living in a Virtual World: 10 Tips for Culture* by Jim Ware, CFA