

High-performance culture: Driving success



An organization's culture is like air: vital, omnipresent, and at times, invisible. Air and culture alike can be taken for granted—until they become toxic. And in the turbulence of a post-pandemic landscape, the need for people-centric and effective organizational cultures has never been greater. Employers battle widespread discontent, evidenced by ongoing trends like quiet quitting and the Great Resignation. In fact, [research](#) exploring attrition rates found toxic corporate culture to be the strongest predictor of employee turnover, one that was 10x more likely to drive turnover than dissatisfaction with compensation. [56%](#) of workers evaluated across four different countries believe that culture is a more important contributor to job satisfaction than salary, and 77% of job seekers investigate a company's culture before applying. These sentiments are even stronger for younger generations.

From our experience with thousands of clients worldwide over the last 40+ years, we at Arbinger are convinced that culture plays a crucial part in organizational success. Culture arises

from the intricate interplay of individual and collective values, behaviors, beliefs, mindsets, traditions, policies, and more. Yet, despite its complexity, culture can be improved in scalable, repeatable, and sustainable ways. Our research shows the primary reason that organizations fail to improve their cultures is because they focus on changing the external behaviors of employees instead of addressing the fundamental mindsets that determine behavior. However, when properly understood and implemented, culture can be transformed from lackluster happenstance—or even liability—into an enduring competitive advantage.

We have seen firsthand the [ripple effect of cultural transformation](#) across diverse industries: it can improve efficiency and employee performance, increase revenue growth, deescalate entrenched conflicts, boost morale, heighten accountability, enhance leadership, and tangibly improve the day-to-day work conditions within an organization. Over the past few years, executives increasingly seem to intuitively grasp the crucial importance of organizational culture. Yet, translating that awareness into tangible cultural outcomes is no simple task in today's rapidly fluctuating economic environment.

Shedding light on culture

To better understand the way that leaders understand, struggle with, benefit by, and try to influence their organizational cultures, we partnered with research group Ascend2 to survey over 300 executives and decision makers across a variety of industries in the US. Their responses clarify the obstacles to and rewards of [high-performing cultures](#); address how different interventions—including leadership development, performance management, and diversity, equity, and inclusion initiatives—influence culture; and illustrate ways that mindset influences cultural outcomes.

The research results compiled in this report are timely. **88% of the leaders we surveyed anticipate that the importance of company culture will significantly increase in the coming year.** So, in addition to the substantial challenges employers face from political upheaval, technological disruption, and global competition, they are also called on to create cultures that attract and retain employees and accelerate business results.

Fortunately, as you can see in the [research report](#), the leaders of workplaces that prioritize healthy cultures by strategically investing in their people are the very same leaders experiencing greater financial success and positive expectations for the future.



Best-in-class cultures report significant revenue increases in the past year.

Those who have very successful company cultures are 5 times more likely to see significant revenue increases in the past year than those with less successful cultures. (47% vs 9%)

Arbinger
Institute

Here are some of the main takeaways and insights from 300+ strategic leaders on how culture impacts performance:

Key insights

Insight #1

Positive company culture improves the bottom line. Survey respondents from organizations with “very successful” cultures reported significantly greater increases in revenue last year than those with less successful cultures. This finding supports the belief we intuitively want to be true: that a company where people genuinely appreciate the workplace atmosphere is more likely to succeed. 99% percent of the leaders surveyed agree that culture is important when it comes to achieving business objectives such as revenue and growth. Culture is not a peripheral concern or an inconsequential afterthought that only tenuously influences profit; it is strongly linked with financial indicators of success.

Insight #2

Most organizations fail to prioritize culture enhancing initiatives. A startling 71% of survey respondents work for companies that do NOT prioritize [leadership development](#), performance management, and diversity, equity, and inclusion (DEI), initiatives. This oversight would perhaps be more understandable if the expense of these initiatives was too great or the return negligible. But the opposite is true: organizations that invest in leadership development and culture transformation experience a myriad of benefits including [higher retention](#), expanded revenue, and more positive outlooks on success. For example, nearly two-thirds (63%) of organizations surveyed that prioritize DEI initiatives a great deal also have retention rates of 60% or more.



Insight #3:

Leadership development is key to improving culture. When asked to identify what element has the greatest impact on improving an organization's culture, 52% respondents answered leadership development. Successful leadership development initiatives are

also associated with a more positive outlook on business success, increases in revenue, and feelings of contributing meaningful work that makes an impact. Respondents with successful leadership development initiatives at their organizations were about 3x more likely to report great success in employee engagement levels. They were also more likely to report mutual trust and an eagerness to improve among employees.

Insight #4:

Initiatives that prioritize mindset make a greater impact on improving culture and performance. 97% of surveyed decision-makers and leaders agree that the collective mindset of an organization directly impacts that organization's culture. When the concept of mindset is included in leadership development, performance management, and DEI initiatives, respondents describe more overall success in company culture and the key areas of employee acquisition, retention, satisfaction, and productivity. Respondents whose organizations paired a focus on mindset with other initiatives report more efficient conflict resolution, and greater collaboration between teams than those whose initiatives do not include mindset.



The cost of culture

Although it seems clear that investing in company culture means investing in the wellbeing of your work force and in the long-term success of your organization, it remains a challenge for many. When asked to identify the top obstacles to improving company culture, 52% of the leaders we surveyed pointed to the difficulty of creating a strategy that can adapt to meet changes within the workforce. Because people and circumstances change, the work of culture building is necessarily ongoing.

Another challenge is a perceived conflict between investing in culture and other fiscal needs. 77% of our respondents reported that short-term company goals regarding revenue, profit-margin, or expense reduction hindered long-term strategies to improve company culture. The tension reflected in this research finding is interesting, since a healthy culture and profit goals shouldn't be mutually exclusive.

Building culture, though certainly requiring intentionality, effort, and time, does not necessarily require extravagant expense. We have seen a shift in mindset create relational

dynamics characterized by respect, encouragement, and support, thereby providing a foundation for vibrant and productive culture throughout an organization. But an awareness that workplace culture matters is not enough, nor is paying lip-service; simply describing an idealized company culture does not summon it to life. Ultimately, a culture comes to being through the living interactions among its members, and this process is strongly impacted by the attitudes, actions, and examples of leaders.



For a more in-depth look into our research findings, [download the full report here.](#)