

From the top down: How leadership affects organizational culture



It's no secret that your organization's decision makers have a major influence on everything to do with your business' day-to-day operations. But people don't often talk about the one thing that's most influenced by an organization's leadership: company culture.

A recent Gallup study revealed that [70% of the variance](#) in employee engagement is directly related to an employee's manager. On top of that, Arbinger's latest research report revealed that 51% of all decision-makers and leaders say that feeling respected is one of the most important components of workplace satisfaction.

Both statistics confirm what many of us already know—when leaders do not see people as unique, valuable individuals, those people tend to disengage and depart.

In this blog post, we'll explore how a leader's mindset can be

the difference between a culture of collaboration or frustration, and provide a simple question to help leaders build relationships based on mutual respect.

Salary is important, but it's not everything

According to [Flexjobs](#), the top five reasons employees want to leave their jobs are:

- Toxic company culture (62%)
- Low salary (59%)
- Poor management (56%)
- Lack of healthy work-life boundaries (49%)
- Not allowing remote work (43%)

A company's culture is the manifestation of behaviors that result from its employees' collective mindset. For this reason, it's not surprising to see poor management and toxic company culture in this top five. Good (or bad) leadership sets the tone for everyone and everything within a company, and we can consider culture to be a ripple effect of that.

Our research indicates that senior leadership roles like SVPs and VPs place nearly as much weight on the relationships they have with colleagues as they do on salary. And for directors and managers, in addition to peer relationships, a fulfilling set of job responsibilities is of top importance. While compensation is an important factor, other ways of feeling "seen" and appreciated are weighted almost equally.

Senior leadership roles like SVPs and VPs place nearly as much weight on the relationships they have with colleagues as they do on salary. In addition to peer relationships, directors and managers say that a fulfilling set of job responsibilities is of top importance.

Source: Arbinger Industry Report: The Role of Company Culture in Driving Success

How leadership, company culture, and mindset intertwine

In the turbulence of a post-pandemic landscape, the need for people-centric company cultures has never been greater. Knowing that the majority considers culture to be a more important contributor to job satisfaction than salary, and [77% of job seekers](#) research a company's culture before applying, leaders must be aware of its impact.

While many modern executives understand that culture is an important element for success—one that requires intentional investment—translating that awareness into tangible cultural outcomes is no simple task in today's rapidly fluctuating economic environment. That's where mindset comes in.

Your mindset—how you see challenges, choices, opportunities, and people—impacts your behaviors and the results you create for your team and organization. So let's consider how your mindset in a leadership role might affect someone's decision to leave a job.

A mindset where we are alive to the needs, challenges, hopes,

dreams, and aspirations of another person is what we refer to as an [outward mindset](#). When we lead with an outward mindset, we're curious about the people who work with us. This is because they matter like we matter. So, we can follow our natural sense to learn about and respect their needs and challenges. The act of understanding how another person values their time, ideas, burdens, struggles, efforts, and desires is how you can build a strong relationship.

A person leaving a job because they do not see an opportunity for advancement might result from circumstances beyond your control—there are a limited number of roles, or a company has restructured a team. But let's consider the factors you *can* impact:

- Do your team members understand who and how they impact others in the organization?
- Is there a path into another role through improved capabilities and skills?
- Do both of you see this opportunity?
- Do you know the hopes and aspirations of your team members?

We recently worked with a senior leader in a large financial organization struggling to motivate a teammate. The teammate was in a new role that utilized new technology and impacted multiple team members. The leader saw the role as a fantastic opportunity. However, the teammate was often unresponsive and quiet about the new role.

Rewards, encouragement, and additional responsibilities did not change the teammate's behavior. We invited the leader to ask the teammate about their aspirations (beyond the current organization) during their next 1:1. The leader discovered that the teammate aspired to open a personal training business.

They were struggling in their current role because it seemed so disconnected from their dream. Additional discussions helped both the leader and the teammate identify responsibilities that would contribute to department goals, while also assisting the teammate in developing valuable skills and experience for a (potential) future career.

Leading by example to drive engagement and retention

One of the most powerful ways leaders influence company culture is by leading by example. When leaders embody the values and behaviors they expect from their employees, they create a strong foundation for a positive and thriving culture.

Research consistently demonstrates the impact of leading by example on organizational culture and employee engagement. A study conducted by [Gallup](#) found that employees who strongly agree that their leaders' actions align with their words are 55% more engaged in their work.

A shining example of a company that prioritizes leading by example is the International High School of New Orleans. Sean Wilson, Head of School, explains how his team maintains a standard of excellence by setting an example that comes from leadership:

The International High School of New Orleans has a set of performance standards and metrics in place that are modeled by leaders like Sean. As he says in the video, he believes in changing mindsets and building relationships with his peers before correcting, and as a result, the company's culture has shifted towards one that fosters teamwork and a growth mindset.

By consistently modeling the desired outcomes and values, leaders create a ripple effect throughout their organizations. Employees look to their leaders for guidance and direction, and when they witness leaders practicing what they preach, it reinforces the importance of those values in the company's DNA.

This alignment between leaders' words and actions cultivates trust, increases employee morale, and strengthens the overall company culture. To lead by example effectively, leaders should engage in ongoing self-reflection and seek feedback from their teams to ensure they are living up to the standards they set.

Leading from the top down starts with a simple question

"How have I made things harder for you?"

At the end of the day, getting curious about a peer or teammate is essential to improving your organization's culture as a leader. Almost any question is a good question, but some are more revealing and inviting than others. Asking an employee how you have made things harder for them will create a space for responses that have previously been ignored or subdued. The question invites you—the leader—to consider your actions and listen to feedback. It also helps build a relationship of trust and clear communication.

RESEARCH REPORT

Better business results starts with
building a high-performance culture

Download



Interested in learning more about
leadership's impact on company culture?
[Download Arbinger's research report.](#)