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THE BEST LEADERS GET THE CULTURE RIGHT

Proven Levers to Change a Corporate Culture

By Rick Capozzi



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Culture is the most powerful way to differentiate a small or large organization. It's the one sustainable, competitive advantage over which you have complete control. As a leader, do you feel confident that you are building the right culture to increase performance? How would the people on your team describe the corporate culture? How many opportunities and how much revenue are you missing because you don't have a great culture?

Based on my experiences during my 35 years in the financial services industry around the world, an overwhelming majority of people in our industry are not satisfied with where they work. In fact, according to Gallup's December 2017 "State of the Global Workplace" report, 85 percent of employees are not engaged or are actively disengaged at work.¹ The economic consequences of this global "norm" are approximately \$7 trillion in lost productivity (Harter 2017). Why are so many people unhappy in the workplace? What is missing? The right leadership with sound principles, vision, and values. The right culture drives business results. When the culture is right, everyone and everything, including vision, strategy, environment, and tactics, are aligned. Culture can seem difficult to understand, explain, and manage because it feels elusive. It's much easier to feel it and experience it. We are dealing with people's values, emotions, behaviors, world views, belief systems, and expectations. The bottom line is that we are different

and we all come to a company with different backgrounds. In this article, I will highlight some proven strategies that drive better performance by improving the culture regardless of all the variables and differences, because at the core most of us want the same things.

I believe that outstanding organizational cultures produce happy, creative, and inspiring people who are passionate about doing top-notch work and motivated to make a difference in their organizations. These people are 100-percent engaged and committed to organizational goals and objectives. Often an organization's success and ability to grow is based on having the right culture in place. And I'm referring to organizations with 50,000 employees or three.

Many leaders talk about how important culture is to producing better results, and they may even have mission statements that describe how the company takes care of its people, clients, and community. However, organizations large and small often receive poor grades on culture. Talking about culture is like talking about dieting and exercising; everyone knows the short- and long-term benefits but most don't commit to the long-term lifestyle changes required to create sustainable change.

What exactly is a great culture? It's not just membership at a gym, paid sabbaticals, free food, flexible hours, or equal pay and opportunity. Those are all very nice things, but people want to be

valued, appreciated, and respected. They want to be recognized for their contributions, not just quietly given pay raises. It is empowering when you can show up at work and feel free to be your true authentic self, and especially when that's encouraged by leaders and fellow coworkers. A leader's number-one responsibility is to create the best environment for employees, one that brings out the best in people and celebrates small wins. Regardless of who you are, if you don't feel you have a voice or a sense of empowerment, or you don't feel you are getting the respect you deserve, you're with the wrong team or firm. Business success is about developing human potential by inspiring others to achieve what they didn't think was possible both personally and professionally. It's a group effort. A recent article in *Harvard Business Review* defines culture this way (Groysberg et al. 2018):

Culture is the tactic social order of an organization: It shapes attitude and behaviors in wide-ranging and durable ways. Cultural norms define what is encouraged, discouraged, accepted, or rejected within a group.

When I was a manager at UBS, I always wanted people to feel they had two families, one at home and one at the office. I had holiday parties throughout the year, not just in December. I made it my practice to include children for Halloween and Thanksgiving celebrations, encouraged community participation, and celebrated both people's personal and

professional milestones. A few times a year we'd join together to support a major fundraising effort. The best managers are always seeking ways to make these types of emotional deposits. It can be as simple as sending a note to someone to recognize performance or doing a favor for your colleague. It's not just about silently respecting people, it's about showing people you respect them. There isn't some magical secret to creating an outstanding culture; it's really about doing the simple things and paying attention to the details. Before anyone starts to focus on creating a better business strategy, it's key to get these fundamentals right.

Fortune magazine has been ranking the top companies to work for around the world for the past 21 years. For 2018, Salesforce ranked number one (Bush and Lewis-Kulin 2018, p. 55). The organization's key to a great culture? Making sure the business is built on "a culture of family." Salesforce is more than a mission statement; it walks the talk. And the company isn't just thinking about profits; employees get paid 56 hours a year to volunteer in their communities. However, there is a financial benefit to having a strong culture. According to *Fortune*, research shows that "organizations that scored high on measures of inclusivity grew revenue three times as fast as rivals" (Bush and Lewis-Kulin 2018).

Employees may have always longed to work in a strong culture but didn't expect it or feel like they deserved it. But the tide is shifting. Today more employees are demanding equal pay, transparency, respect, and empowerment in the workplace. They are being proactive in shaping organizational culture. It's a myth that culture can be shaped only by the leaders. Everyone can contribute and everyone's voice matters—it's about coming together with the values that matter most. At the end of the day, creating the right culture will improve employee engagement, motivation, and the overall client experience. It also will improve the bottom line.

CHANGE STARTS WITH A CLEAR PURPOSE

The wealth management and asset management industries are built on relationships. I have found over the past three decades that when people in the business forget that they are in the relationship business or when they try to get cute or fancy with a new tool or new technology and put the need to build deep and meaningful relationships on the back burner, the business eventually will suffer. Therefore, strategy and culture need to always work in concert. In fact, these leaders focus on people— attracting, developing, and retaining the best talent. They are constantly asking questions and taking the pulse of how people are feeling about the environment, about their careers, about the organization. They have a great deal of curiosity and a sense of humility with an overlay of achieving business results.

I have visited more than 975 offices in the wealth management industry throughout the United States and 14 other countries. The culture of each office is apparent to me—and any other visitor—within 10 minutes of arriving. To me, a great business culture is characterized by complete transparency and trust.

A great culture is an environment in which people can speak their minds, where they can express their opinions, and where they can challenge a colleague in a professional and respectful way. Constructive conflict is not necessarily a bad thing—it's often how you come up with the best solutions. I can't think of anyone who doesn't value transparency and collaboration.

Unfortunately, most business cultures are still built around the expectation that everyone needs to play nice in the sandbox or suffer the consequences for professionally challenging a colleague or a superior. Businessman Charles Koch describes the fallout of complacency in the workplace in his book *Good Profit* (2015, p. 69):

There's a tendency for many in successful companies to rest on their laurels and become complacent, self-protective, and less innovative. In such bureaucratic cultures, employees can survive only by running with the herd. Decline sets in.

Such cultures stifle talent and exhaust leaders. Good leaders want to make a difference, be part of a winning team, express their creativity, and excel professionally, but if the culture within which they find themselves is bureaucratic and stagnant, they might find their growth and leadership stunted. If, as a leader, you find yourself in such a culture, you have two options: change it or leave it.

In my work, I often hear the excuse, "We have a company-wide corporate culture and I really don't have any control over what goes on locally." In many cases, ground-level leaders feel it is impossible to create a culture in the local market because they believe everyone has to march to the orders created in the home office.

I couldn't disagree more. When people work for you, or with you, regardless of whether you are a team leader or a manager at an independent broker-dealer, registered investment advisor, bank trust, or wirehouse, you set the tone. Your behavior and the decisions you make every day create the local culture. As a local leader, you can and should take responsibility for creating not only an individual team culture but also a local office culture.

I asked Rich Dragotta, founder of INC Advisors and registered principal at LPL, about why advisors are going independent, and he replied:

For many advisors it's all about control. They want the opportunity to create their own culture or at the very least be part of creating a special environment. They want freedom of choice and to create their own agenda. They want to

make the business fun again, by being independent and being part of a community and a culture that's always focused on putting the client's interest first and reflects their values. That's having the best of both worlds. These advisors are focused on delivering true, holistic wealth management without the focus on product, but rather on solutions with 100-percent control of their destiny.

Leaving a toxic culture that you cannot change is not a passive act. In many ways, a key leader's departure is a way of bringing that culture to a crisis, which may lead the firm toward positive change down the line. When top talent exits, the organization suffers and talent will continue to exit until a toxic firm finally acknowledges its crisis.

I consider the following to be the top 15 mistakes made by leaders when it comes to organizational culture:

1. Being oblivious to the current culture and how it impacts the overall business.
2. Attracting the wrong people. A poor fit is like the proverbial pebble in your shoe.
3. Allowing success to breed arrogance and complacency.
4. Failing to take responsibility and do the right thing. Own your mistakes.
5. Focusing too much on the victims—those that resist change and are negative.
6. Having too many unproductive meetings versus one-on-one conversations.
7. Undervaluing the vision and purpose of the organization as well as people's desire to contribute to that vision.
8. Under-communicating important information. People need to hear the same message 10 times before they are very clear about what's expected of them.
9. Thinking only about short-term results. Culture is about winning the long game and making decisions

that don't sacrifice the long-term benefits.

10. Allowing one person to be a bully, arrogant, unprofessional, and disrespectful. No one person is more important than anyone else on the team.
11. Failing to listen to all people, no matter their roles, including clients, shareholders, employees, vendors, and mentors.
12. Not having a learning culture that encourages personal and professional development.
13. Hiring people who look and think like you, so there is a lack of diversity of people and ideas.
14. Not celebrating milestones and people's contributions on a regular basis.
15. Ignoring any form of harassment or bullying or failing to deal with it quickly.

The best lever you have as a leader is to get the culture right. I believe there are five levers to changing your culture. First, you should start with a very clear picture of what you want the culture to look like and feel like. Second, the leadership team needs to be fully committed to this culture and not just compliant. They must be the catalyst for change. If an incumbent leader doesn't buy into the future vision, that leader is the wrong person to be leading the team. Third, it's important to get everyone's buy-in. Answer the unasked questions frequently: Why are we doing this? And how will it help our clients? Fourth, quickly remove those people with the victim mentality. These people often have a different agenda and will never be happy. These people, like one bad apple, will slow down your progress. Fifth, mission statements only matter if you actually live by the words. Catch people doing the right thing and publicly recognize them. For example, if respect is an important tenet in your culture, recognize someone on the team who is an excellent listener and who always gives people undivided attention, because that's one of the best forms of respect.

THE RIGHT PEOPLE MAKE THE RIGHT CULTURE

Over the past five years, I have worked with more than 100 wealth management firms representing some of the most prestigious and most successful businesses in the world. They all have three things in common: a desire to improve the client experience, a desire to increase asset growth organically, and a desire to attract top talent. The leaders at these firms understand that if they exceed client expectations, they likely will gain more wallet share. However, they understand that you cannot have a great client experience and a poor workplace culture. If people are not happy working in the environment you have created, you will not be able to deliver a consistently positive client experience. Your job as the leader is to put a smile (metaphorically speaking) on the faces of the people on your team—the advisors, the support staff, and so on. You must do this before you can put a smile on the client's face. Said differently, happy people inside a firm will make happy clients. It's that simple. Therefore, the formula for a great client experience is having the right people in the right roles with the right culture.

I recently spoke to Steve Cucchiario, the president and chief investment officer of 3EDGE, an asset management firm located in Boston. During his more than 35 years of studying the global capital markets and managing investment portfolios, Steve has built four companies. He built Windward from scratch, and in the beginning the company had one employee, himself. Steve started to build a team and culture that would lead to great success. Windward, which continued as Windhaven Investment Management after being acquired by Charles Schwab in 2010, grew from less than \$100 million in its early days to nearly \$20 billion in assets under management when Steve left the firm in 2014. Steve knows about building successful businesses, and he is convinced it all starts with culture. He explains:

Culture is a lot easier to get right from the beginning versus trying to change an existing culture—that's an extra challenge. My experience is that many organizations don't get the culture right because the culture evolves chaotically and there's too much effort [spent] competing inside a company. One person trying to get an advantage over another. ... I saw that when I was a consultant and worked with organizations. I saw people fighting for turf, for position, and trying to take each other down.

Steve goes on to share how he strived to create a different culture in his businesses:

3EDGE is my fourth entrepreneurial venture I've been involved with. I learned a lot through the other experiences ... I'm focused on building a company and culture that is internally cooperative and external[ly] competitive. Treat everyone with dignity and respect. In the investment business, integrity is paramount. We always value accuracy over expedience. I also believe in building a culture of learning. People should focus on their specialty, but there should be a lot of knowledge shared across different groups. Cross learning while building and improving your craft. With 3EDGE we make sure that when we hire that there's complementary skills, but that there's a buy-in with the cultural fit. All it takes is one bad apple to make the group dysfunctional.

Leaders who believe in the importance of a great culture work very hard to create a special workplace where people are happy and enjoy their work. You can feel a sense of community. It doesn't just happen; it requires a conscious decision to create the right vision and the right environment.

John Lunny is the chief executive officer of Vestmark, a technology company that

provides portfolio management and a trading platform to a number of major financial institutions. John's commitment to upholding a thriving, collaborative workplace has resulted in Vestmark winning several awards. John shares the importance of hiring the right people in creating a strong company culture:

We are a technology company with about 330 people and culture is very important to us. I'm all about sacrificing the genius to recruit those that adhered to our three core values, [which] are: "We before me"—putting the team before yourself, "knowledge explorer"—pursue the root cause, and "positive energy." These are the table stakes that are nonnegotiable. I look at the turnover rate, and the management team pays attention [to] why someone left our firm. The hiring process is important and I get involved as much as I can. I want to interview every relationship manager and project manager. We also pay a \$6,000 [bonus] for an employee referral of anyone we hire. What I communicate to everyone is that I want people to think about recruiting because identifying qualified employees is challenging.

As our business continues to become increasingly commoditized and artificial intelligence plays a bigger role, clients will have more options. Therefore, creating a successful culture will be paramount to attracting and retaining clients. Clients can feel when a company has a special culture and this intangible quality makes all the difference. You can recognize these types of environments immediately because when a client or guest walks into the office, they are celebrated, not merely tolerated. The first person who sees the client offers a big smile and with little effort addresses the client by name. When clients hear their name, it's music to their ears. That's what I call making an emotional deposit. The client can't help but think: "These people care about me. They are

organized, passionate, and focused. They are professionals."

So, are you ready to improve your organization's culture? Focus on implementing these 10 qualities that are often found in successful businesses:

1. Everyone in the organization feels valued, recognized, and respected. Everyone feels relevant and that they are making a contribution to the big picture. This means everyone, including the intern you just hired.
2. The organization celebrates diversity of people and ideas. There is an environment of knowledge sharing.
3. The organization values speed and operates with a sense of urgency when it comes to responding to requests from clients.
3. The organization's focus is on solutions versus products.
5. The organization has a clear vision and purpose. Leaders and employees can answer the following questions: Why do we exist? Where are we going, how are we getting there, and how are we different?
6. People are recognized for taking risks and trying new things. Failing is okay.
7. The organization promotes complete transparency. All employees understand why a decision is made and why a certain strategy will be implemented.
8. Celebrating milestones and making time for fun is a priority.
9. The organization promotes volunteerism and works in communities to make a difference to those who are less fortunate.
10. Lead by example. The organization is a meritocracy, meaning it is performance-driven and client-centric.

Finally, let's not make this discussion of culture more complicated than it needs to be. Do you agree that creating a great client experience is good for

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business and the only way to create a sustainable growth model? If so, start by spending a lot more energy on hiring the right people and making sure the people on your team are in the right roles, because over time skills may become worthless or your team may become complacent. We are in the people business; therefore, hire genuinely nice, authentic people who actually like being around people, who can do the job, and who are motivated to grow personally and professionally. Think about these key words on a daily basis: respect, transparency, empowerment,

compassion, vision, recognition, and results. But more importantly, make these key tenets the foundation of your business. ●

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ENDNOTE

1. See <http://news.gallup.com/reports/199961/state-american-workplace-report-2017.aspx>.

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