

# CULTURE BY DESIGN

## STARTUP FOUNDERS ON CREATING AN ENDURING COMPANY CULTURE

By Heather Dunford Nemelka, guest contributor



When the iconic Peter Drucker coined the phrase, “Culture eats strategy for breakfast,” he could never have predicted how important it would be in today’s workplace.

According to Deloitte’s 2015 Global Human Capital Trends survey, employee engagement and culture issues rose to the top as the

No. 1 challenge companies face around the world. A company’s culture impacts engagement, productivity and employee turnover. Because statistics suggest that 25 percent of startups fail in the first year and 71 percent fail by the 10th year, startups are finding the need to focus more on culture than ever before.

Company culture is often ignored by founders as many startups find it difficult to define their culture at the onset. Functioning in high-growth mode with too little capital and too little time, startups shift their focus to “more important” things. Often too late, founders discover that culture determines sales success, healthy business relationships and the ability to execute.

“When culture comes from the founders and there are people now in the organization who haven’t even met the founders, you start to get noise or corruption in the communication of the values to certain people,” says Entrata founder Dave Bateman. “The bigger your company gets, if you’re lazy about your culture, it will take on a life of its own, and you will end up with a culture that you didn’t ever want that isn’t a reflection of your own values.”

Is it ever too late to change company culture? “Changing culture is hard,” says Degreed CEO David Blake. “It’s never too late but it absolutely is hard ... If you haven’t been explicit in the way you’re going to act and react and operate, then you’ve likely created an enormous amount of dissonance across the organization.”

While it may never be too late, it is better to determine company culture by design rather than by default. No one knows this better than founders of tech companies in Silicon Slopes. Here is their advice for creating great company culture:

### 1. DO IT AND DON’T WAIT

Blake suggests that just like there is the concept of tech debt in the startup world, there is also the concept of cultural debt or culture as capital. “Like so many other things, like your brand, whether you are explicit about it or not—it is being shaped,” says Blake. “There’s nothing perhaps that has helped us scale efficiently more than having articulated these principles very early on ... There are so many decisions that come up along the way that you really can’t anticipate, but if you’ve established the principles of how and why you’re going to operate, every time you hit one of those big decisions, 80 percent of the work is done because you’ve already decided what you’re trying to engineer and why, and it makes those decisions so much easier.”

Says BambooHR’s founder Ben Peterson, “There are so many things happening in a startup, but culture is *the* most important thing. You’ll be paying a price if you don’t (focus on culture). You can’t give it lip service.”

### 2. BASE CULTURE ON SOUND PRINCIPLES AND VALUES—NOT ACCOUTREMENTS

Although great cultures often have cool furniture, video games and free snacks, you can’t buy your way into a great culture. Values are at the core. Simplus founder Ryan Westwood says, “People put so much emphasis on food in our break rooms and unlimited PTO. That’s really nice and cute and those are things that companies offer to recruit talent, but do they ultimately build culture? Not really. Culture’s really built through living your values, being transparent and doing things together outside of work.”

“Company culture are the principles that guide how we treat each other and make decisions,” advises Peterson. “A gym, benefits and lunches are all accoutrements. You can have a fun environment and still not have a great company culture.”

Blake agrees: “Often people talk about what we call the accoutrements of a company’s offices when people talk about their culture. For us, it’s more important than that ... You can tell how good a company’s culture actually is when you ask someone, ‘Tell me about your company’s culture,’ and how they respond. If they answer with ‘ping pong’, you know you’re at the accoutrements level.”

### 3. BE DELIBERATE AND KNOW WHO YOU ARE

“We know who we want to be and our identity as a business,” says Bateman. “We’ve been very deliberate about our culture. I feel like when someone comes in here, they know what to expect and what the rules are. It’s not a comfortable feeling to be in an environment where there’s ambiguity about what the values are or how you’re supposed to act.”

“It has to be a grassroots effort and it has to start bottom up,” says Westwood. Taking learnings from the first two companies he started, Westwood was very deliberate in forming the culture at Simplus. In the earlier days of the company, Westwood divided his employees into teams and devoted an entire day to brainstorming about their core values, mission statement and goals. Pretending they were going on *Larry King Live* 10 years in the future, the teams had to explain what they felt made up the DNA of a Simplus employee. “It was awesome because then it became *our* culture—not culture that I decided.”

### 4. COMMUNICATE YOUR VALUES AND COMMUNICATE THEM OFTEN

Communicating your company’s values and articulating them to employees is key. When employees can’t describe company values, then this articulation piece is missing. Says Bateman, “You can have great values and be very deliberate about coming up with them, but if they’re not memorable and you don’t communicate them, then they’re not going to do you any good.”

Chatbooks makes it a point to discuss their values often. “We are constantly talking about culture. We go over the values in our town lunches and give a shout out to someone exemplifying those values,” says Chatbooks founder Vanessa Quigley.

“We do two weeks a year that are dedicated to really communicating and reinforcing values to the employees,” says Bateman. “We constantly pepper people with these things because there are new employees coming all the time. We do training on the values with every group of people that come in. They go through a one-week crash course on the company, and we make sure we communicate those values aggressively then.”

### 5. HIRE PEOPLE WHO SHARE YOUR VALUES AND FIT YOUR CULTURE

Hiring employees with the right cultural fit can be one of the most important functions for a healthy organization. “Hire the right people,” says Quigley. “Make hiring decisions right the first time and have the guts when it isn’t a great fit.”

Says Peterson, “Shared values and shared behavior is

critical to your success. If you think about how we communicate and things that are frustrating [to employees] ... all are culture related. If you don’t have the ability to be real or authentic, think about all the time wasted. It creates drag.”

Says Westwood, “When you’re starting out, you need to first create a baseline and then ultimately you’re going to lose some people that don’t fit. Then you’ve got to manage it going forward. Transforming your culture is a lot of work. Those months when we were establishing our culture and the time I put in, it’s like extra work on top of being CEO. It’s not easy and it’s not light lifting. Right after we set who we were at that point was when we had the largest number of people we’ve ever lost.”

### 6. CREATE ALIGNMENT AND TRUST THROUGH TRANSPARENCY

Embracing transparency helps establish trust with employees. Says Blake, “If every time you make a big decision, it sort of fractures your team in half—half think it should be done this way and half think it should be done that way—that’s a lot of pain and trouble you’re creating as you’re scaling. Versus, if you have all of that outlined, every time you have to make a big decision, people can largely guess where you’re going to come out on it ... People know why the decision was made in the direction it was, and you’re able to stay aligned and just move on. You really have to be articulate, make it explicit, be transparent about it and get in front of it. Do it early. If you do those things, it really helps enable that alignment as you scale.”

Says Westwood, “We give out a playbook every quarter, and it gives the number one most important initiative for the company, has our metrics, why we’re going to succeed, what we do, and our Big Hairy Audacious Goals. If you asked anyone of our employees what those things are, they would tell you—every one of them knows.”

Regardless of efforts to be deliberate and thoughtful about company culture, there will always be problems as a startup scales. After all, culture is dynamic and changes with time and new experiences. However, founders and organizational leaders can take steps to build a strong culture by following these lessons: Do it and don’t wait. Base culture on sound principles and values—not accoutrements. Be deliberate and know who you are. Communicate your values and communicate them often. Hire people who share your values and fit your culture. Create alignment and trust through transparency.

“Our culture’s not perfect,” says Peterson. “It’s a work in process. It’s like software—you never stop working on it.” ■

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**Dave Bateman, Entrata**