

# The human side of business really matters

Cultural entropy can cause talent shortages, job mismatches and high turnover in SMEs, says consultant



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**B**usinesses tend to look at the quantitative side of running a firm - issues such as costs, bottom lines and sales figures. What they often fail to appreciate is that the qualitative side of a business - the work environment, team morale and management style, among others - have a lasting impact on the longevity and overall success of the enterprise.

This is where corporate culture comes in. A corporate culture is defined as the set of beliefs, values and attitudes of the business. Corporate culture is an important aspect of business as culture influences decision making, management and all business functions.

In fact, there is a form of assessment for corporate culture called the Cultural Values Assessment (CVA), which was developed by the Barrett Values Centre. The Centre was founded by Richard Barrett, who is an author, speaker and internationally recognised thought leader on the evolution of human values in business and society.

The CVA allows organisations to measure the level of cultural entropy in the company. Cultural entropy is the amount of energy consumed in doing unproductive or

## The three elements of cultural entropy:

- Factors that slow the organisation down and prevent rapid decision-making — bureaucracy, hierarchy, confusion, fire-fighting, and rigidity.
- Factors that cause friction between employees—internal competition, blame, manipulation, rivalry, and intimidation.
- Factors that prevent employees from working effectively—control, caution, micro-management, short-term focus, job-insecurity, risk-aversion, and territorialism.

Source: High Performance – It's all about entropy, Barrett Values Centre

unnecessary work. It is the measure of friction, conflict and frustration that exists in a group. When the level of cultural entropy is low in a business, it is operating at maximum and highest performance.

Cultural entropy is made up of three parts; factors that slow the organisation down and prevent rapid decision making, factors that cause friction between employees, and factors that prevent employees from working effectively.

"In today's challenging economic climate, SMEs which can reduce the level of entropy in their companies will have a more productive workforce that can bring in better business results," says Janet Lee, Founder and CEO, Ninety Five Percent Sdn Bhd. The company is a corporate culture consultancy with a vision to turn workplaces to joyplaces through custom designed culture enhancement programmes.

Unfortunately, very few companies are aware that their company culture drives business.

"Many companies are just oper-

ating on a default culture instead of actively designing it to deliver high performance and business growth" said Lee, who is also Lead Culture Consultant. "Without a strong culture, the company is not getting the best out of their workforce," she added.

Lee is an award-winning advertising maven, and is one of the first Malaysians to be a certified trainer of the UK-based Barrett Values Centre with access to the Cultural Transformation Tools (CTT).

## Cultural discrepancy

Lee was asked what high or low levels of cultural entropy mean for businesses. She said, "High levels of cultural entropy can bring about several issues for businesses, especially SMEs.

The first issue is talent shortage. A lot of fresh graduates aspire to work in MNCs or startups rather than SMEs. As a result, companies end up hiring the second best. The second issue is hiring people who are not the best fit for the job.

In Malaysia, one issue is that we generally do not speak up, we avoid confrontation. We are not as outspoken as the Westerners. This makes it difficult for employers to know what their staff is really thinking and feeling."

— Lee



"The third issue is retention. As more and more gen Ys enter the workforce, this becomes more prevalent. They are relatively more secure than the previous generations, and view work not as a necessity, but part of their lifestyle. If the company does not suit that lifestyle, they would leave the job and look for the right company."

Lee notes that very few companies realise that company culture drives business. Many companies are just operating on a default culture instead of actively designing it to deliver high performance and business growth. Without a strong culture, the company is not getting the best out of their workforce.

She explained, "Companies that consciously design and build a strong culture will have some advantages. These include finding it easier to attract the best talents. In this time of talent shortage, it has become an employee's market; they know they can pick and choose the best jobs. Another advantage would be having a team which is aligned and committed to the CEO's vision and direction. They are not just working for a pay-check, they are working for a cause.

"Other than that, the staff of the

company is internally motivated and accountable for business results. There's a saying by Mike Abrashoff, a retired US Navy commander, which goes 'you can ask a team to accomplish a mission but you can't order excellence'. They perform not because they have to, but because they want to."

## The Malaysian cultural context

Lee was then asked about Malaysian businesses, and how different the issues faced here are compared to other countries.

She said, "In Malaysia, one issue is that we generally do not speak up, we avoid confrontation. We are not as outspoken as the Westerners. This makes it difficult for employers to know what their staff is really thinking and feeling.

"We are also community oriented, so we value relationships with colleagues, managers and management. We need to feel a sense of connection and to know that everyone is being treated fairly. Otherwise, there will be what is known as cultural entropy; people will be disengaged and do the minimum to get by."

When asked to give an example of resolving high levels of cultural entropy, she said "There was a case of a new CEO who took over and was mandated by the global HQ to turn the company around. Their current culture was somewhat like a 'retirement home,' with long serving staff who were just pay-check employees. There was a high level of cultural entropy that was causing them to lose clients.

"We ran a culture transformation programme. As a result, people in the company were aligned to the new CEO's direction and they became more passionate about their work and more ambitious. There was greater unity and drive, which resulted in them expanding their business and winning awards." **MSME**