

The Importance of Strong Organizational Culture in Employee-Owned Companies

In any business, there are certain fundamental concerns which are necessary prerequisites for success: a dedication to quality, the ability to work efficiently, and numerous others. Having a strong organizational culture is a prerequisite which is important for workplaces and businesses, but is particularly vital for employee-owned businesses, where organizational culture is truly a make-or-break issue. They are, at their core, collaborative enterprises so strong organizational culture is a necessity for success.

What is Organizational Culture?

Before diving into the nuts and bolts of strong organizational culture, it is first important to break down what exactly the concept entails and why it matters. Starting on a very basic level, culture is a phenomenon which “includes all of a group’s shared values, attitudes, beliefs, assumptions, artifacts, and behaviors” and is “broad — encompassing all aspects of its internal and external relationships.”¹ Critically, culture and cultural expectations are so pervasive that they guide people’s actions and thought processes without individuals even being conscious of its role. Narrowing the definition to apply it to business, organizational culture specifically is “the shared values, beliefs, or perceptions held by employees within an organization or organizational unit.”² Practically speaking, an organization’s culture is the set of ideas and principles which guide and influence its intrapersonal functionality, helping shape the decision-making, leadership, and co-working processes.

Although it is a somewhat amorphous term, organizational culture has an enormous impact on how businesses function and cultivating a strong culture is extremely important. First and foremost, an organization’s culture should bring the individuals and groups within that organization closer to their goals, and should help encourage them to find ways to realize those goals. By emphasizing successful outcomes, organizational cultures can encourage productivity, stability, and happiness amongst employees, helping maximize both happiness and efficiency. Meanwhile, complex or challenging aspects of organizational culture can harm employees, limiting their ability to work productively and achieve satisfaction. Finally, it is important to note that strong and supportive organizational cultures have to be proactively developed: company leaders must actively work hard to establish a strong values set, while employees must understand and internalize those values in order to ensure their strength.

Organizational Culture’s Relevance to Employee Owned Firms

Since workers at many levels are uniquely involved in guiding employee-owned firms, establishing a strong organizational culture is particularly important for EO companies. It is inherent in the very nature of employee ownership that employees are generally empowered and, in some cases, specifically tasked with making high-level decisions about the company’s direction. However, it is important to note that even within EO companies, not all employees are necessarily involved in making major decisions (this

¹ Bruce Tharp. 2009. [“Four Organizational Types.”](#) Haworth.

² Yafang Tsai. 2011. [“Relationship Between Organizational Culture, Leadership Behavior and Job Satisfaction.”](#) BMC Health Services Research.

can vary by EO type, as cooperatives are highly inclusive and ESOPs function more like a traditional business). Therefore, it is important that employees have a clear understanding of their role and their rights as worker-owners, and everybody is aware of their varying degrees of involvement.

Because of the nature of employee ownership, leadership should also be conscious to emphasize the company's accomplishments, highlighting the role that employee-owners play in the company's success. A key component of this is transparency and communication: leadership must be responsive to the concerns of employee-owners, because keeping them in the loop and making them feel valued is an essential component of building a strong and tightly-knit culture³. This type of effort can have a positive feedback loop, encouraging employees to become further involved and thus leading to additional successes which leadership can play up.

Additionally, a key component of building a strong organizational culture in an EO firm is providing continual training and support, allowing workers to advance in their roles while ensuring they feel valued⁴. Helping employees build skills improves their ability to work effectively while allowing for professional development. Another key part of supporting employees is educating them about how the company functions, its decision making process, and its general direction. However, when doing so it is important to present information to employees in a way which is digestible and demonstrably inclusive, or else employees could feel alienated from the process. Similarly, leaders should establish how employees themselves can contribute to strengthening the organization's culture, highlighting things like conflict resolution, effective time management, and effective intra-firm communication. Ultimately, employee ownership encourages trust and power sharing, two things which are essential to organizational culture. However, employee ownership can bring new challenges, so it is important that company leaders buy into the EO culture, adjust expectations, and emphasize key characteristics such as transparency.

Strengthening Organizational Culture

Finally, it is important to realize and manifest the importance of these various traits by actively working to strengthen company culture. First and foremost, leaders can do this by exemplifying the values they wish to cultivate within the company, as research has shown that firm higher-ups 'set the tone' for their employees with their actions. Leaders should place a particular focus on treating employees the same way they would like to be treated and focusing on trusting and encouraging their workers. This has been shown to facilitate balanced power dynamics and increase employee retention rates. Firm leaders should also find ways to integrate employees into the company's decision-making process and provide opportunities to advance within the company. By doing this, executives provide employees clear incentives to work hard and stay with the company. Leadership's role in encouraging skill-building,

³ 2021. "[Ownership Culture](#)." Project Equity.

⁴ 2021. "[Ownership Culture](#)." Project Equity.

power sharing, and trust within employee-owned companies is essential, and can help companies strengthen their profiles and achieve economic success⁵.

Conclusion

Certain specific values are particularly important for developing and implementing a BBEO model. Having a pre-established focus on transparency, accountability, and inclusive decision-making, as well as concern for workers' well-being are all very important prerequisites for effectively implementing the BBEO model, which can only function effectively with all these characteristics in place. After all, employee-owners are much more likely to be interested in contributing and fulfilling if they feel like they are included, respected, and kept in the loop about significant developments. Therefore, the transition will be easier and smoother in these cases, and will require less training, onboarding, and education, since people are already aware of what's required of them and willing to act accordingly.

⁵ Yafang Tsai. 2011. "[Relationship Between ORganizational Culture, Leadership Behavior and Job Satisfaction.](#)" BMC Health Services Research.