Time to Democratize Culture Budgets

A path to inclusive cultures and an empowered workforce

We are doing this all wrong

Several years ago, the president of a technology company wanted to create a wellness program for the growing team. When he asked employees what they wanted, the list included running shoes, gym memberships, vitamins and supplements, mental health apps… the list went on. It was clear no single service would effectively serve the needs of most people. The solution; create a budget for each person to accommodate the diversity of interests. It also caused that president, in the age of personalization and high turnover, to think differently. A one-size-fits all approach to Investing in people and building culture would not work.

Today, the world and work experience are changing at an incredible pace. Communications, organization, travel, work, transactions, health, learning are all changing at a component and system level. The pandemic has only accelerated this change by forcing the adoption of new technology and highlighting the needs of people as companies struggle to retain talent.

Despite this pressure, **company culture is still supported by the tools and thinking that evolved out of the industrial era**. Culture typically centers around a

homogeneous mindset, developed by a small group of people (often without input from employee populations[1]) who meet with business leaders and define culture as a set of values and behaviors. Budgets are built, and programs are launched. An annual survey is distributed, feedback is collected, gaps are identified, and the cycle continues.

Unfortunately, these processes fail because culture systems a) are not designed with the people who experience them, b) are ruled by a uniform, one-size-fits-all approach c) use technology designed to automate old processes.

The result: sustained, high turnover that is eroding productivity and profitability.

Systems designed for uniformity will inhibit diversity

Centralization of authority is common to almost every effective system of organization that has ever existed. Government, the military, corporations, not-for-profits – all of these constructs were designed to help people operate more effectively as a group. And all have systems that centralize authority – some to a greater extreme than others.

The inherent problem with the current culture systems is that **the more we try to centralize and control culture, the less likely it is to reflect the body of people it represents**. Anyone working at a large corporation can tell you about the cultural differences between offices, job functions or geography – while at the same time point to a company web page highlighting the values everyone should follow.

Community is human nature, conformity is not. At the same time companies operate centralized and homogeneous cultural systems, they are also saying they want to create more inclusive and diverse cultures – without recognizing **a system designed to build conformity will naturally inhibit diversity.**

People are themselves a reflection of this conflict. We each desire to be different and stand out from the pack, a primal evolutionary trait to help us attract a desirable mate. We also need to be accepted by the people around us - to be accepted in a tribe - in order to experience the survival benefits that come with living in a group. It's finding the balance between these traits that is key – for both an individual and a successful culture system. The goal is to **create balance wherein we allow diversity to flourish while keeping enough of a structure for the larger organization to thrive.**

whistle

...the more we try to centralize and control culture, the less likely it is to reflect the body of people it represents.

Balancing power through budgets

Inclusivity drives significantly higher retention[2], productivity and innovation[3]. One way to foster inclusivity and increase employee retention is by changing decision making regarding how money is spent on culture. Money is proxy for power and control[4]. Sharing budgets with employees and allowing them to decide how to spend those budgets creates a sense of autonomy and trust. It also increases the return on investment compared to centralized control because people can spend the money in ways that best suit them.

Talking with an executive about the concept of distributed budgets, the executive shared a story that early in her career as a marketing manager at the world's largest beer company, she was given a budget to buy a beer for anyone she noticed drinking one of their products. She said it was a small thing, but the favorite part of her job to have that power to bring a little joy to others.

The challenge is creating a system of widely distributed power while also satisfying the organization's needs to ensure that the money is achieving its intended strategic purpose. In the past, this has been difficult because the technology has not existed to streamline the required tasks of processing payments, managing approvals, auditing to ensure proper use and reporting back details into accounting systems. It was simply too complicated and expensive to broadly distribute budgets among a population of people.

Today advancements in mobile payment technology allow companies to address all of these concerns.

- Approval processes can be automated ensuring funds are distributed when appropriate with less risk of abuse.
- Funding rules can restrict funds to only process in certain locations, merchant types of periods of time.
- Mobile payment technology allows funds to be moved digitally in seconds to any location around the globe.
- Blockchain ledgers can manage endless numbers of financial transactions with complete transparency and accuracy.

- Reporting tools can automatically categorize spending and generate reports that are easily ingested into accounting systems.

As the tools now exist, what remains is legacy thinking and systems that need to change.

As an example, a centralized approach to philanthropy would involve the CEO writing a check to their favorite charity for $10,000. A distributed approach, in contrast, could provide 100 managers $100 each to give to their favorite charities – putting managers at the center of the giving experience verses the edge. This example is a real case study that supported 53 different charitable organizations (instead of one) and changed how the CEO thinks about company philanthropy.

Companies now have multiple options to distribute budgets to managers so they can meet the unique and personalized needs of each team or employee. Budgets can also be distributed directly to employees letting them feel more valued and empowered.

When a company recently considered hosting a beer tasting, several people asked about options for those employees who did not drink (33.6% of people in the United States do not drink alcohol[5]). Instead, the company gave each employee a $20 a month culture budget. Employees organized a variety of events including a beer tasting, chocolate tasting, bowling night, game night and more. By decentralizing the budget, a broader group of events were organized and 100% of the employees are participating in some type of company event.
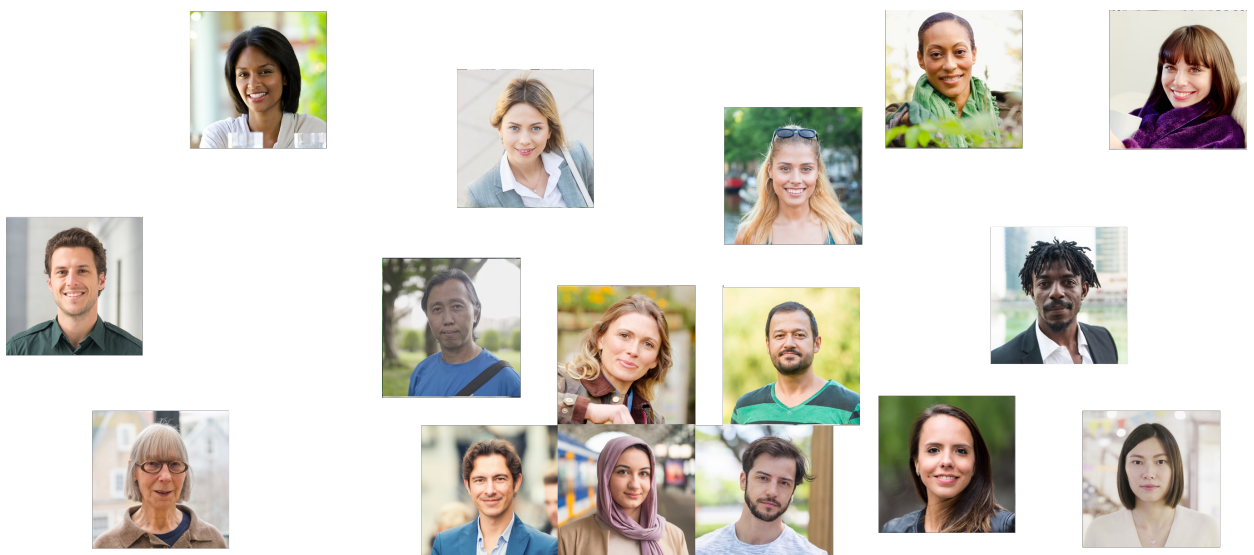
Democratizing Culture Investment

Democratization is generally defined as the process of making something accessible to everyone. The concept has continued to build in the last decade with a range of new technologies that give people access to markets, services or capabilities that previously were available to few.

Robinhood's mission is to "democratize finance for all"[6.] The company was founded by two software engineers who spent several years working in the hedge fund industry and realized big wall street firms effectively pay nothing to trade stocks, while most Americans were charged a commission for every trade. They decided it was important to build products that would provide everyone - not just the wealthy - with access to the financial markets. The company, now 8 years old, has 31 million users and a market capitalization of $8b[7].

Robinhood is just one of numerous technology companies that have changed markets and lowered barriers to entry. Wordpress allows you to create a functioning website in minutes, Google Cloud provides data storage and processing as a service, Square enables payment processing infrastructure with no upfront costs.

Each one of these companies has disrupted a market and enabled entrepreneurs to address a business problem at a fraction of the historical cost. What took $10,000 a decade ago can now be done for a $50 monthly subscription, which makes these services accessible to most people as opposed to just a lucky few.

Culture can work the same way.

Companies spend hundreds of billions of dollars trying to change employee's behavior and to increase outcomes such as productivity, retention, safety, wellness, and engagement. However, centralized approaches that treat all individuals the same way leave a lot of potential value on the table. **Companies don't need to spend more on culture, the just need to be smarter with their approach**. Decentralization of culture budgets is a good step.

Here are a few more examples of how companies have democratized elements of their culture:

- **Employee referral budget**. A tech start-up needed to build a pipeline of talent to support its growth. They decided to offer a $500 culture budget to any existing employee who referred someone who resulted in a hire. How the funds were used was completely up the employee as long as it improved the employee experience. The program not only helped attract many new employees, but it spurred innovative ways to build culture, including everything from a Lego building station for breaks to walking desk stations to team art projects.

- **Wellness budgets**. Only about 40% of employees participate in a standard wellness programs even though they are offered by the majority of companies in the US[8]. In most cases companies are paying for programs that the majority of their employees do not use. An alternative is to give employees a wellness budget and empower individuals to spend wellness funds where its needed. Not only is waste reduced, but wellness payments can be tied to better health outcomes.

- **Shared philanthropy**. A major airline invests $1.5 million each year in the communities it serves. This year the airline is shifting some funds and giving 500 managers each a $1,000 community giving budget. Instead of a centralized decision process for community giving, each manager is now empowered to give back and be the hero in their respective communities.

- **Team building**. People who feel connected to their coworkers are more productive, innovative and likely to stay at their job[9]. Whether in person or remote, giving people a budget to take a co-worker to lunch is an effective and economical way to build teams. Who doesn't like a free lunch and with a few icebreaker examples and a lunch budget its easy to build team camaraderie.

- **Culture Budgets.** Most companies fail to focus on the relational elements of the employee experience even though they are the primary reason people leave for another job. Giving employees the ability to invest in the employee experience gives everyone a stronger sense of culture and connection. Whistle provides each employee with a $20 a month culture budget that has funded everything from peanut butter and jelly day (because one employee had never had a PB&J) to wig day (when everyone in the company wore a wig in honor of a team member).

Giving people control over these small budgets that directly related to their work experience produces multiple benefits for both the employee and employer.

- Employees feel supported and empowered as they are given the responsibility to spend money on behalf of the company.

- A broader variety of employee needs can be addressed because each person or team can fund what is important to them.

- People are more likely to feel a sense of ownership, and therefore place more value on things they help create.

- Employees have fun working together to pool their budgets to host a small event or reach a shared goal.

- Culture budgets can be a form of recognition – a way to acknowledge someone by giving them some power in the office tribe.

- People use their budgets in ways that reflect their own personality and values, giving them a sense of purpose.

- Culture represents the diverse interests of the full employee population, ensuring that the environment is truly inclusive.

While each of these has been shown to increase retention and performance, they also simply make for a more fun, inclusive, and interesting workplace.

Risk of keeping the status quo

For years, many hospitals have organized pizza parties to show their appreciation for overworked nursing staff. But as the pandemic increased the stress and pressure on our caregivers, these pizza parties quickly became a frustrating reminder of an administration out of touch with the front-line workers. **Often maintaining the status quo comes with growing risks.**

Voluntary employee turnover in the United States is at a recent high of 41.3%[10] costing US companies around $1T annually[11]. There is little evidence this trend will change, and recent surveys indicate as much as 40% of the US workforce is actively looking to change jobs.

Prior to the pandemic, the US (and most of the developed world) was facing a large wave of retirements as baby boomers left the workforce. Digital transformation of our economy is also changing the nature of work at a faster pace than our retraining systems can keep up with. Immigration will most likely face headwinds while the pandemic lingers. All of these suggest **attracting and retaining skilled employees will be a critical problem for the foreseeable future. Even a small advantage can be the difference between growth and stagnation.**

Addressing this workforce challenge while also creating a more inclusive culture system presents enormous potential. Democratizing culture budgets creates a system of trust between employers and employees. It gives people a sense of autonomy and respects their ability to make their own responsible decisions. It also embraces our differences while at the same time focusing the resources to help build connections between us. It holds the potential to usher in a renaissance of innovation and creativity for our teams, companies, and communities.

whistle

End notes

1. https://www.inc.com/marcel-schwantes/why-are-people-really-leaving-their-jobs-whole-reason-can-be-summed-up-in-4-words.html?cid=sf01003

2. https://hbr.org/2009/04/when-internal-collaboration-is-bad-for-your-company

3. chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www2.deloitte.com/content/dam/insights/us/articles/4209_Diversity-and-inclusion-revolution/DI_Diversity-and-inclusion-revolution.pdf

4. https://www.inc.com/susan-greenberg/study-proves-power-and-money-go-hand-in-hand.html

5. https://www.cdc.gov/nchs/products/databriefs/db374.htm

6. https://robinhood.com/us/en/support/articles/our-story/

7. https://www.wsj.com/articles/robinhood-agrees-to-pay-70-million-to-settle-regulatory-investigation-11625063765

8. Chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.dol.gov/sites/dolgov/files/ebsa/researchers/analysis/health-and-welfare/workplace-wellness-programs-services-offered-participation-and-incentives-report.pdf

9. https://www.gallup.com/workplace/397058/increasing-importance-best-friend-work.aspx

10. https://www.bls.gov/news.release/pdf/jolts.pdf

11. https://www.gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx

Author

Chris Dornfeld
President and Co-founder

For over two decades Chris has built high performing organizations at the intersection of innovative technology and a people centric approach. With a background spanning start-up companies, global corporations, higher education and as the CIO for the City of St. Louis – Chris has a unique vantage point to understand how technology and culture shape our ever-changing work experience. He has spoken at conferences around the country, universities and contributed to numerous publications on employee experience, people analytics and building entrepreneurial organizations.

Chris@weWhistle.com

Drew Carter
Chief Executive Officer

Drew brings a combination of executive leadership, business strategy, technical software experience and data analytics to his work. He has worked in large and small corporations, worked in industry building software products enjoyed by millions and served as a consultant helping companies better compete in the digital age. Throughout his career he has thread a keen understanding of commercial strategy with contemporary technology to deliver hundreds of millions of dollars of incremental value.

Drew@weWhistle.com

Laurel Newman
Science Advisor

Laurel is a behavioral scientist who specializes in creating interventions that help companies to improve the experiences and change the behaviors of their customers and employees. Her experience as a Psychology Professor turned Applied Behavioral Scientist for a B2B company provides her unique insight into the variety of forces that impact people's thoughts, feelings, and behavior.
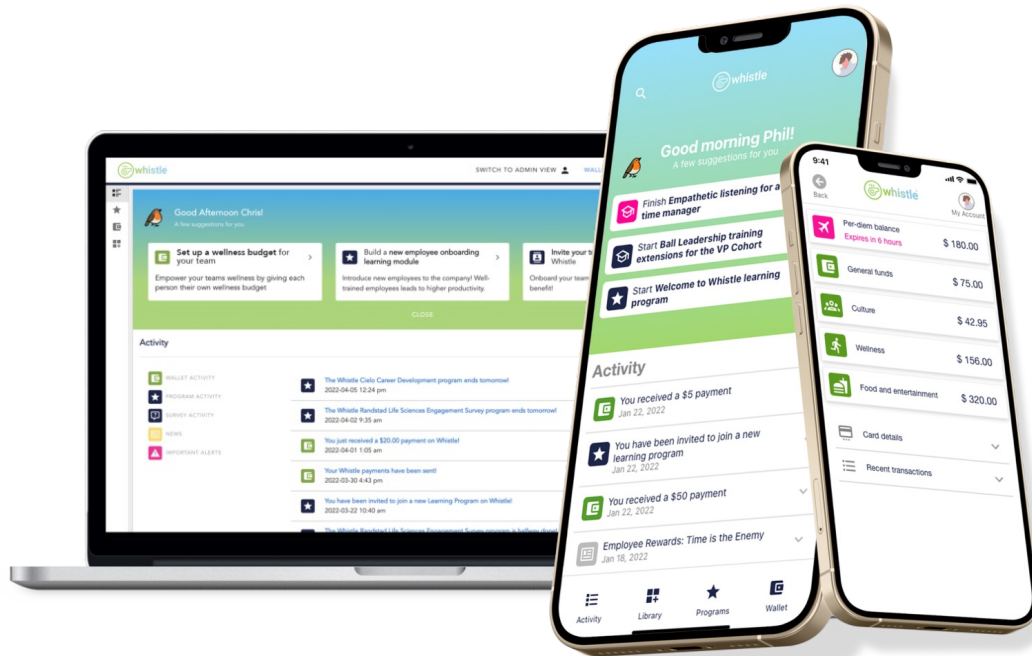
Laurel@weWhistle.com

About Whistle

Whistle helps companies create employee loyalty. From culture building budgets to training people managers, to be better people managers – the Whistle platform integrates the key elements that create employee loyalty, and better business outcomes.
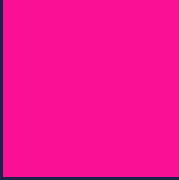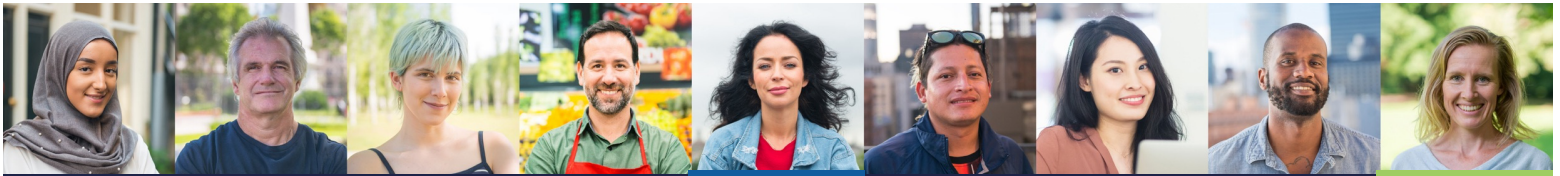
Simple. Easy. Just whistle.

Whistle payments can be integrated into any workflow or technology with the **Whistle Payments API. Adding budgets, rewards and incentives has never been easier!**

<table>
<tr><td>**Want to learn more?**</td><td>Or contact us to learn more and how we can help improve your employee loyalty.

www.weWhistle.com</td></tr>
</table>

Whistle Systems Inc.
January 2023