



# **Understanding the Impact of Organizational Culture in Veterinary Practices**

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In the late fall of 2015, the American Animal Hospital Association (AAHA) worked with a team from the Daniels College of Business at the University of Denver on an in-depth data and survey analysis to understand the qualities of organizational culture in veterinary practices, to evaluate the overall and specific subcultures in veterinary practices, and to determine how culture affects veterinary practice metrics. A total of 27,202 internet surveys were sent to AAHA's universe of veterinary practice employees, between Oct. 30 and Dec. 1, 2015. The response rate was about 7% (N = 1850), and the sample included employees ranging from support staff members to practice owners from approximately 1035 facilities.

In the following report, we

- Define organizational culture and why it is important to the effective management of veterinary practices;
- Describe the measurement of aspects of organizational culture;
- Analyze the relationships between organizational culture and veterinary practice metrics, including the relationship between AAHA accreditation, culture, and metrics.

## **Organizational culture**

In its simplest form, organizational culture is “esprit de corps,” or a feeling of pride, fellowship, and common loyalty shared by the members of a particular group. The idea of organizational culture was derived from Anthropologist's study of cultures in society, and reflects the fact that tribes or collectives of people share common assumptions, values, and beliefs. One of the first definitions of organizational culture is found in the seminal book, *Corporate Cultures: Rites and Rituals of Organizational Life*, by Terrance Deal and Allan Kennedy. They say “culture is the way we do things around here.”<sup>1</sup> Any one who has traveled from one country to another, or from one state to another within the US, will have observed differences in the way things are done. From driving on the right side or left side of the street, to making or avoiding eye contact with passersby on the sidewalk, to dressing formally or casually, different collectives have different practices. Therefore, the concept of culture can also be applied to organizations in general, and veterinary practices in particular.

Organizational culture has long been studied in corporate America, and has been linked with the effectiveness of organizations. In a recent post on Forbes.com, Liz Ryan argues that culture is the “fuel that drives any team's success.”<sup>2</sup> And, while companies invest significant financial resources into creating a brand, “brand only makes the promise—culture either fulfills it, or breaks it.”<sup>3</sup>

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<sup>1</sup> Deal, T. and A. Kennedy (1982). *Corporate Cultures: Rites and Rituals of Organizational Life*. Boston, MA: Addison-Wesley.

<sup>2</sup> Ryan, L. (2016). Five dangerous myths about corporate culture. *Forbes*. <http://onforb.es/1mKCOVG>. Accessed 2/18/2016.

<sup>3</sup> Coffman, Curt W. and Kathie Sorensen (2013). *Culture Eats Strategy for Lunch: The Secret of Extraordinary Results*. Denver, CO: The Coffman Organization, Inc.

According to the research by Coffman and Sorensen, culture affects the following metrics:

- Talent retention
- Lost work days
- Margin growth %
- Sales growth %
- Customers engaged
- Customer retention
- Individual growth and development

Thus, there is a grave consequence when culture is ignored by organizational leaders, and that is a loss of engagement. “When disillusioned, they [employees] quit, stay and work to make things different, or become ROAD warriors (Retired On Active Duty).”<sup>4</sup> According to their research, Coffman and Sorensen estimate that 42% of employees are actively engaged; 23% are “passengers,” and 35% are the so-called ROAD warriors—they are actively disengaged. Imagine if your car only worked 42% of the time? It is therefore incumbent on leaders to pay attention to, and to invest in, the quality of their cultures.

We found no research on cultures within veterinary practices, nor on the effects of culture on the financial success of practices. We did find arguments on the importance of culture. We also found much advice on how to improve the culture of veterinary practices, and speculation on the consequences of positive and toxic cultures. Finally, we found concerns about high turnover rates in veterinary practices. However, none of these arguments was based on empirical research. The purpose of this study is to determine if we can provide such empirical support.

### **Our approach to measuring culture**

One way of conceptualizing organizational culture is into “types.” A number of scholars have created frameworks that place cultures into larger categories. For example, the aforementioned Deal and Kennedy (1982) framework identifies four different corporate cultures: Process, Work Hard/Play Hard, Bet Your Company, and Tough Guy/Macho. Each is based on the degree of risk a company faces, along with the speed with which the company receives feedback from its environment. There are a number of other typologies available in the literature on organizational culture as well.

In the typology approaches to culture, each cultural type can be effective, depending on its fit with its context. Since our overall goal in this study was to link culture to veterinary practice metrics, we took a different approach to measuring culture. In this study, we measured the perceptions of employees toward specific aspects of the culture. By doing so, we were able to assess whether employees viewed the culture of their practice in a positive or a negative light. Also, it is the employees, not the leaders, who create a culture’s energy.<sup>5</sup>

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<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

## **Cultural dimensions**

We identified eight dimensions of organizational culture for this study:

1. Training and career development: the degree to which the practice shows an ongoing commitment to the training and career development of all employees and provides continuing education and learning opportunities to all employees.
2. Rewards and recognition: the degree to which the practice creates reward systems that reflect important practice goals and rewards excellence.
3. Institutional fairness and communication: the degree to which the practice protects the rights of all employees to a fair and respectful workplace and shares information necessary for employees to achieve goals.
4. Employee involvement: the degree to which the practice values the contributions and ideas of employees, solicits ideas and suggestions, and delegates decision making authority.
5. Teamwork and staffing: the degree to which the practice encourages teamwork and cooperation, and coordinates efforts across departments.
6. Supervision: supervisors and managers in the practice communicate a clear understanding of goals, priorities and performance, and provide constructive feedback.
7. Leadership skills: practice management promotes a commitment to high performance and quality.
8. Relationships with veterinarians: the degree to which veterinarians maintain collegial relations with staff and respect staff contributions to care.

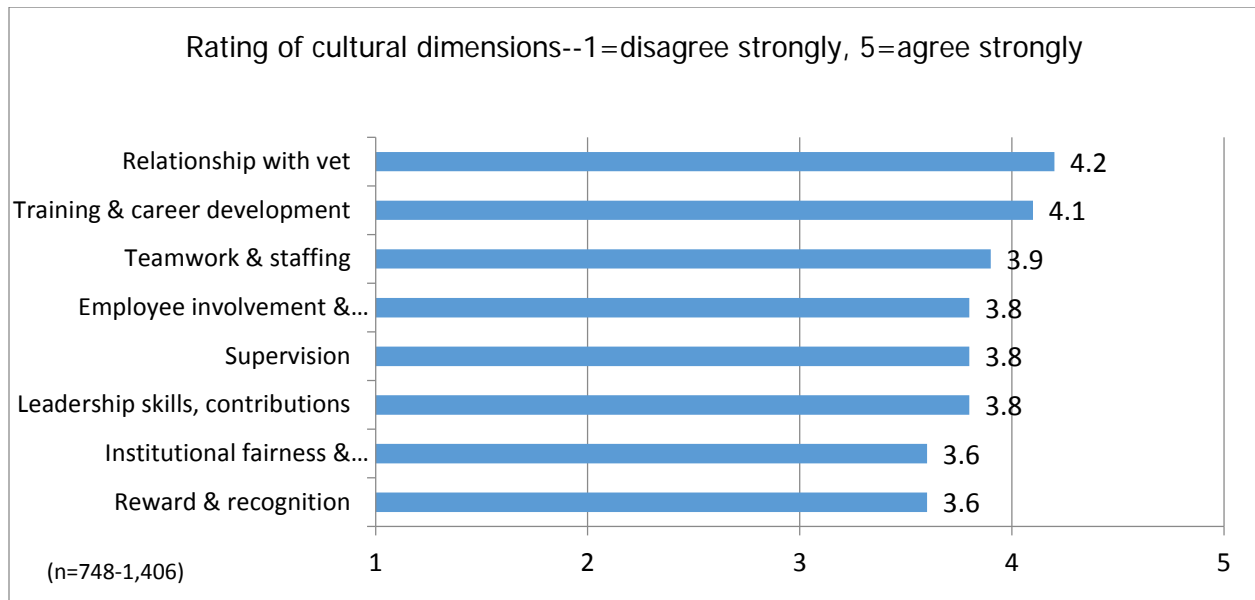
These dimensions were measured with 46 items gleaned from two established instruments with strong psychometric properties. Factor analysis was used to confirm the eight dimensions and to eliminate poor items, resulting in 42 questions used in the final analyses.

## **Results of Interest**

### **Perceptions of overall culture**

The following chart shows the overall perceptions of the sample toward the eight cultural dimensions. These results indicate that overall perceptions of culture are positive. Two aspects of culture, relationships with veterinarians and training and career development, are well above average. The remaining dimensions were rated positively, though they can be improved. Institutional fairness and communication and rewards and recognition received the lowest scores and suggest that information flow, both between departments and between leaders and followers, could be improved. In addition, employees feel that the veterinary practices in which they work could improve their reward systems. These results likely indicate that the sample

comprises employees who are either “actively engaged,” or “passengers,” and less so those who are “ROAD warriors.”<sup>6</sup>



### Practice metrics

A variety of metrics were analyzed to determine whether, and how, they are affected by cultural perceptions. The metrics were reported by the practice owner or practice manager. Then, employee responses were matched with these metrics based on the name of the practice and the postal code within which the practice resides. The following metrics were included in the survey:

1. Production per FTE veterinarians
2. Average client transaction
3. Client retention
4. Number of active clients
5. New client growth
6. Number of new clients
7. Average number of employees
8. Employee turnover
9. Gross income
10. Net income/owner
11. Length of ownership
12. Gender of ownership
13. Length of employment
14. Age of employee
15. Job function of employee

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<sup>6</sup> Ibid.

## **The impact of AAHA accreditation**

In the process of conducting our analyses, we found a relationship between AAHA accreditation and perceptions of cultural dimensions. Specifically, we found that AAHA-accredited practices show slightly higher perceptions of training and career development, leadership skills, institutional fairness, employee involvement, supervision, and teamwork and staffing than nonaccredited practices. In addition, we found a relationship between practice metrics and AAHA accreditation.

AAHA-accredited practices reported:

- Higher production per FTE veterinarian,
- Higher client retention rates,
- More active clients,
- More employees,
- Higher gross income, and
- More new clients than nonaccredited practices.

Perhaps because of the management processes and tools gained through the AAHA accreditation process, there appears to be solid support for successful achievement of accreditation, both financially as well as culturally.

## **Culture and practice metrics**

One of the central interests of this study was to look at the relationship between employees' perceptions of culture and practice metrics. We examined this relationship in several ways. First, we combined all eight cultural dimensions into an overall measure of culture. Using ANOVA as our method of analysis, we found no significant relationships between perceptions of overall culture and practice metrics. Thus, we continued our analyses on the relationships between each cultural dimension and each practice metric.

First, we looked at whether perceptions of each culture dimension had a significant effect on each KPI. The next table summarizes our findings. The table is organized to show the impact of more positive perceptions of culture on the various practice metrics. An upward facing arrow means that more positive perceptions of culture were associated with higher levels of the metric, and a downward facing arrow indicates that more positive perceptions of culture were associated with lower levels of the metric. All arrows on the chart represent statistically significant results.

Three sets of relationships were noteworthy:

1. Relationships with veterinarians

More positive perceptions of relationships with veterinarians were associated with practices with fewer employees, lower gross income and fewer new clients. These three metrics may be associated with smaller practices, and it appears that relationships with veterinarians matter a great deal for these practices.

2. Teamwork and staffing

Practices with more positive perceptions of teamwork and staffing were associated with practices with fewer employees, lower gross income and fewer new clients and fewer numbers of FTE veterinarians. These were the same three metrics associated with more positive relationships with veterinarians. In addition, practices with more positive perceptions of teamwork and staffing were associated with practices with fewer FTE veterinarians. Putting these findings together, it appears that small practices benefit from better teamwork and staffing system.

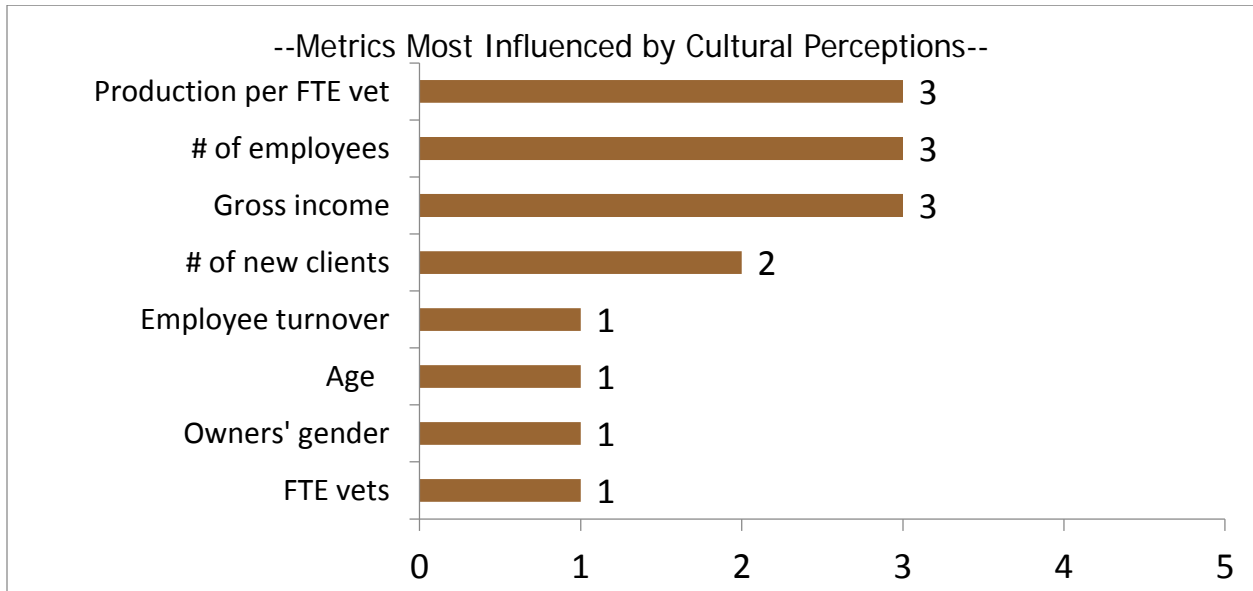
3. Leadership skills

Perceptions of stronger leadership skills were associated with greater production per FTE veterinarians, and were found in practices with fewer employees and lower gross incomes. Again, these findings corroborate those mentioned above, that is, that certain cultural factors are important in smaller practices.





In our next set of analyses, we identified the practice metrics most influenced by employees' perceptions of culture. The next chart summarizes these relationships.



Three clusters of relationships are worth exploring in more detail.

1. Higher production per FTE veterinarian is associated with more positive perceptions of leadership, employee involvement, and supervision. While the causality of this relationship cannot be explored with our cross-sectional data, we expect that better leadership and supervision, with strong employee involvement leads to higher production. The reverse relationship, that higher production leads to more effective leadership and involvement, is also plausible.
2. Practices with fewer employees are associated with more positive perceptions of leadership, teamwork and staffing, and relationships with veterinarians. When we consider this finding along side the findings reported in the previous section, we draw the inference that smaller practices have cultural advantages.
3. Lower gross income is associated with more positive perceptions of leadership, teamwork and staffing, and relationships with veterinarians. Again, these results suggest that smaller practices have more positive work cultures.

### **Cultural perceptions and job functions**

We were also curious whether cultural perceptions were related to employees' job titles. As before, we first approached these analyses by looking at the relationship of overall culture with job function, followed by separate analysis of each cultural dimension with job function. For this analysis, we divided survey respondents into five categories of jobs:

1. Owners
2. Associate veterinarians
3. Management/administration, including hospital manager, practice manager, office manager, bookkeeper/accountant, and kennel manager
4. Licensed technicians, including technician manager, and certified/registered/licensed technician
5. Support staff, including customer service representative, kennel assistant, and veterinary assistant

The owner group was not included in these analyses because our assumption was that the employees' views of culture the driving forces behind the practice's energy and financial performance.

We found a relationship between job function and perceptions of overall culture in our sample. Less positive perceptions of overall culture were reported by associate veterinarians, licensed technicians, and support staff. More positive perceptions of overall culture were reported by those in management/administration. We note that the less positive perceptions were held by employees with little decision making power and lower wages. With a few exceptions, the more positive perceptions were held by employees at the upper echelons of the practice. You will see that this pattern holds as we conducted analyses of each cultural dimension by job function.

When examining the relationship between job function and the eight dimensions of culture, we found an interesting dichotomy between the perceptions of management/administration and the perceptions of associate veterinarians. In particular:

Management/administration employees held more positive perceptions of

- Training and career development
- Teamwork and staffing
- Rewards and recognition
- Leadership
- Institutional fairness and communication
- Employee involvement

Associate veterinarians held less positive perceptions of

- Leadership
- Training and career development
- Employee involvement
- Supervision
- Teamwork and staffing

These results suggests a divide between these two groups of employees. On the other hand, there were positive findings, for example, we found that employees in management/administration and licensed technicians reported the most positive perceptions

of relationships with veterinarians, suggesting there may be more complexity here. Support staff also perceived moderately effective relationships with veterinarians.

It is also interesting that licensed technicians and support staff had more positive perceptions of training and career development than other job functions, showing that there were some positive perceptions of culture by employees in lower echelon positions.

## Study limitations

As with any survey process, there are a number of limitations to point out. If this survey is repeated in the future, these limitations should be addressed. First, the participation rate was low. We built in several features in order to increase response rate: we offered meaningful prizes for those who participated, gave employees one month to respond, created a survey that did not take much time to complete, designed the survey so that it could be completed on a smart phone, and conducted the survey in a less busy time of the year for veterinary practices. Nonetheless, the response rate was about 7%. While rather low, we do note that this rate is consistent with other surveys conducted under the auspices of AAHA.

We also wonder if practices with less positively perceived cultures (or so-called “toxic” cultures) participated in the survey. It seems fairly likely that less positive cultures may not encourage transparency, or could even create fears of reprisal for reporting less positive perceptions. In other words, we wonder how many “ROAD warriors” responded to our survey?<sup>7</sup>

Although we had 1,850 respondents across 1,035 practices, our sample did not contain a strong overlap between owners and employees from the same practice within our sample. The sample sizes for the practice metrics were lower than for the cultural perceptions, and the measurement process for the metrics may have had validity problems. Thus, our results on practice metrics must be interpreted with some caution. Clearly, one of the reasons there are few, if any, empirical studies on the relationship between culture and financial metrics relates to measurement difficulties.

In addition, a large proportion of respondents (88%) were AAHA-accredited members, suggesting that the sample was somewhat skewed.

Finally, we attempted to use the same survey for practice owners as we did for employees. A number of respondents noted that the cultural perception items were not relevant for practice owners, and we concluded that the metrics should be collected in a separate process.

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<sup>7</sup> Ibid.

## Implications

**Cultural implications** - Some softness exists for many dimensions of culture. Perceptions toward relationships with veterinarians, and training and career development are strong. These results represent good news, as both dimensions are critical for patient care, the primary mission of virtually all veterinary practices. The remaining six dimensions can be improved, especially institutional fairness and communication, and rewards and recognition. These results are also good news, since the identification of these factors creates an agenda for improving culture, and hence, practice metrics. Employees' perceptions of the culture of veterinary practices are largely homogeneous across the type of practice. We found very few relationships between the type of practice (emergency, exotic, etc.) and perceptions of practice culture.

**Culture and job function** - Perceptions toward culture varied by job function in a fairly clear theme: Associate veterinarians gave somewhat lower scores to many aspects of culture, while employees holding positions in management/administration had more positive perceptions. These results suggest a divide between associate veterinarians and their managers which needs to be addressed.

**Culture and practice metrics** - Several dimensions of culture have some relationship with veterinary practice metrics. The relationship between financial outcomes from cultural perceptions has not received much attention, and so this set of findings is rather noteworthy. We will view these results with caution, given the challenges of collecting accurate data on metrics and matching these metrics with employees of the practice.

Three metrics, production per FTE veterinarian, the number of employees, and the gross income, seem to be more affected by perceptions of culture than other metrics studied. These metrics can be used as markers to identify practices that may be higher performing. Higher production per FTE veterinarian is associated with more positive cultural scores on leadership, employee involvement, and supervision. Fewer employees and lower gross income are associated with more positive cultural perceptions on leadership, teamwork and staffing, and relationships with veterinarians. Overall, we believe these metrics are associated with the size of the practice and indicate that small practices have a cultural advantage in certain respects. Perhaps the larger the practice becomes, the more difficult it is to establish and maintain a positive culture.

**Impact of AAHA accreditation** - Finally, there is a positive relationship between AAHA accreditation and both perceptions of culture and practice metrics. AAHA-accredited practices score higher on six of eight cultural dimensions. Accredited practices are also better performing on production per FTE veterinarian, client retention, number of active clients, gross income and number of new clients. These results may be skewed by the preponderance of AAHA-accredited practices in the sample, but nonetheless point out a number of advantages to be gained by successful completion of the AAHA accreditation process.