

Organization and “the right” culture

NAHR Fellows Pre-Dinner Discussion Meeting

Dave Ulrich

Rensis Likert Professor, Ross School of Business, University of Michigan
Partner and Co-founder, The RBL Group
dou@umich.edu

November 8, 2018

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Increased Attention to “culture”

Report of the
NACD Blue Ribbon Commission
on
**CULTURE AS A
CORPORATE ASSET**

PUBLISHED BY THE NATIONAL ASSOCIATION OF CORPORATE DIRECTORS

CULTURE AND THE ROLE OF INTERNAL AUDIT



Chartered Institute of
Internal Auditors



2014 Word of the Year: Culture

Organization and Culture

Ideas:

New thinking on culture, why it matters, what it means, and how to create it

with

Impact:

How do create the “right” culture



Why culture matters?

What culture means?

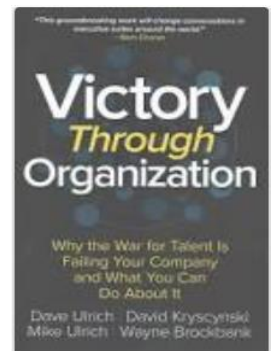
How to create culture?

Relative impact of individual vs. organization

Individual
(talent, competence, workforce, people)

Organizational
(culture, capability, workplace, process)

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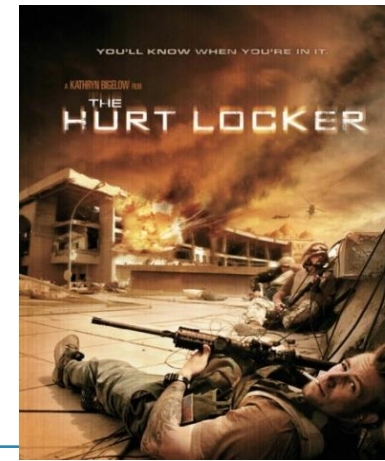
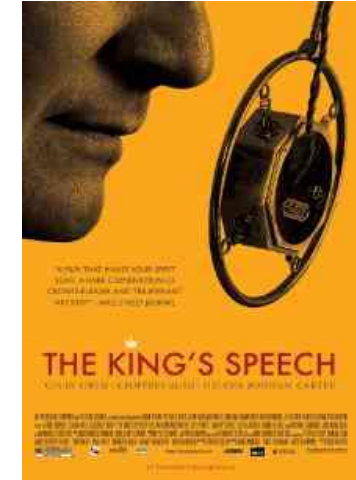
HR value creation: Importance of talent and teamwork

What percent of the time is the leading scorer (winner of the Golden Boot) on the team that wins the World Cup?



Importance of talent and teamwork

How many of the “Best Actor/ Best Actress... Director” Academy Award winners in the last twenty years were also in the “Best Picture” for that year? ...



Importance of Culture

● CULTURE IS PROVEN TO **DRIVE PERFORMANCE**

Average Total Return to Shareholders (TRS)

Strength of culture

Average TRS per year

STRONG

26%

AVERAGE

16%

WEAK

9%



3X Higher TRS scores for companies that have strong cultures vs. who do not.

This translates into
~\$1.2B difference in value for an average sized company.

WHAT ARE THE BIG IDEAS?

● **FOCUS** ON MORE THAN EMPLOYEE ENGAGEMENT

Culture impact on stakeholders

Stakeholder	If we have the right culture, what happens to each stakeholder?
Employee	<ul style="list-style-type: none"> • Attraction of key talent (talent magnet) • Commitment ... “organizational habits” • Productivity/expectations
Organization	<ul style="list-style-type: none"> • Strategic focus (core competence) • “Culture eats strategy for lunch”
Customer	<ul style="list-style-type: none"> • Firm identity/reputation that affects customer share • Culture as internal manifestation of firm brand
Investor	<ul style="list-style-type: none"> • Intangible value that investors value over time • Part of Leadership capital Index
Community	<ul style="list-style-type: none"> • Reputation for present and future

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What is culture?

When you think
of a company
“culture” what
comes to mind?



What is culture?

Culture is the ability to shift from an event to a pattern and ultimately to an identity

Event



- Symbols
- Rituals
- Stories
- Physical setting

Pattern



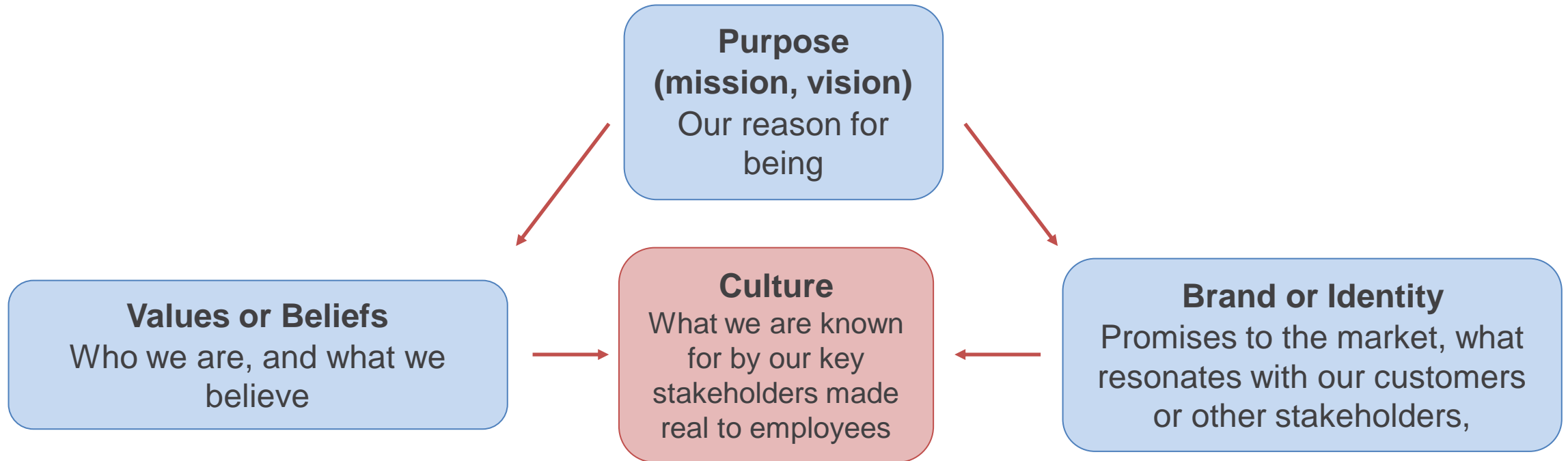
- Values (what we believe)
- Norms (our expected behaviors; unwritten rules; rituals)
- Ways we make decisions, manage information, treat people, handle conflict/differences

Identity



- Customer: What are our customer buying criteria/value proposition?
- Brand: What is our desired brand?
- Identity: what are known for?
- Reputation: what is our community image?

What is the “right” culture?



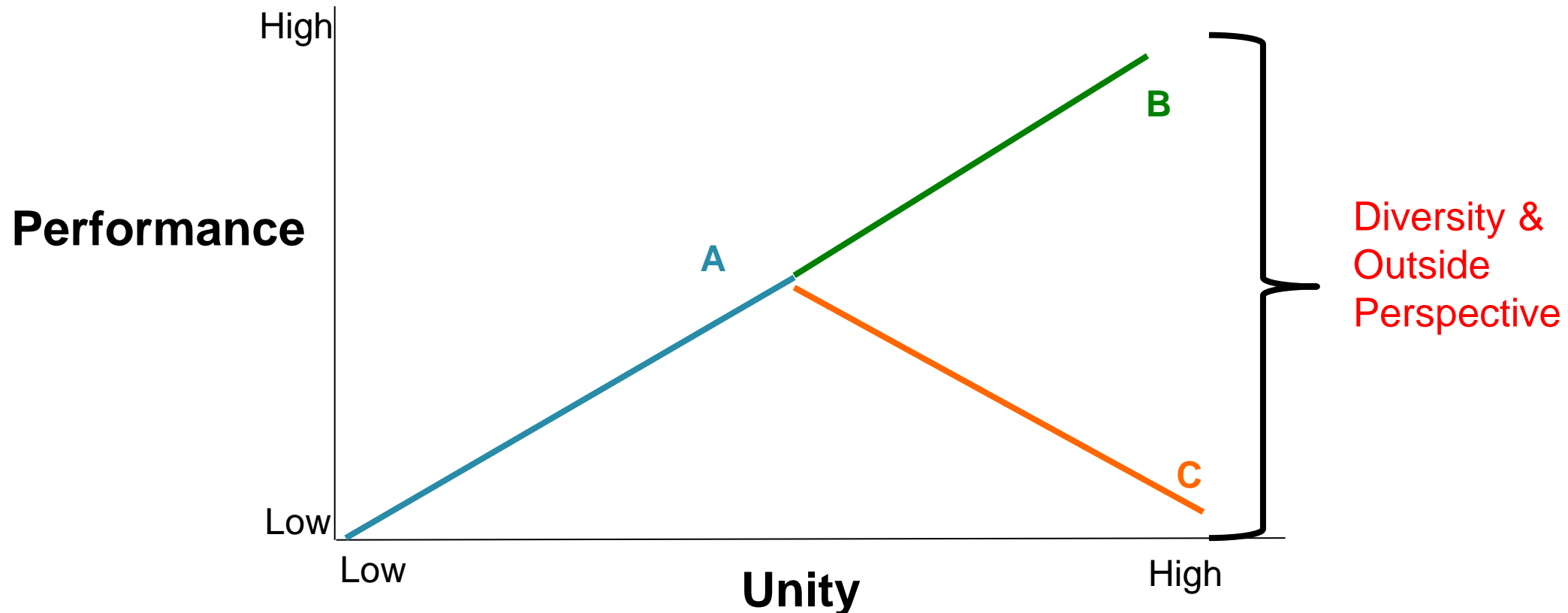
Unity and culture, outside in thinking

Unity is a strong culture, it drives performance, and needs outside influence

A=When firms have more unity their performance goes up

B = Performance continues to go up when unity is inclusive of diversity and outside perspective

C= Performance can go down when unity does not include diversity and outside perspective



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How do we change culture?

1: Define desired culture

What are the top 3 things we want to be known for by our best customers (or other key stakeholders)?

Make identity real to employees

2: Top/down
Intellectual agenda

5: Leadership
Brand

4: Side to side
Process agenda

3: Bottom/up :
Behavioral agenda

Organization and Culture

Ideas:

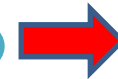
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Why culture matters?



- Impacts business results (4* talent)
- Delivers stakeholder value

What culture means?



- Event to pattern to identity
- “Right” culture from outside/in

How to create culture?



- Define right culture (known for)
- Intellectual, behavioral, process agenda
- Leadership brand