Pearl Meyer

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Culture is a Bottom-Line Issue



Jannice Koors

SENIOR MANAGING DIRECTOR



Aalap Shah

MANAGING DIRECTOR

Transcript

Jan: What do you say to the naysayer out there? Whether it's a board member or a shareholder or an activist that says, "This is all so much mumbo jumbo. Bottom line, shareholder return, give me the results, I don't care about all this stuff."

Aalap: I'd say that when you have deviations from the right culture, you will see the impact of that very quickly in your total shareholder return and your company results. We have ... Time and time again we have a lot of evidence that when the culture isn't appropriately cultivated, that results go south.

Melissa: I'll take it even one step further and say, "When you've got the right business strategy, you've got the right leadership strategy, you've got the right talent in the right place, you've got the right culture in support of it, then the results come from that."

Aalap: Yeah, you can't execute if you don't have the right culture and the right talent.

Melissa: We even have studies now that show that the more diverse a board is, interestingly enough, the more profitable and organization or the better the returns are for

the organization of itself.

Jan: Do you think that those statements differ depending on what type of company it is? Do you argue that, "Yeah, maybe I can make the argument that the culture and people stuff matters if it's a professional services firm. It matters less if I'm making widgets." Does it still matter for a widget maker?

Aalap: Absolutely.

Jan: Why?

Aalap: Because you have people on the line that are in charge of the safety protocols. You have people on the line that are in charge of making the pre-processes more efficient. If you take, for example, you have an individual that has marginal engagement into their job. They're just going through the motions. They could be doing something a very specific task. If they're not engaged to potentially improve how that task is done, you're going to have a lesser quality product, and a product that probably takes more cost to actually produce.

Post-Its was something that somebody sort of came up with in a misdirected fashion. If an individual wasn't engaged at the organization to essentially make the organization better and make it a workplace that they were proud of, you wouldn't have those types of improvements.

Jan: Well, thank goodness because I couldn't live without Post-Its!

Aalap: I think that sort of goes to another thing that we were talking about earlier as to, how does the board sort of encourage this innovation? For me, it boils down to three different things, which is infusing into the culture of the organization the ability to play, the ability to fail, and the focus on the long term. I think currently what occurs within organizations is that we're so driven by performance end results and measuring those, that these things that are potentially more long-term focus or may actually result in failures do not get enough—what's the word I'm looking for? Enough exposure.

Melissa: It's interesting, the Stanford Design School, the D School, has done a lot of studies around play and understanding play at an early stage in a person's life and how that's a continuum throughout their entire life.

Aalap: Right.

Melissa: What they've also found that employees are happier and more engaged when they're allowed to play and try new and different things and still fail potentially. Some may succeed, some may fail, and still be able to come back for another day and not have that be held against them. It's kind of an inherent part of who we are as humans. If the designs schools are already thinking about this, what are we waiting for as corporations?

About the Authors

Jan brings 30+ years of executive compensation and governance experience, advising boards and management on strategic human capital decisions tied to long-term value creation.

Aalap specializes in executive compensation strategy—governance, pay-for-performance, and incentives—helping companies align business, people, and compensation strategy for effective programs.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.