Pearl Meyer

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Culture and Accountability



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Transcript

Melissa: We've just talked about a lot of different aspects of culture, leadership strategy. If I'm a board member who comes in five times a year to sit down and talk about, primarily business strategy because that is one of my fiduciary duties as a board member, how do I get my arms around a company's culture?

Jan: I think that first and foremost, the directors that we all talk to, we're almost universal in saying, "The first thing you've got to do is get out of the board room," right?

Aalap: Right.

Jan: I think that's a piece of it. Recognizing that if the company is stage managing—Those interactions, those field trips, you're only going to see a part of the picture. I think the other thing directors have to look for is sources of third party validation. How do you know what you're seeing from management, whether it's in the formal board room setting or site visits or town halls or whatever, how do you know you're really seeing what's going on? With technology there are so many more sources now than what there used to be to be able to

do that.

Aalap: One thing I think boards have to do is also recognize that you're never actually going to get your head fully around the culture of the organization. Especially, in today's environment where they're moving at a faster pace so if everything is moving a faster pace, your culture is also evolving at a faster pace. To say you need to get your head fully around the culture of an organization is almost setting the board up for failure. It's more about making a point to asking the probing questions as to, "Okay, you've defined this mission statement, this value statement. How does this actually permeate through the organization?" Asking the management team to provide the board that particular blueprint. Then, taking that blueprint and then determining at the board level whether that blueprint aligns with the strategy of the organization. Where the board can be very effective is zeroing in on those gaps, going in and going out of the board room, and going to those trade shows, those investor conferences, those store locations, and things like that and testing whether or not there is that appropriate alignment.

Melissa: I think that's a really good point—that you can't really get hands around it as a board member, but if you can understand it enough and then map that back to the business strategy and make sure they're aligned or if there are gaps where we need to fill holes, that's the way to go about it.

Aalap: Right, and that actually made me think of the last aspect of it, which I didn't mention before, is then holding management accountable for addressing those gaps. The board is not going to be able to address those gaps. The board's going to report back to management, "This is what we see and this is where we have identified the particular gaps." Having management be held accountable in terms of proving them to the board that those gaps have been filled. What you don't want to deviate from, is this trusting relationship that the board has with the management. It's not that the board needs full oversight over the cultural development of the organization, but more that they need to just make sure that they're holding management accountable for the culture of the organization in support of the business strategy, just as they're holding management accountable for the audit function, for the governance function.

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.