

CHAMPIONING CULTURE

Culture plays a key role in connecting employees to one another, to the organization and to a company's mission—yet it's challenging both to manage and oversee, say directors. A discussion. **BY C.J. PRINCE**



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—Laurie Siegel, Director, Lumen and FactSet

The topic of culture has shot to the top of the board agenda at companies across the country over the past decade. And ever since the pandemic upended the world of work, culture has become even more of a pressing concern for board members. As companies look at how and when they will return to the office, leadership teams know culture will play a critical role in how successfully they transition. Stakeholders are also asking companies to rethink their purposes, with culture underpinning the success or failure of that execution. At the same time, virtually all companies must figure out how they will digitally transform, which requires a cultural shift as well.

As important as it is, culture is uniquely challenging to monitor from the boardroom, as it often happens three and four layers down inside the organization. Board members trying to keep noses in and fingers out can struggle when it comes to oversight on something as ephemeral as culture.

That's why boards have to get creative, and communicative, in order to get a read on it, agreed participants at a virtual roundtable held in partnership with Semler Brossy on how boards can best understand, oversee and hold management accountable for a strong company culture.

EVALUATING AN INTANGIBLE

To begin with, boards need survey data. It's not the only indicator of culture, but it's an essential one, said Laurie Siegel, who chairs both the HR and comp committees for Lumen and FactSet. "Nothing is perfect, but there is a lot of drill-down data that surveys can provide that I've always found very helpful. For example, I can look side by side and see that I was having more complaints about a certain issue in one location than all my others. Obviously, you can also see data over time and see that something has changed. There's a lot to be mined from well-designed survey data, not as a single indicator of cultural health but as one of many."

Ellen Carnahan, who chairs the comp committee at Paylocity, also looks at a variety of HR metrics data, including pulse surveys, turnover stats, DEI stats. “If you see changes in those, then you definitely have to dig deeper,” she says.

Siegel added that it’s important to make sure you’re looking at the way other topics and discussions—strategy, talent, M&A—tie back to culture. “As we come out of our strategy discussion, we say, ‘Do we have the skills to execute the strategy?’ And our ability to acquire and develop those skills is very much tied to our cultural attributes,” she said, noting that a recent acquisition announced by one of her companies will only succeed if the cultures are aligned.

However, culture is, again, difficult to measure when one lacks access to the inner workings. “Operationally, you can see people in different environments, you can see how they make decisions,” said Neil Novich, board member at Hillenbrand and the former CEO of global metals distributor Ryerson. “A huge part of the time I spent at Ryerson was going from location to location just understanding how people did their jobs and why they did them that way and how they interacted with people, with customers. On a board, it’s very different. You’re trying to learn a lot and trying to impose certain things but certainly, you don’t have that kind of access to information.”

Being remote has helped a bit, said Novich, whose Hillenbrand board has been able to meet with employees online they might not otherwise have met. “We do get a list of people to pick from so I’m sure there’s some selection bias there, but we ask really candid questions and we expect candid answers. That’s been really helpful.”

Jane Buchan, board member at Globe Life, agreed that meeting with high potentials is helpful to the board on multiple levels. “Just talking to people, you get a very, very strong sense [of culture],” she says. “Also, it’s really helped with succession planning because basically everyone’s on a rotation,

they meet with the board once every two or three years, so you really get to see people over time.”

Deluxe Corporation’s board has also been invited to meet with employees two and three levels down, which is helpful because Covid ushered in some changes that added further complexity to the board’s oversight of culture, said Cheryl Mayberry McKissack, independent chair.

The move to remote helped with recruitment because Deluxe had long had challenges recruiting to the comparatively cold climate of Minnesota. Post-Covid, they were able to establish other locations, which expanded their talent reach. But multiple locations also have the potential to lead to multiple mini-cultures, McKissack noted. Deluxe gathers data regularly through surveys, but the CEO also gets a sense of how employees feel by holding town hall meetings. “It’s still early on, and I’m not gonna give it 100 percent yet, but one of the most important things that has happened is the referrals that we’re getting from existing employees who are now telling all their friends and other colleagues to come work for us. That’s a good indicator that we’re going in the right direction,” said McKissack.

ACCESSING THE INSIDERS

But access to employees can get a bit sticky for some. Kareem Irfan, director with Inpixon, said it’s challenging for directors to ask candid, direct questions about culture without management bristling. “When you start drilling down beyond, ‘Are we doing culture right, folks?’ that’s when the walls start going up,” he explained. “Because people, particularly CEOs and their immediate reports, start wondering, ‘Okay, now how far down does the board intend to drill and check me out or check the company out?’”

Irfan says he does make site visits but is careful to ask for access in a way that doesn’t threaten management. “I say, ‘I just happen to be in this country at this particular time, and I would love to go



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*—Blair Jones,
Managing Director,
Semler Brossy*

spend an hour or two with the local general manager. Is it okay?" he shared. "I've found there is less resistance to that. I've done a couple of such visits and found phenomenal treasures of information." It's important, he added, not only to talk to the GMs but "to get down to the local levels, maybe some cafeteria conversations and gatherings."

Peter Bain, a board member with Virtus Investment Partners, said he understands why CEOs might not be excited about that practice. "Maybe I'm oversensitive to this because I'm a former CEO, but as a board member, I tend to be very careful about dipping too deeply into management." Rather than formal meets with high potentials, Bain favors social activities that allow for informal discussions with employees. That way, "the CEO and senior management don't feel like, 'Oh, look at the board sticking their finger into the people who actually are supposed to be reporting to me'—and now all of a sudden, you've created this bypass risk that people get nervous about. So, you need to be careful about that one."

Maria Contreras-Sweet, a director with Regional Management, said she has the opportunity to go on an annual fishing trip with the second level down, and sometimes the third and fourth: "It's not as though I'm meddling—this is something that the CEO sets up for us. He sees it as part of succession planning."

Siegel challenged the notion that boards shouldn't get involved in talent beyond "the top of the house." While historically that has been the practice, she said, "the middle of organizations matters tremendously, and never more than right now."

The level of engagement and commitment among lower-level employees can make the difference in corporate competitiveness, she added, and can certainly can impact ethics and values. "When you think about Wells Fargo, those were sales incentives, those weren't executive incentive plans," she said. "At one company, we added to our charter that we will look at sales incentives every year, even though they do

not include senior people, but we know that they're big indicators of what we value and how we message to people."

Novich recalled visiting a service center when he was CEO and finding an employee scrambling to fill an order because supply was low and the customer had ramped up production. "The long and the short of it was that in the Ryerson culture, it was far more acceptable to be seen as a hero to fix a customer's problem than to work behind the scenes to ensure that the problem never occurred," he said. "But what I'm asking is, how do you suss that out at [the board] level? It would seem like, yes, there's a lot of high-level things we want to make sure are happening or not happening. But in the end, we would like to make sure that people are making decisions the way we would make them ourselves if we were standing there with the data with that person."

Irfan added that while the board shouldn't be managing, "we do need to ask, do we understand enough of the culture? Is it defined enough to be seen? Is it being behaved and monitored? That's our job."

KNOW, DON'T DO

There's plenty of room for collaboration, added Jeffrey Geygan, who is both CEO of Global Value Investment and a director with Wayside Technology Group. "I say to all my board members, 'You have to earn the respect of the C-Suite, and in order to do that, you have to show up to these meetings informed—and if you do, the barrier between the CEO and the people behind him goes down, and there's a far greater receptivity to have this collaboration,'" he said. "If we're going to do our job as directors, we need to understand the company, but we definitely need the permission of the executive suite to go out and to learn more to bring it back to collaboratively develop a culture that, ideally, at some point, the board's culture and the company's culture morph into one."

One way to get additional insight into culture is to have someone on the board who has substantial HR experi-

ence, said Robin Toft, a director with T2 Biosystems. “They are always useful on the comp committee, but the place it shows up is when you have a problem with the company—e.g., the turnover stats are way elevated—and it’s happening everywhere right now, but if you can fix this for the organization that you serve, they will be successful in attracting and retaining people. It’s really critical right now.”

FUTURE FOCUS

Directors agreed that only when boards and management understand not only where the culture is currently but how it needs to evolve can they try to incentivize employees to get there. For companies in the midst of transition, those incentives can be critical, said Blair Jones, managing director, Semler Brossy. “It’s about, how can we march together to create this great outcome at the end? While you don’t want to starve people on the way to Thanksgiving dinner, you do want leverage to [say], ‘If we get there, it will come.’”

Changing compensation to reward better outcomes and encourage ac-

countability can be in itself disruptive, said Barbara Higgins, a director with Employers Holdings, where the company recently shifted incentive pay to do just that. “We’re really trying to show that very good performance gets rewarded in multiples of more average or lower performance, and that is not culturally how the company was run for 20-plus years,” she said. “Compensation is a very good tool to be used in this, but it’s hard, especially when you’re creating change. So, we’re in the middle of it now, trying to grapple with the effects of this change.”

Right now, nearly all boards are coping with change—as a result of Covid, digital transformation, globalization, etc.—so all are in the midst of understanding and shaping culture. “The future really is now on this topic, and it’s clear that board members have a chance to embark with their leadership teams on thinking about what does culture mean in this new environment,” said Jones. “It’s a very exciting time, and I think all working together, we can help create some real cultural wins for [our] companies.” **CBM**



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*—Jeffrey Geygan,
Director, Wayside
Technology Group*

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