



2017 NACD Blue Ribbon Commission Report: *Culture as a Corporate Asset*

On November 8, NACD Chicago members and guests were treated to the inside scoop on this year's NACD Blue Ribbon Commission's report – "Culture as a Corporate Asset". The panel was expertly moderated by Robyn Bew, Director of Strategic Content Development for NACD. Panelists included:

- **Karen Peetz**, a contributor to the report, retired President of The Bank of New York Mellon Corporation, former board member of Penn State University and current Wells Fargo board member;
- **Blythe McGarvie**, former Harvard Business School professor, and current board member of LKQ, Sonoco, and privately held Wawa, Inc. In 2012, 2010, and 2009, NACD/Directorship selected Blythe as one of the Top 100 "Most Renowned and Influential" in corporate governance.
- **Tom Tropp**, Corporate Vice President, Ethics and Sustainability, for Arthur J. Gallagher & Co., where he travels to corporate offices globally to enculturate the values of the company. Arthur J. Gallagher & Co. has been named to the list of the World's Most Ethical Companies for the last six years in a row.

The panelists discussed that board members should not automatically assume that their company has a strong and positive culture. Without taking the necessary steps to evaluate its corporate culture, your company may in fact be at risk and the board has a responsibility to mitigate that risk. Karen Peetz strongly stated that "culture can eat strategy for breakfast," and that organizations need to have a "do the right thing" attitude. Blythe McGarvie is a proponent of the "servant leadership" philosophy which starts with serving first. And, Tom Tropp stressed that while "culture is dictated from the top, it must be executed by the middle [management]."

Recommendations to directors regarding culture included the following:

- Culture reporting needs to be multi-dimensional. The board should probe further than the usual HR data.
- Create a culture dashboard to include items such as exit interviews, number voluntary exits relative to forced turnover, hotline topics/trends (NOTE: tools for dashboards are included in the BRC report).
- Get to know the organization – suggestions included "director days" where board members attend meetings or internal conferences.
- Evaluate the power structure of the organization and management styles of executives.
- Ask third-party relationships their view on the organizations culture, such as the local audit partner.
- Recognize signs that could be red flags such as senior executives who are unwilling to be transparent, isolated executives, any reluctance by management to allow board members to interact with employees.
- Look at outside reporting tools like Glassdoor; one or two negative reviews are indicative of a disgruntled employee so look for trends.

Key takeaway: Culture is what people do when no one is looking and thus Directors must be proactive in their evaluation of it. Most importantly, "don't fall in love with your CEO" – keep a certain level of skepticism in your role as a Director.