



Culture Assessment: A Learning Process

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2019





Why Boards Need to Assess Culture

- **2013 Federal U.S. Sentencing Guidelines:**
 - “To have an effective compliance and ethics program, an organization shall...promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.”
 - Boards are responsible for “Due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law...”





Organizational Culture: The Nothing that is Everything

- “Culture is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits.”
- Organizational Culture is the unique set of values and beliefs that influence behavior—the manner in which “things get done”-- in an organization.
- “Culture isn’t just one aspect of the game—it is the game.” --IBM’s CEO, Louis Gerstner, 2002

Although difficult to define, a functional culture is the sine qua non of high organizational performance, including ethics.





How can board members meet this mandated responsibility?

How do boards

- Learn about a company's culture?
- Become involved without interfering with legitimate responsibilities of management?
- Exercise “due diligence” and “promote” an ethical behavior?





Ethics in the Context of a Business Organization

- Ethics is different from compliance.
- Compliance is adherence to law, regulation, or easily identified bright lines.
- Ethics is behavior which serves the interests of others – customers, employees, business partners, community, the “common good”
- Ethics is how we should behave or want to behave, not what the law requires of us and what is considered ethical can vary from organization to organization depending upon mission, values, industry norms, etc.
- Ethics often involves balancing the interests of multiple parties.





Ethics: There's An App for That!

Facing a tough decision?
Work through your options
with a framework for making
ethical decisions that will
help you:

- ✓ **Identify stakeholders in your decision**
- ✓ **Consider your options through 5 different ethical perspectives**
- ✓ **Weigh various approaches**





Markkula Center's Culture Assessment Learning Process

Key elements

1. Customized Assessment Design
2. Focus Groups used for Data Collection
3. Shareware allowing for Analysis Design to Update based on input
4. Third-party data collection, facilitation, and analysis
5. Data Synthesis for presentation to Board and/or C-suite





Rationale for Key Elements

Customized Assessment Design

- Engages senior executives promoting their buy-in
- Resource commitment elevates employee perspective
- Question set modules can be developed for range of areas:

Data Security

Diversity and Inclusion

Environmental Impact

Governance

Ethical Leadership

Human Rights

Privacy

Customized





Rationale for Key Elements

Focus Groups

- Engages employees, promoting their buy-in
- Communication to employees about process is iterative, reinforcing value
- Allows for probing in areas of significant response variance
- Discussions unearth unidentified issues
- Surveys or additional focus groups can be used to follow-up on key issues





Rationale for Key Elements

Use of Shareware

- Provides ability for people to provide confidential answers, even in a group setting
- Allows for immediate results display to participants
- Facilitators can probe where responses are varied
- New issues can be identified
- Questions can be added in real-time based on outcomes
- Data collected and stored confidentially





Rationale for Key Elements

Third-Party Data Collection

- Insures confidentiality
- Resource investment adds credibility to the process
- Without prior knowledge of taboos, facilitators can objectively surface hot button issues
- Encourages open participation when conducted by outsiders
- Stores information for further analysis





Rationale for Key Elements

Data Synthesis

- Provides objective and subjective information
- Surfaces unidentified issues
- Allows for board engagement using data
- Fulfills board's obligations



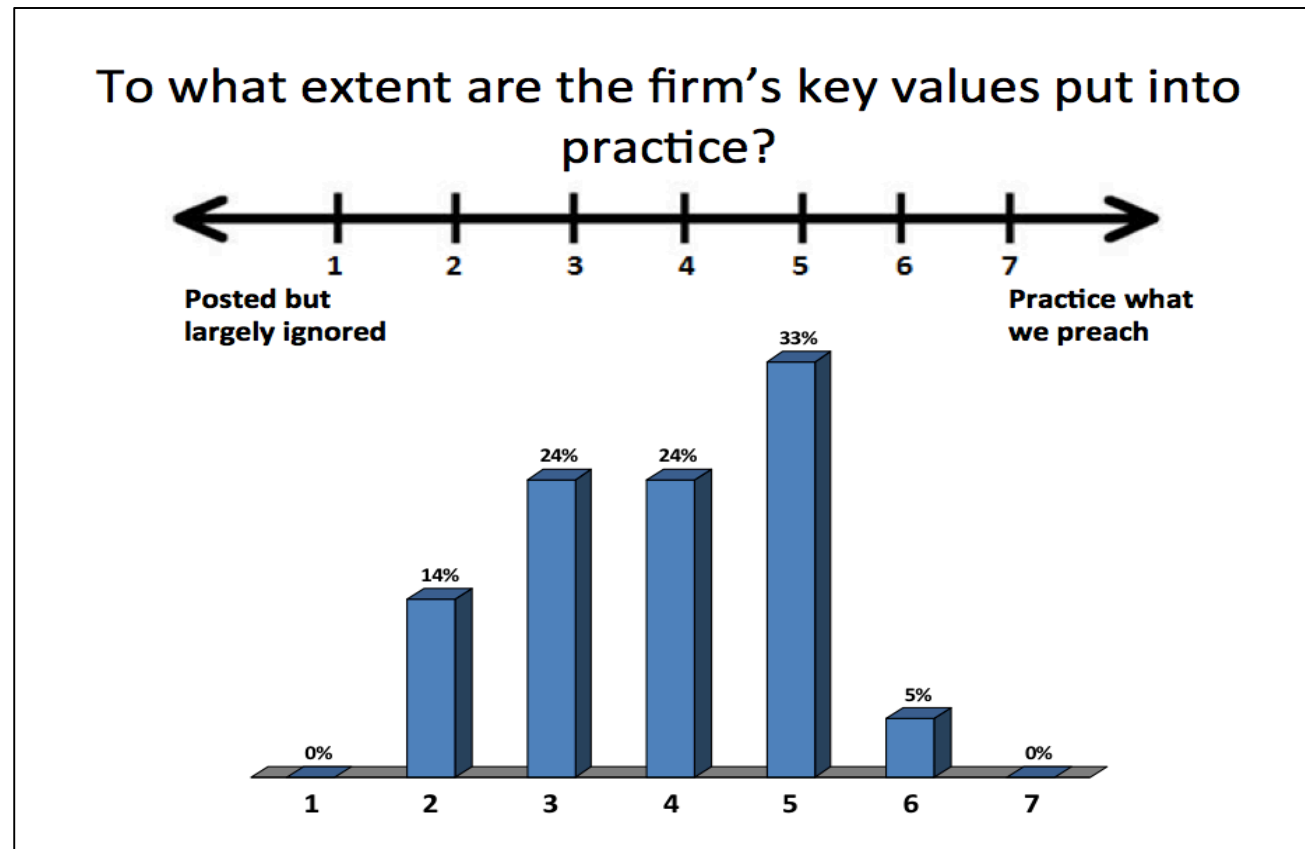


Advantages of Method

- Requires time of a limited number of employees.
- Starts with *quantitative* data, moves to *qualitative* in-depth probing.
- Slows down answering, leading to discussion and thoughtful responses.
- Iterative process allows deeper participant involvement and probing than survey questionnaire. Generates clear examples--identifies the “whys” of behavior, both “good” and “bad.”
- Generates data base to reduce analytical misinterpretations.
- Models commitment to learning process as key to effective culture assessment



Sample Quantitative Question





Sample Qualitative Question

Who are the company heroes—that is, the types of people who get praised, rewarded, and promoted?

Team player, competence, proven track record

Decisive, self-promoters, aggressive/A personality types

Work on highly visible projects, problem solvers

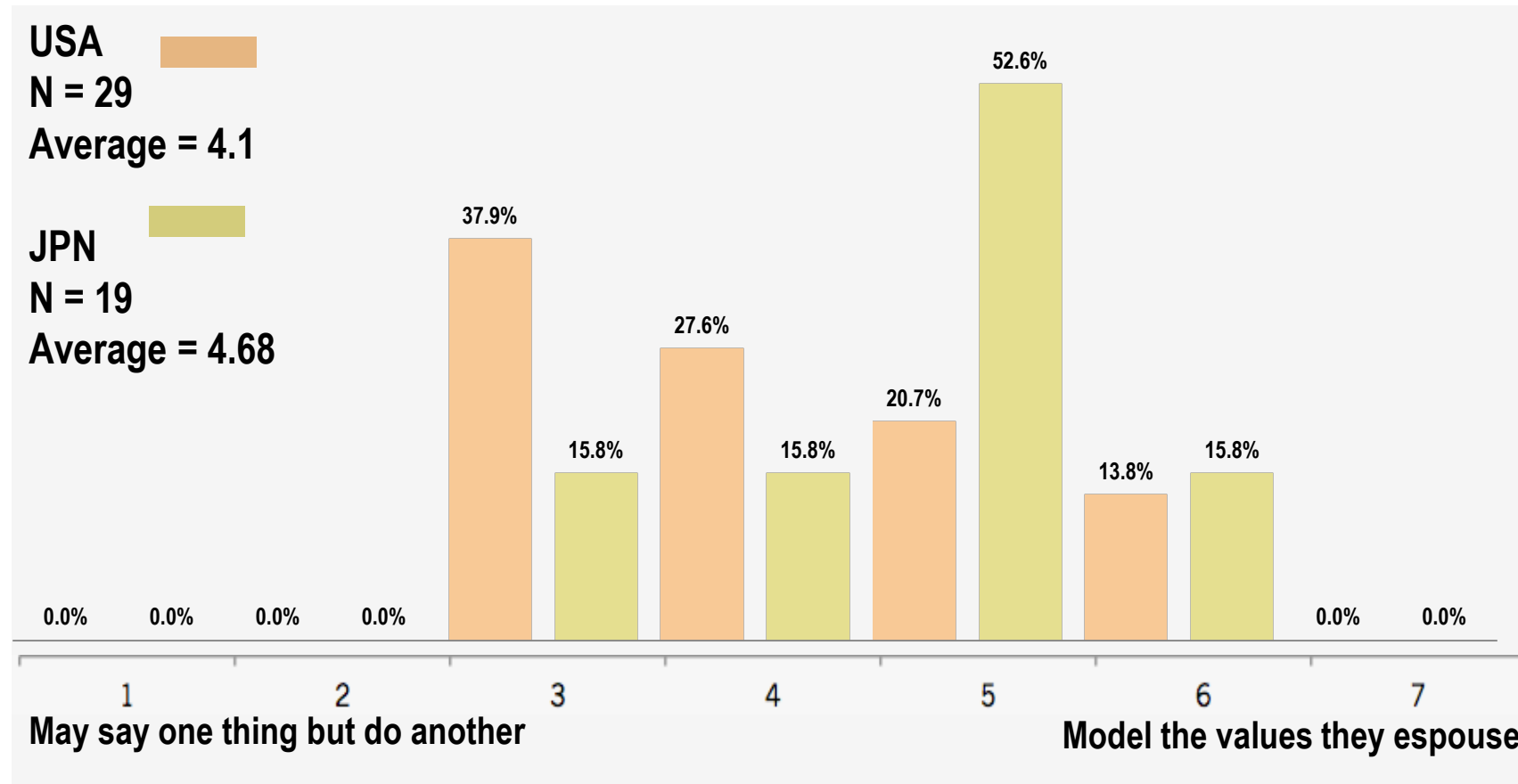
Leadership, fast decision making

Problem solvers, save company money, team players

19 / 23



Results Sample: Do Executives Live Values?

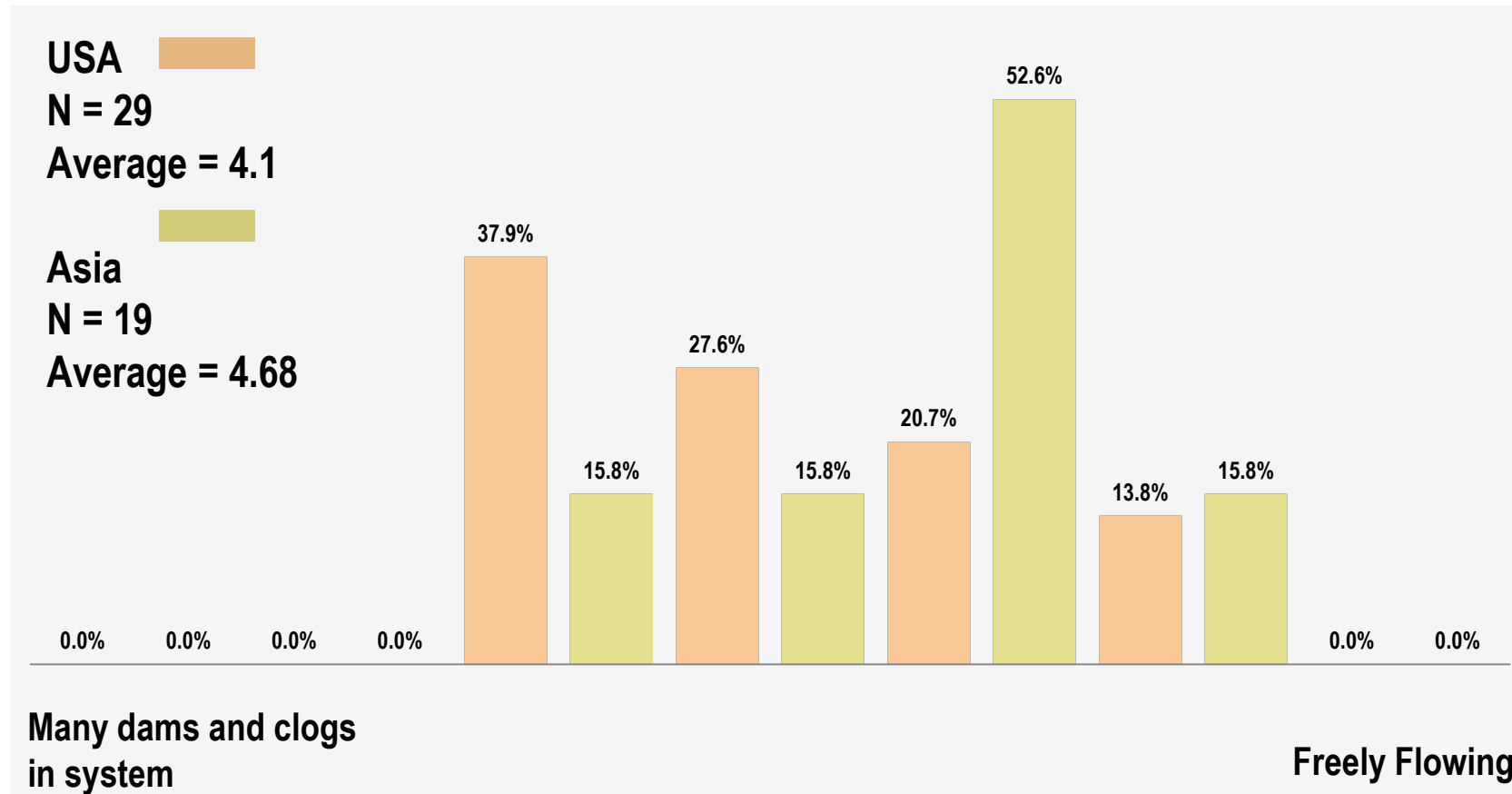


Results Sample: Company's Values



Value	Frequency
Teamwork	24
Quality	20
Innovation	16
Openness	12
Sample Size	54

Free Flow of Information?





Sample Analysis: The Silo Issue

- Strong consensus that blockages (or dams) impede the flow of information in the organization
- Many understand there necessity for sensitive information, but in practice people feel that silos have:
 - Negative business consequences
 - Potential ethical consequences – for example, they erode trust

Some feel issue being addressed positively in recent restructuring, but even that effort insufficient to meet problem.





Board Strategies for Managing Ethics

- Evaluating the ethical culture of the organization
- Evaluating ethics of core business and strategy
- Evaluating, monitoring, and managing risk, including ethical risk
- Monitoring ethics and ethical behavior of leadership team
- Assuring elements of management system for ethics are present and strong
- Monitoring participation in public policy process for adherence to common good





What the Markkula Center will do...

1. Interview client's executives to identify which topics company will explore
2. Develops questionnaire outlining areas to examine in focus groups based on input.
3. Conducts focus groups with managers/professionals from various levels/functions. Individuals not chosen as a representative sample; instead, experienced individuals with knowledge of organization and credibility.
4. Collect anonymous data on independent/secure device
5. Analyzes data and presents to the client's board

