Cultural Vigilance:
A Corporate Imperative

What about your culture is putting your organization at risk?

Insights Report | 2019

Introduction

Building on the 2018 launch of our *CultureShift* offering, United Minds and Weber Shandwick are helping companies embrace **Cultural Vigilance**, a proactive and sustained commitment to safeguarding corporate culture.

From #MeToo-related allegations to financial mismanagement to misleading customers, far too many companies are finding themselves in the headlines for misconduct rooted in cultural issues. Emboldened employee activists, a new level of scrutiny from regulators and increased transparency due to social media have brought organizational dirty laundry front and center. Cultural issues that were once dealt with internally are being handled publicly more and more often.

Against this backdrop, United Minds invites companies everywhere to become more culturally vigilant. Organizational self-awareness, crisis preparedness and targeted interventions that stop issues before they start protect brands, reputations and, most importantly, people. Now more than ever, Boards, CEOs and senior leaders must commit to cultural oversight, creating workplaces where codes of conduct and corporate values guide every decision, every day.

In the pages that follow, we make the case for **Cultural Vigilance**. Leveraging findings from our national survey of full-time employees, we identify the six factors most predictive of cultural risk and provide guidance on how to build a **Cultural Vigilance** capability within your organization.

About the research

In partnership with KRC Research, United Minds fielded an online survey in September 2019 to 1,000 employed adults in the U.S. who work full-time for companies with 500 people or more. Questions were focused on their perceptions of cultural risk and the findings are featured in the pages that follow.

Corporate culture: asset or liability?

You decide.

Culture: at the heart of today's biggest scandals

Often seen as a company's most precious asset, culture can quickly become its greatest liability. In today's world of extreme transparency, it's only a matter of time before what's broken on the inside is revealed to the outside. Not only do unhealthy cultures demoralize employees – they alienate customers, ruin reputation and destroy value.

Oxfam sex scandal wiped £400m from brand valuation, report reveals

Lululemon CEO Laurent Potdevin resigns over poor conduct

CBS Fires Les Moonves for Cause and Will Not Provide $120 Million Severance Payout

Goldman Sachs Ensnarled in Vast 1MDB Fraud Scandal

MASS FIRINGS AT UBER AS SEXUAL HARASSMENT SCANDAL GROWS

Effective management of culture can reduce risk and enhance profitability.[1]

Sure,

but how likely is a culture-related crisis?

Pretty likely, in fact

According to our research, one in five employees say their company has been through a recent culture-related crisis – an incident that is emblematic of troubling attitudes and behaviors across the broader organization.

22%

of employees report at least one of these cultural crises happening at their company in the last two years

1. Top leadership being accused of significant wrongdoing (8%)
2. Company being accused of endangering lives or health due to carelessness or bad intent (7%)
3. Company experiencing criticism for sexual harassment or racist behavior (6%)
4. Company cheating or misleading customers (6%)
5. Company being involved in financial wrong-doing (4%)

30% of employees expect a cultural crisis in the next two years

We asked employees how likely it is that their organizations will face one or more of the five cultural crises on the previous page in the next two years.

12%
High Risk

Employees who perceive clear risk for one or more cultural crisis

18%
Medium Risk

Employees who see one or more cultural crisis as potentially imminent

38%
Keep an Eye Out

Employees who are fairly confident that cultural crises aren't likely but display doubt about at least one type

32%
Very Low Risk

Employees who perceive all cultural crises as very unlikely

Few companies are living up to the standards they've set

Just 28% of employees strongly agree that their employers' values and actions are aligned.

Cultural Vigilance

(noun)

Careful and consistent monitoring of commonly-accepted attitudes, perceptions, speech and behaviors at your organization to identify issues that could hurt your people, your business or your reputation.

Companies must make a shift – from reactive clean-up following cultural crises to proactive cultural vigilance.

The good news is that Boards and CEOs are listening. Employee activism, scrutiny from regulators and an increasing acknowledgement that a healthy culture yields better business outcomes have left leaders no choice.

It's time for companies to seek greater self-awareness, to pause and ask themselves, "What about our culture is putting us at risk?"

We had a question.

Could we help companies predict (and get ahead of) cultural crises?

And we set out to answer it

With years spent on the front lines of corporate crises, we started by reaching out to our community of crisis practitioners and asked:

"What conditions typically precipitate cultural crises?"

We supplemented their observations with findings from an analysis of peer-reviewed articles and insights from our team of culture change practitioners, and summarized our research into the ten key themes to the right.

Our national survey of 1,000 full-time employees helped us narrow the list down to six factors that together predict the majority of cultural risk.

Lack of Organizational Commitment

Poor Behavior at the Top

Lack of Diversity, Equity & Inclusion

Inadequate Investment in People

Unclear Ethical Standards

High-pressure Environments

Lack of Agility

Lack of Empowerment

Lack of Collaboration

Lack of Accountability

The result?

Six key predictors.

Drumroll please…

The six strongest predictors of cultural risk

These six factors, listed in order of predictive power, together account for the majority of cultural risk. When employees agree that one or more of these statements are true about their companies, a cultural crisis may be looming.

1. **Inadequate Investment in People**
2. **Lack of Accountability**
3. **Lack of Diversity, Equity & Inclusion**
4. **Poor Behavior at the Top**
5. **High-pressure Environments**
6. **Unclear Ethical Standards**

Note: we identified these core indicators through a stepwise regression – a statistical technique to find the optimal set of predictive variables to explain an outcome.

1. Inadequate Investment in People

"My company doesn't do very much to support or care for its people."

The single most important thing an employer can do to avoid cultural crisis is to make adequate investments in its people. An investment in your employees is an investment in a healthy culture, and ultimately in better business outcomes. Human Resources and Communications have a key role to play in defining a compelling Employee Value Proposition and ensuring it is known and understood by employees and candidates alike.

Getting to Better

*[**Note:** For each of the six indicators of cultural risk that follow, we feature a company or companies that have taken action to address known issues in that area. We acknowledge that culture transformation is a multi-year process and that many of these companies are still in the midst of their turnaround efforts with more work yet to be done.]*

When Uber was plagued with allegations about its culture – from sexual harassment claims to reports of unethical business tactics – consultants came in and found a gap: the company's 3,000+ managers had been given very little formal training and its 15,000+ employees were in the dark on business strategy.

Beginning in fall 2017, Uber decided to use corporate education as a lever for strengthening its culture. All employees were offered the opportunity to take a series of classes in leadership and strategy taught virtually by Harvard professors, with 6,000 employees trained in the first 60 days. The investment had both symbolic and practical value, signifying the company's commitment to people development while equipping employees to better deliver against company goals.[2]

2. Lack of Accountability

"People at my company can behave badly or unethically without the company doing much about it."

Twenty-seven percent of respondents believe their company is not always vigilant about holding people responsible for misconduct. When this perception persists, employees may use it as both as a justification for not reporting poor behavior (why bother?) and as a reason to be less careful about their own actions. Doubt about the company's commitment to its values creeps in and the "see something, say something" mentality that defines collective cultural stewardship often falls by the wayside.

Getting to Better

At a shareholder meeting shortly after his appointment to CEO of Volkswagen, Herbert Deiss made clear that the company's long-term success was dependent on the firm's culture becoming more "open, honest and decent" and added that any misconduct would be punished relentlessly. With the goal of preventing another debacle like the emissions-cheating scandal that has hampered the company since 2015, Deiss is championing a "culture of constructive dissent" that gives employees permission to speak up, disagree and hold one another accountable.

Structural changes at the company are enabling shared responsibility for reporting and acting on misconduct. Once known for its hierarchical management philosophy, Volkswagen has initiated a recent reorganization that enables "decisions [to] be made at the lowest level closet to operations" with the goal of increasing "mutual responsibility" across the company's 12 brands. The company is also reforming its whistleblower and compliance systems.[3]

3. Lack of Diversity, Equity & Inclusion

"My company does not do very much to make sure that men, women and people with different ethnicities and backgrounds feel welcome, comfortable or are treated fairly."

The #MeToo movement was a much-needed wake-up call for corporate America. With matters of sexual harassment and gender discrimination at the fore, more than half of companies revisited their policies,[4] while others appointed diverse Board members, established Diversity & Inclusion (D&I) Councils, strengthened their Employee Resource Groups and tackled non-inclusive ways of working. Even with substantial improvements, however, diversity leaders still identify organizational culture as the number one challenge standing in the way of their D&I objectives.[5]

Getting to Better

Google and Amazon have both made policy changes to advance cultures of diversity, equity and inclusion in recent months, either prompted or expedited by employee activism.

- In late 2018, Google ended its practice of forced arbitration for claims of sexual harassment or assault after more than 20,000 employees participated in a walkout protesting the handling of sexual misconduct. [6]
- In February 2019, Amazon hired Rosalind Brewer, the African American former CCO of Starbucks, as the only non-white member of its 10-member Board. This came months after employees spoke out about Amazon's decision not to require its board to formally consider women and minority candidates when selecting new members.[7]

4. Poor Behavior at the Top

"My company's leaders behave in ways that are not consistent with our company values."

It's no surprise that employees take their cues from those in authority. Which is why it's troubling that 32 percent of employees say their leaders don't behave in ways consistent with company values. Indeed, far too many executives are rewarded on *what* they achieve without factoring in *how* they achieved it. When the conduct of senior leaders, rainmakers and highly valued employees – the very people that should be role models – is called into question, people often look the other way.

Getting to Better

2018 saw a string of CEO departures all for impropriety, including the chiefs of Barnes & Noble, CB and Lululemon. So significant was this trend that for the first time in 19 years the number-one reason CEOs were ousted from their jobs was not poor financial performance, but ethical lapses, according to PWC. Thirty-nine percent of the CEOs who left their jobs in 2018 left for "reasons related to unethical behavior stemming from allegations of sexual misconduct or ethical lapses connected to things like fraud, bribery and insider trading."[8] Boards are to be credited for making tough decisions to put values above all else when CEOs misbehave.

5. High-pressure Environments

"At my company, there's a lot of pressure, with profits and growth often coming at the expense of values and ethics."

The top three factors affecting how employees feel about their jobs all have to do with workplace pressures: 1) maintaining work/life balance, 2) competitive pressures and 3) client or customer demands.[9] Thirty-seven percent of employees say their companies are not always vigilant about managing these types of pressures, often resulting in profit and growth coming at the expense of values and ethics. Unrealistic deadlines, overly aggressive sales targets and poorly-structured incentive systems can lead people to take extreme – and often illegal – measures to deliver business results.

Getting to Better

After taking a deep and thoughtful look at its culture, Wells Fargo put in place a new compensation program for its retail bank team members. The change – which was made in early 2017 following criticism of the company's sales practices – was designed to refocus employees on the customer experience. Not only did Wells Fargo eliminate product sales goals but the company embraced a longer-term view of customer relationships that includes the quality of the customer experience over time as well as customer retention.

Further changes were made to ensure that entry-level bankers were incentivized based on team rather than individual performance, and that a larger percentage of incentives were tied directly to customer feedback. Stronger controls and additional reporting have helped the company enhance oversight of the sales process.[10]

6. Unclear Ethical Standards

"My company isn't very clear about the values or ethical standards it expects from employees."

Our research shows that company values – which should provide a north star for employee behavior – often don't exist, aren't known, or aren't enabled by systems and processes, making them challenging to live. Among employees who know their employers have company values, roughly 1/3 don't feel confident explaining them.

Getting to Better

Emerging from a very public scandal, a med-tech company needed to reset expectations of its people and align around a global value system that would transcend geographic boundaries and local cultural norms. Their approach? Engaging employees globally in co-creating five core values that would drive critical behavior shifts and resonate in each market around the world. With a deep network of employee culture ambassadors, an annual global Values Week and ongoing values-driven internal communications, the company is able to keep its shared beliefs top-of-mind.

Having values, principles or beliefs is just the first step; enabling and enforcing them is what will ultimately lower cultural risk.

Business, industry and societal realities contribute to cultural risk

While the six factors presented are most predictive, change events and various industry and business realities can also be triggers for cultural risk. Take a moment to consider which of these may be a threat to your business in the year ahead.

Business realities

Rapid growth. Rapid hiring may lead to cultural misfits or poor onboarding that leaves new hires unclear about expectations.

Poor performance. When business is down, desperation may set in, causing employees to compromise values to produce results.

Large and/or global footprints. Local cultural norms in markets around the world may make it difficult to align around a single, companywide value system.

Mergers and acquisitions. The bringing together of two companies that may or may not be culturally compatible can lead to power struggles, infighting and ultimately productivity losses.

Industry realities

Corporate maturity. Start-ups and small organizations, as are common in the tech industry, often have familial cultures that lead people to become too comfortable in their interactions.

Uneven gender and ethnic representation in the employee population. Male-dominated industries, for example, must be especially conscious of women's experiences and vice versa.

Likelihood of safety incidents. Relaxed norms around safety and compliance in certain industries (trucking, manufacturing, etc.) put lives in danger.

Societal realities

Employee activism. Four in 10 employees have spoken up to support or criticize their employers' actions, often making what was internal external.

Social movements. The #MeToo movement and other efforts rightly put injustices on our collective conscious. In so doing, they also expose brands whose houses aren't in order.

Culture Vigilance is weak in critical areas

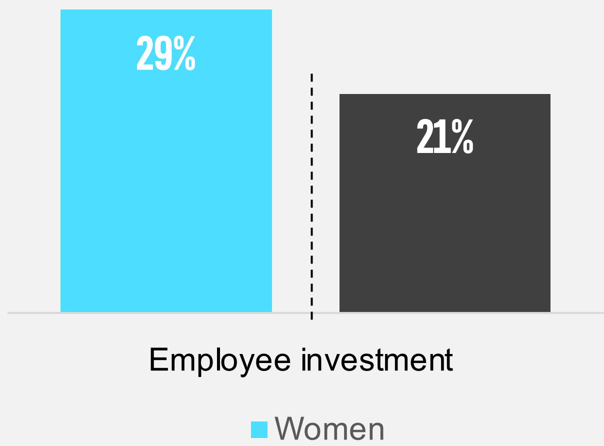
When we asked employees to assess where their organizations are vigilant and where they aren't, respondents gave their employers high marks for their efforts to build diverse and inclusive workplaces – perhaps a credit to the #MeToo movement. They also commended their employers' efforts to establish clear ethical standards, a must-have for any company doing business today.

Employees were far less complimentary of their organizations' efforts to manage poor behavior at the top and hold people accountable. Companies received the worst marks for addressing high-pressure environments with less than half of employees agreeing that their employers are taking positive action on that dimension.

Companies have work to do in some of the most concerning areas

Percentage of employees agreeing that their employers are NOT always vigilant about these aspects of company culture

Women, racial minorities and younger employees are more critical of their employers' cultural vigilance efforts

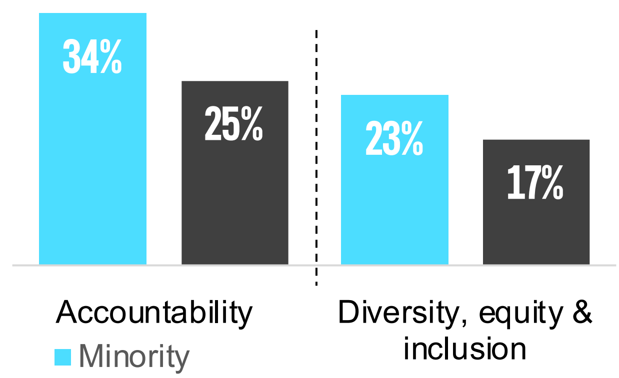


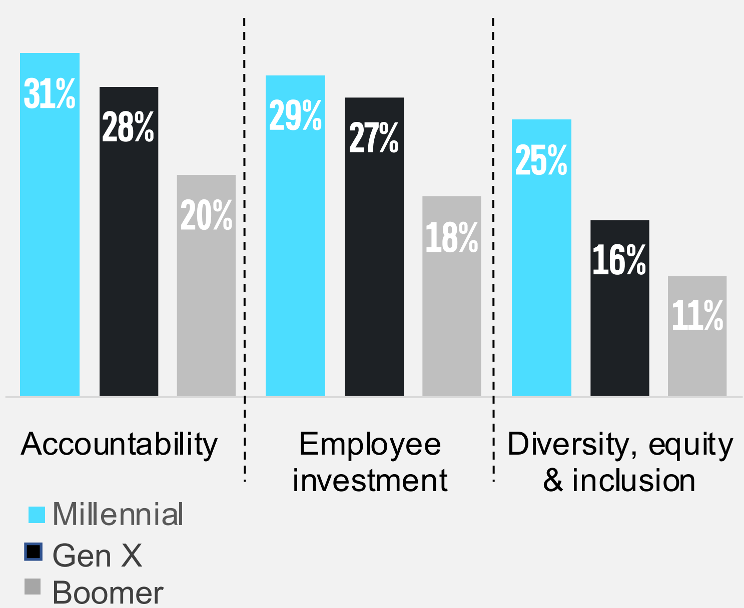
% of employees agreeing that their organization is NOT culturally vigilant

Gender. Women are more likely than men to agree that their company is not always vigilant, with the largest difference being how men and women perceive their employer's investment in its people (8 point gap).

% of employees agreeing that their organization is NOT culturally vigilant

Race. The largest gaps between racial minorities and Caucasian respondents were perceptions of accountability for bad behavior (9 point gap) and commitment to DE&I (6 point gap).





% of employees agreeing that their organization is NOT culturally vigilant

Age. Millennials were the most critical while Boomers were the most positive. The biggest gaps were with respect to:

- DE&I (14 point gap between Boomers and Millennials)
- Employee investment (11 point gap between Boomers and Millennials)
- Accountability (8 point gap between Boomers and Millennials)

From reactive cultural repair to proactive Cultural Vigilance

The path to Cultural Vigilance

Like any form of risk management, becoming culturally vigilant takes time and effort. These seven steps can help companies begin to build a **Cultural Vigilance** capability.

1

Secure explicit commitment from the top

2

Charter a Cultural Vigilance team

3

Define (or refresh) your behavioral expectations

4

Make culture everyone's concern

5

Design an ongoing Cultural Vigilance strategy and act on it

6

Establish cultural milestones and touchpoints

7

Weave culture into strategy development and annual planning processes

1

Secure explicit commitment from the top. Research has consistently shown that active and visible executive sponsorship is the top contributor to the success of any change effort. Begin by ensuring the Board and CEO understand the business value of Cultural Vigilance and have embraced responsibility for its oversight.

2

Charter a cultural vigilance team. Members typically include the heads of Communications, Legal, HR, Diversity & Inclusion and Risk Management with representation from various business lines and levels of the organization. This group should be directly accountable to the CEO who is directly accountable to the Board on this topic. Culture must not be delegated to HR alone.

3

Define (or refresh) your behavioral expectations.
If you have values, assess how well your employees know and live them. Don't be afraid to change them, refresh them or throw them out (while holding on to those that are core to who you are). If you don't have values, initiate an inclusive process to define them. Ensure they support not only the culture you're trying to foster but the business strategy you're trying to achieve.

4

Design an ongoing cultural vigilance strategy and act on it.
With your Cultural Vigilance team, determine how you will monitor culture. Adopt a culture diagnostic that can be fielded regularly and a routine review process that leads to immediate action on known issues. Leverage tools like communications, training and incentive systems to shift behavior for the better.

5

Make culture everyone's concern. Groups such as culture champions (internally) or Customer Advisory Councils (externally) can be your eyes and ears in spotting cultural risks and generating solutions. Communicate your efforts to improve culture to your employees and to the outside world; it serves as a form of accountability, holding you to the values you stand for and the commitments you've made.

6

Establish cultural milestones and touchpoints. Keep culture top-of-mind through rituals and events that remind employees why it matters. From "values shares" at the beginning of every meeting to recurring company events designed to reinforce cultural pillars, organizations must find ways to embed the desired culture into organizational DNA. Microsoft's "One Week," the brainchild of CEO Satya Nadella, reinforces the culture Nadella has worked to create by bringing together what were once "warring city-states" across the company to experiment, learn and build together.[10]

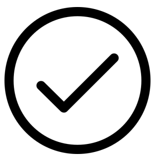
7

Weave culture into strategy development and annual planning processes. Too often leaders develop their business strategy in a vacuum without being guided by core principles or considering whether organizational norms will support or stand in the way of their objectives. Strategy and culture must be evaluated often, and in concert with one another, as symbiotic components of strong business performance.

Cultural Vigilance

Consider leveraging CultureCheck, CulturePrep or CultureShift to support your Cultural Vigilance efforts.

CultureCheck

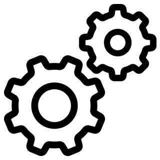


This simple survey, grounded in our decades of experience on the frontlines of corporate crises and a national study, assesses companies against the six factors most predictive of cultural issues. Followed by deep dives into hotspots, we help you proactively surface cultural vulnerabilities before someone else does it for you.

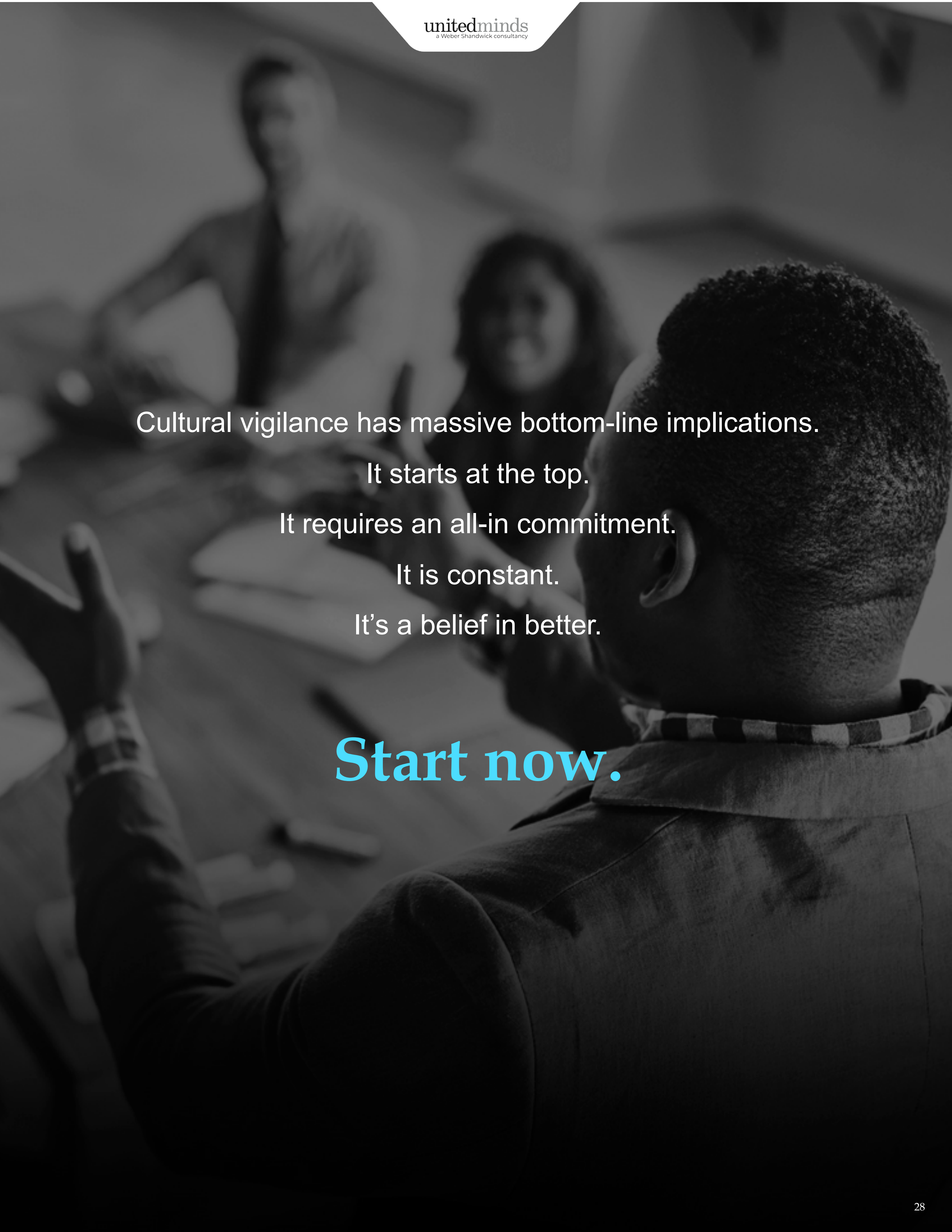
CulturePrep

Through scenario planning, crisis playbooks and our Firebell crisis simulation tool, we develop response strategies around your known cultural issues (though we hope we never have to use them!).

CultureShift



At the same time we prepare you for the worst, we help you change for the better. Our culture change methodology is focused on targeted interventions grounded in behavioral science. We build belief, align incentives and upskill your people to produce lasting behavior change.



Cultural vigilance has massive bottom-line implications.

It starts at the top.

It requires an all-in commitment.

It is constant.

It's a belief in better.

Start now.

About us

United Minds is a management consultancy within Weber Shandwick focused on organizational transformation. We partner with Boards and senior leaders from strategy to execution around a range of change events, always working to ensure that company culture supports business strategy.

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Weber Shandwick is a global marketing service agency with a modern reputation orientation. We partner with clients to deliver transformative solutions and results – from perception to performance – against a cultural backdrop where bold thinking is required and riskier than ever before.

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KRC Research is a full service global public opinion research consultancy and a member of the Interpublic Group (IPG) of companies. Our global quantitative and qualitative market research solutions inform strategic decisions, optimize strategies, fuel thought leadership, and drive headlines.

References

1. Research on the relationship between company culture and business outcomes has consistently shown that strong, effective corporate cultures predict positive business outcomes (Aktas, Cicek, & Kiyak, 2011; Graham, Harvey, Popadak, & Rajgopal, 2017; Jacobs, et al., 2013; Byles, 1986; Saffold III, 1988; Boyce, et al., 2015; Kotrba, et al., 2012, Hogan & Coote, 2014). Corporate cultures that emphasize collaboration, participation, and employee learning and development have been linked to positive financial outcomes (Schönborn, 2010; Nguyen & Aoyama, 2014, Denison, 1984). Additionally, a number of studies have linked employee satisfaction to strong financial performance (Symitsi, Stamolampros, & Daskalakis, 2018; Melián-González, Bulchand-Gidumal , & González López-Valcárcel , 2015; Gebauer, Edvarsson, & Bjurko, 2010). Research has also shown that certain characteristics, including perceived organizational support, job satisfaction, and ethical standards can mitigate business risks associated with ethical employee behavior and compliant security behavior (Greene & D'Arcy, 2010; Ghosh, 2008; Valentine & Fleischman, 2008).
2. https://www.forbes.com/sites/bizcarson/2018/02/03/inside-ubers-effort-to-fix-its-culture-through-a-harvard-inspired-university/#5679b7ec1695
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Thank you