

- A The result is that employees have come to trust management and share its vision.
- B And having a supportive culture can produce surprising gains in terms of productivity.
- C CEO, Daniel R. DiMicco, answers his own phone and email and shares an assistant with CFO, Terry Lisenby.
- D Most boards are poorly equipped to deal with their organization's corporate culture, because their staffing is not right.
- E The entire board now goes once every year to a mill or plant and spends two days observing operations and talking to workers and managers.
- F When asked to rate its importance for these issues on a scale where 1 equals "greatly affects" and 10 means "no effect", the respondents ranked corporate culture at 2.
- G It can be a very powerful influence for good, or it can get companies in lots of trouble.

## WHO IS RESPONSIBLE FOR CORPORATE CULTURE?

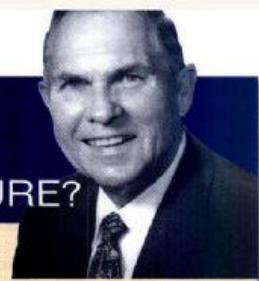
**H**ow should a director think about the "corporate culture" of the company on whose board he or she serves? Consult a management text on organizational culture and you'll find a chapter or more of definition which boils down to something like "a pattern of shared basic assumptions." Peter C. Browning, dean of the business school at Queens University, North Carolina says: "Every organization has a culture which manifests itself in everything from entrepreneurship to risk-taking all the way down to the dress code. **1 G.**" In some cases, it can do both. Recall how IBM's insular, conservative culture first helped the company soar to success—and then nearly destroyed it before a new CEO, Louis Gerstner, arrived in 1993 and saved the company.

Browning considers corporate culture an important part of a board's responsibilities. And he's not alone. In a recent survey, an overwhelming majority of directors say that culture has a powerful effect on their company's ethics, risk-taking, and bottom-line performance. **2** .... Furthermore, 79% say they believe a board can alter a company's culture.

Even so, many directors are less comfortable dealing with issues of corporate culture than they are with more easily quantified concepts like profitability or market share. Says Edward Lawler, a professor at the University of Southern California: "**3** .... An understanding of corporate culture is one of the main things missing on boards, but they really need it if they're going to monitor what's going on inside the corporation."

So what should directors be doing to evaluate corporate culture, and what actions can they take to influence it?

Peter Browning's favorite example is Nucor, the steel company. Nucor's culture, which he describes as "extraordinarily powerful, effective, and unique," can be traced back to the values and vision of its legendary founder, F. Kenneth Iverson. The Nucor story—of an egalitarian, collaborative, high-performing business that's been consistently profitable in a notoriously tough industry—has been recounted in dozens of newspaper and magazine articles and books. **4** .... Although the company earns \$6.3 billion in revenues and has 9,900 employees, it has fewer than 60 people in management. There



F. Kenneth Iverson

are no company cars or corporate jets. The company offers four-year scholarships to children of employees to help them pursue higher education or vocational training after high school. When business is slow, Nucor reduces hours but doesn't make workers redundant. There's a highly effective incentive program. **5** .... Ditto for the shareholders: Nucor's total return to investors last year was 37.9%, better than almost two-thirds of the other companies in the Fortune 500.

To ensure that Nucor's collaborative, trusting culture continued, Browning recounts how he "went out and visited innumerable factories. I walked around, talked with people on different shifts." Then he made sure the other non-executive directors did the same. **6** .... "It was important for the board to get to know the culture so that we could support the next generation of management as they move forward, while preserving the values that really distinguish this company," Browning says.