

“A high-performing, ethical culture can be a great source of competitive advantage.”

—Bob Vanourek  
Former CEO and co-author of *Triple Crown Leadership*

# TRUST

**Inc.** A Guide for  
**Boards & C-Suites**



Edited by

**BARBARA BROOKS KIMMEL**

## Chapter 1

# Trust and Corporate Culture

## Why Boards Should Pay Attention to Corporate Culture

*“Culture isn’t just one aspect of the game—it is the game.”*

Lou Gerstner, former IBM CEO

Most boards think “culture” is the soft, fuzzy stuff that some CEO’s or HR leaders may pay attention to. These boards are sadly wrong.

A high-performing, ethical culture can be a great source of *competitive advantage*.

An organization’s culture is “how we do things here”—how people behave in their relationships. Business is a set of relationships, and healthy relationships are built in trust.

Organizations with a toxic culture pay a heavy price in lost revenue, damaged reputation, lawsuits, and more. By contrast, organizations with a high-performance, trust-based culture (e.g., Southwest Airlines, Zappos.com, and Patagonia) enjoy a self-reinforcing, virtuous cycle with their stakeholders. They build trust and employees unleash more of their talents and efforts, positively affecting growth, productivity, retention, customers, profitability, and more.

A 2011 McKinsey report stated, “Studies have shown again and again that there may be no more critical source of business success or failure than a company’s culture.”

A 2012 CFA Institute report stated, “... a board needs to understand the corporate culture and work with management to ensure it is an asset that contributes to long-term value creation and is not a risk that impairs success.”

*Boards should pay attention to corporate culture. Culture is the legacy of leadership, and a healthy culture builds stakeholder trust.*

### **Bob Vanourek**

*Bob Vanourek is the former CEO of five firms from a start-up to a billion dollar NY stock exchange turnaround. He is the co-author of the award-winning book Triple Crown Leadership: Building Excellent, Ethical, and Enduring Organizations. He is one of Trust Across America’s Top 100 Thought Leaders in Trustworthy Business Behavior.*

[www.triplecrownleadership.com](http://www.triplecrownleadership.com)

## Driving C-Suite Behavior via “The Golden Rule”

“The Golden Rule is often a good way to drive C-Suite behavior to bring out the best in a company. We were about to announce an acquisition of a competitor when the target told us about an Audit Committee investigation of alleged accounting fraud. We’d almost completed due diligence, with two interviews left, but realized we couldn’t proceed with the acquisition until the investigation was done. When a leader in our business development told our CEO, John Chambers, that he planned to complete the interviews and then tell the target we were putting the deal on hold, John asked, “Could the interviews change our decision?” When told they were unrelated, he asked, “How would we feel if a competitor was acquiring us, and we found out they’d continued due diligence after deciding not to move ahead?” After a silence, our BD person said, “I guess we’ll tell them we’re not moving ahead right now, and ask if they want us to complete due diligence anyway.” John said, “That sounds like a good plan.” This is why I have the easiest general counsel job in America.”

### **Mark Chandler**

*Mark Chandler is Senior Vice President and General Counsel of Cisco Systems, where he is also Chief Compliance Officer. He’s been at Cisco for 18 years, and been general counsel for more than twelve. He leads a global team of 450 professionals.*

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## Where Does Trust Start?

Trust Across America believes that trust starts at the top. CEO's MUST create cultures built with values that are owned and accepted by all stakeholders. CEO's MUST remain on the front line during the construction and implementation phase with articulated goals and deadlines for meeting trust benchmarks. For most organizations, this represents a new approach to doing business, but for the leader who ignores trust as a core value, eventually the ship will sink. The "business *case for trust*" has been made. While cultural shifts take time, those who lead with trust will be rewarded with a long-term competitive edge.

### **Barbara Brooks Kimmel**

*Barbara Brooks Kimmel is Co-founder and Executive Director of **Trust Across America – Trust Around the World** and editor of Trust Inc. Strategies for Building Your Company's Most Valuable Asset. In 2012 Barbara was named one of "25 Women who are Changing the World" by Good Business International. A former consultant to McKinsey & Company, Barbara has owned the award-winning communications firm, Next Decade, Inc. for over 20 years. She majored in International Affairs at Lafayette College and has an MBA from Baruch at the City University of New York.*

# C-Suite as the Chief Cultural Officer

If you are in the C-suite, you are also the Chief Cultural Officer (CCO). Culture matters. It makes the difference between a profitable and innovative business and one that is struggling. The CCO's job is to create, shape, and develop the company's culture, defined by three elements:

- **Identity:** The company's history, traditions, and language
- **Values & Principles:** Beliefs, core values, and principles
- **Productive Energy:** What each worker gives every day to the company— their creativity, energy, drive, and commitment

Company cultures don't just "happen". They require hard work. Years of practice have found there is a 1:1 correlation between leaders' behaviors and how the workforce behaves. Here are three key things senior leaders can do culturally:

- **Create:** Decide what type of culture you will have—top down, cooperative, or collaborative? Is the focus on trust or fear? Open or closed? Will it be about "we" or "me"? Flat or siloed?
- **Shape:** Ensure there is a high level of engagement in the direction and work processes of the business. If the workforce owns the culture, they'll take care of it. Equally important is consistent two way communications. Shaping is about co-creation.
- **Develop:** Cultures are not static. Stay on top of the culture's development so that it stays on a course of true North.

**Culture matters.** It defines you. It is strategic. It is the C-suite's job to create it, shape it, and develop it over time. Define the culture or it will define the business.

## **Edward Marshall**

*Edward Marshall is President of The Marshall Group, Inc., a Chapel Hill, North Carolina collaborative leadership consulting firm that for 30 years has worked with senior leadership of Fortune 500 businesses to create collaborative leadership cultures that result in high trust and sustainable results. He has led over 150 engagements at companies like Marriott, Microsoft, Philips, and DuPont, work that has won awards and best practice designation. He developed The Collaborative Method(sm), a suite of leadership and culture change services. He has two business best-sellers, including Building Trust at the Speed of Change, and is a Trust Across America [Top 100 Thought Leaders in Trustworthy Business](#). His Ph.D. is from the University of North Carolina at Chapel Hill.*

# Make Trust the Central Organizing Principle of Corporate Culture

Lou Gerstner, the CEO responsible for turning around IBM in the 1990s, reflecting on his transformation of the failing company, observed that the powerful culture, sense of community, values of fair play and hard work, and ethical standards of IBM were the foundation which kept the company from shattering when it's business strategies needed a massive shift.

Many authorities emphasize the profound impact of culture on the performance of companies. Yet they also believe that culture is a complex intertwining of norms, values, history, behaviors, rewards, and punishments that take years to change.

Our analysis of numerous turnarounds points to the conclusion that if trust is made the central organizing principle of corporate culture, dramatic changes and improvements in performance can happen in fifteen to eighteen months. This was the case when Gordon Bethune took over Continental Airlines in 1993:

"Getting through to employees who don't trust you takes a long time, and we kept doing things to show them their company had changed, changing everything ..... 99% of our employees have proven extremely trustworthy, and the more responsibility we've given them, the more effective they've become."

Every employee was given the ability to solve minor and sometimes major problems; problems the company wants him or her to be solving. All the little solutions begin to add up into a major profit.

"Multiply every little solution by more than 2000 flights a day, by millions of telephone calls to our reservation centers, by thousands of bags that might have missed a plane if someone didn't hustle, by thousands of gate agents taking thousands of decisions to keep passengers happy and planes moving. You can see the impact .... We want employees to make smart decisions, not blindly follow rules. Suddenly our employees are running a good airline."

## **Robert Porter Lynch**

*Robert Porter Lynch's groundbreaking best practices in strategic alliances, collaborative innovation, and trust building underpin alliances and innovation systems around the world.*  
<http://warrenco.com/>

# The Culture is the Secret Sauce

In announcing his resignation in the New York Times, Greg Smith said that culture was vital to Goldman Sachs's success and was "the secret sauce that made this place great and allowed us to earn our clients' trust for 143 years." The scandal du jour that was once served as an appetizer has now increased the public's appetite to devour corporate reputations as the main course. This requires the Board and C-suite to be the master chefs of the secret sauce. The key ingredients are integrity and honesty. You must come to the table with these ingredients, use them to guide your decisions, and stand before the organization as a model for ethical behavior. To be successful, you must make the secret sauce seep through the organization. It must bubble down from the boardroom to the mailroom and rise back up again. It must be everywhere.

Anything less, any substitutions, simply will not do.

On how to be the example see Scott Killingsworth, *Modeling the Message*. Available at SSRN: <http://ssrn.com/abstract=2161076>

Ellen M. Hunt, J.D.  
AARP  
Director, Ethics and Compliance

## **Ellen M. Hunt**

*Ms. Hunt joined AARP to assist the organization with establishing its Ethics & Compliance Program. Her responsibilities include building trust and helping the organization and its employee make ethical decisions. Any opinions expressed by Ms. Hunt are solely her own and are not made on behalf of AARP.*