

June 18, 2017 – Federal Reserve Bank of New York Culture Conference

Remarks by Richard Lyons, Dean, Haas School of Business, UC Berkeley

My name is Richard Lyons, and I am introducing the combined academic and industry portion of today's agenda.

This final panel for the day is really about one main question: "How can we, business schools and financial institutions, partner together to help enable a strong, industry-wide culture that advances society, advances the goals of our institutions, and does what we need it to do?"

That's a very big question, but I think we have a lot of room to work together in responding to it. So, as opposed to saying as an academic, 'Business, you should do this,' or as saying as a practitioner, 'why can't you teach ethics better?' I think there's a lot of room for us to actually work together and change one another's games. In my brief introductory remarks today, I will give you a couple of examples along those lines.

First: How can you (financial sector) help us (higher education)?

Understand that the people running universities -- presidents of universities or deans of parts of universities, whether it's engineering or business or whatever -- came up through the academic ranks. Many of us have had next to no experience in industry and have been academics our whole lives.

Why am I starting here?

It would be hard to find a CEO of any firm who says 'I spend less than 20% of my time intentionally managing the culture of my enterprise.' In contrast, an honest answer from most presidents of universities and deans of parts of universities to the question, 'do you spend more than 20 % of your time intentionally managing the culture of your enterprise?' would shock you in how low the percentage is that says over 20%.

So why is our industry (higher education) so different?

In part it is because we as academics are not trained at the art of managing culture. But it's also about the context. For example, if you ask presidents of universities, 'are you in the values business?' most would feel uncomfortable answering a straight yes to that question. But if you ask them, 'are you in the character business?' I think most would feel very comfortable answering yes. The space between the answers to those two questions is interesting. To summarize: if what you want us to do as universities and as business schools is to start managing culture better – these sorts of shared values and behavioral norms – recognize first that we as an education 'industry' are actually not so strong at doing that.

I wanted to start with that point because I think it's not obvious to people. At the Haas School and at other business schools, we've tried to write down, just as you would but with much less practice, a set of principles – we call them 'defining principles' (we have four of them). Then to execute against this we wrote down every single business process in the business school, and tried to drive the four principles through those business processes, including, and especially important, admissions. For example, we

even put these defining principles in the faculty's teaching evaluations. That's hard for us. But you've been doing this kind of thing – executing on culture strategies -- for a long time. You can make us as schools and universities better at it.

How can we help you?

Earlier today, there was a session that focused on the difficulty of measuring and managing culture. It *is* hard. But we actually do have a lot of research on this.

With the kind of natural-language-processing computing capacity that we have today, rather than just measuring culture using surveys, a colleague wrote a paper on measuring culture on the ground using natural-language-processing techniques, by processing every email that went through the email server of a company. That's interesting – a totally different way of measuring culture. We have research on this. We're not saying it's the be-all and the end-all. But it's a possible route, and really quite exciting.

Another project that I got to work on personally was measuring with good old, 'day in the life' interviews, talking to people that are three to six months into a company – in this case outside hires of a bank at a senior level (Managing Directors). We asked them for the top five culture shocks that they are experiencing when they came into the firm. Often your cultural differences are at their sharpest relief when somebody 25 years in the industry walks into your firm and is bewildered by your culture. That's the time to measure it. And that's the kind of thing that academics can help you think about. You might think about producing a 'top five culture shocks' document from such interviews at your firm.

I hear people in industry rightly say 'lead from where you are.' More concretely, I hear business leaders telling their analysts and associates 'look for the white space around your business or your job and fill it.' We all understand that people need to be thinking about what leadership means as soon as they hit the ground when they get to your company. We all agree on that. But, we also commonly hear – in fact we heard it in the panel this morning -- that people early in their career 'just need to get their job done well.'

At what point does 'lead from where you are' also mean 'lead culture from where you are'? At what point do we start telling analysts and associates who have direct reports, 'here's how you can manage culture, and here's a toolkit for doing it.' You can identify, working with your people, the one behavior that would most make your team more high performing. And then figure out how to change that behavioral norm on your team. That's something a CEO could say to every person in the company. That's leading culture from where you are.

We all know that an analyst is not going to change the core values on the masthead. But the idea that people can lead culture from where they are by changing a behavioral norm on their immediate team is virtually always available. If we started imbuing the expectation that you 'lead culture from where you are,' you've changed the game a bit. Employees need to understand that they shouldn't just align with culture, they shouldn't just be a culture carrier, they need to lead it as soon as they arrive.

These are some of the things that we can do together.

Before I turn it over to the panel, I wanted to highlight a beautiful article written by Lucy Kellaway for the *Financial Times* some years ago. Lucy played a trick on 25 senior people from large firms at a

conference. She went on all of the firms' websites the day before the conference and downloaded the core values of their companies. When they arrived the next morning, she asked how many of them knew the core values of their firm. All 25 hands went up. She went on to put each set of values on the screen, set-by-set, and asked them to raise their hand when their set went up. Five got it right.¹

Her point was not that culture doesn't matter; her point was if we're not putting a real signature to culture – if there isn't a difference in what we're saying -- then our people won't feel that it's real, and it's not going to have the kind of materiality we want it to.

So last question. Provocative, I know.

We all know a phrase that's used most often in the military services that most of hear and think, 'That's terrific.' That phrase is, '*Officers eat last.*' Officers eat last: Could a bank survive, thrive today if the CEO said, '*We are an officers-eat-last bank*'? And if not, why not?

I'll turn it over to the panel.

¹ Kellaway, L. (2015, October 4). *Hands up if you can say what your company's values are*. Retrieved from <https://www.ft.com/content/d508d08e-682d-11e5-a57f-21b88f7d973f>