THE LONG VIEW

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How managers' culture can impact the bottom line

In financial services, corporate culture has been largely left to chance. While firms like to say their people are their greatest asset, they generally choose their talent based on investment acumen, strategic knowledge or sales skills, and whatever culture results is deemed an acceptable outcome. This was endurable in an era where financial firms were judged solely by financial metrics. There's a new bottom line now, and culture is an asset.

Investors like State Street Global Advisors are weaving analysis of corporate culture into their investment processes. In January, State Street sent an open letter to the boards of more than 1,100 public companies, putting them on notice that their responsibility to foster and promote healthy corporate cultures will factor into whether their stocks make it into State Street's $2.8trn portfolios.

The diversity and inclusion and environmental, society and governance movements have big-name and big-money backers like BlackRock chairman Larry Fink and private equity firms like TPG, KKR, and the Carlyle Group. If these firms invest in a company with a rotten culture, it will only be because they think they can fix it.

In an era of instant communications and employer-rating social networks like Glassdoor, employees now have more information than ever about what it will be like to work at the firms recruiting them. With unemployment at record lows, these coveted talents have plenty of choices.

Despite all the buzz, attention and hand-wringing by executives on culture, most firms are ill-equipped, understaffed and operationally misaligned. Financial services firms, particularly private investment firms (hedge funds, private equity firms and asset managers) are behind the curve and need to act with much more urgency.

Fixing it starts with re-framing the value of culture and treating it as a revenue generating, bottom line-driven asset that is worthy of investment. This is an uncomfortable sea change for most founders and CEOs. Human resources and communications – necessary drivers of positive cultural outcomes – have classically been viewed as cost centres and very siloed from one another. They are understaffed, undervalued and underutilised. They should be viewed as performance generators because their ability to recruit and retain talent is really the first step in any investment process.

Next, leaders can begin the hard work of building and maintaining a culture by considering the following steps:

Clarify and nail your cultural narrative: What do you stand for? What are your values? Why does your firm exist in the world? If you don't know where to begin, it's time to invest in figuring this out.

Know where you stand: You can only fix what you measure. When was your latest employee satisfaction audit? What does your Glassdoor page look like? What are your turnover rates? What are your D&I and ESG statistics? Do an audit and set the benchmark.

Check for silos: HR and Communications need to collide and merge in new and different ways if firms are to deliver. They must bind together to create and sustain corporate culture or character. HR owns recruiting. Communications owns reputation. Together, they must own the company's Glassdoor presence. Glassdoor is now the reason 75% of candidates will choose to work with you. HR and comms can work in tandem to create success here.

Set specific goals: Based on your benchmark, what goals do you have for your overall culture, your D&I and talent initiatives?

Communicate: HR and communications should work together to develop and manage internal communications channels where top leadership is involved and has a voice. This is crucial.

Identify the cult in your culture: Strong cultures are "cult-y". They have unique rituals and business methods. Collect these assets and make sure they are understood, then celebrate and reinforce behaviours that are aligned with your cultural tenets.

Work with the quants: Financial services firms are riddled with folks that can build models and create algorithms to deliver investment returns. To drive change, these folks need to be paired with leaders who have deep management experience, strong emotional intelligence and a passion for culture.

We are all in a people business, and without a strong culture, business won't be good.

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