

## Corporate culture is becoming a science. And it's beginning to greatly benefit companies in their executive hiring.

*A few years ago, Dick Clark, CEO of pharmaceutical giant Merck, was asked about business strategy vs. organizational culture, and was quoted as saying, "The fact is, culture eats strategy for lunch. You can have a good strategy in place, but if you don't have the culture and the enabling systems that allow you to successfully implement that strategy, the culture of the organization will defeat the strategy."\**

*Today, more and more leaders recognize that culture is a tangible force within their organizations that can be both measured and leveraged to support their business goals.*

*The following piece by Russell Reynolds Associates consultant Dean Stamoulis recently appeared on the Leadership pages of **Forbes.com**, discussing culture as a performance driver, and its critical role in leadership and talent management decisions.*

It's all too common: An exciting new executive is appointed with great fanfare only to leave after a short and rocky tenure. Or the merger of two companies is pitched to investors as guaranteeing great synergies, and they never materialize. The cause of these failures often seems obvious. The executive had the right knowledge and experience but simply couldn't grasp the way things were done in the new organization. The combined balance sheets and product lines of the two merging companies looked great, but there was no way the highly collective one was going to blend well with the individualistic other. In other words, it was all the fault of "culture" and "cultural fit."

The problem with blaming culture for these types of failures is that we've never been completely sure what culture means. The same is true when things go well. Chief executive officers—and the people who write books about them—are quick to celebrate corporate culture and its importance in times of

success. But their stories, while inspirational, are essentially anecdotal. When we talk about culture, we talk in generalities. No wonder when it comes time to make basic nitty-gritty decisions that determine a company's fate, like the choice of a key leader or the decision to merge, discussion of culture often fades into the background along with other "soft" concerns.

The good news is that this is changing. Organizational psychologists, armed with more data and more powerful analytical tools, are developing detailed and useful models of corporate culture. They are learning to identify the qualities that define a culture—for example, openness and emphasis on performance—and measure and quantify them in reliable ways. This is providing a framework for comparing a company's

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\*Taken from a Management Today.com news article by John Weeks, INSEAD, which appeared online on June 1, 2006



culture with the inclinations of contenders to be CEO, or for comparing the cultures of two companies contemplating a merger. Measurement tools, such as Russell Reynolds Associates' Culture Analyst™, uses survey questions to uncover the distinguishing characteristics of companies. The Culture Analyst can also then go on to calculate an external candidate's degree of fit to a company's culture profile.

Organizational psychologists and consultants are working with clients to hone in on the aspects of culture that are most important to their businesses. In one case, a CEO wanted to strengthen discipline within his organization by bringing in managers who were inclined to foster and maintain discipline. To do so, he was willing to hire candidates who were less concerned with interpersonal relationships, even though most CEOs wouldn't want to sacrifice that with their managers. He was pleased to learn that his top candidate's culture profile showed he was strong on discipline and was mid-level (but not too bad) at relationships. At another company there was concern that a senior executive candidate had appeared "too independent" in an interview. A subsequent measurement of the candidate's cultural preferences confirmed that they didn't match up with the company's rules-oriented ways.

A question that often comes up is whether a candidate should match the company's current culture or the culture the CEO is aiming for as he or she changes the organization. Until now, a good amount of guesswork went into figuring that out. We can now clarify these two different profiles of a candidate to help inform CEOs about who is entering their organizations. This is important partly because a new executive who will stand as a cultural pioneer will need added guidance and cover.

New insight in these areas would be welcome under any circumstances, but they are particularly needed as we all begin to prepare for economic recovery and try to learn from the mistakes of the recent past. Many of the problems that led to the downturn,

such as C-suite hubris, executive groupthink, lack of vigilance about strategy and poorly managed CEO succession, were ultimately matters of corporate culture. Not surprisingly, regulators, investors and industry groups are demanding that companies pay more careful attention to their top-level executive selection decisions—not just in terms of qualifications but also in terms of really understanding what kinds of people are in charge and what sort of culture emerges when they are put together in a room.

Of course, there will always be a subjective element to senior-level talent decisions, just as investors will always reach different conclusions from the same balance sheet. But providing a more rigorous and commonly understood framework for the discussion of corporate culture will go a long way toward keeping culture front and center in important strategic deliberations while they are taking place—and not just in hindsight.

## Author

**Dean Stamoulis, Ph.D.**, leads the global Executive Assessment practice at Russell Reynolds Associates. He is the author of "Senior Executive Assessment: A Key to Responsible Corporate Governance."

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## About Russell Reynolds Associates

**Leadership.** In today's ever-changing global business environment, success is driven by the talent, vision and leadership capabilities of senior executives.

Russell Reynolds Associates is a leading global executive search and assessment firm with more than 300 consultants based in 39 offices worldwide. Our consultants work closely with public and private organizations to identify, assess and recruit senior executives and board members to drive long-term growth and success. We value teamwork, serving our clients with a collaborative approach that spans our international network of sector and functional experts.

Our in-depth knowledge of major industries and our clients' specific business challenges, combined with our understanding of who and what makes an effective leader ensure that our clients secure the best leadership teams for the ongoing success of their businesses. For more information, please visit us at [www.russellreynolds.com](http://www.russellreynolds.com).

# RUSSELL REYNOLDS ASSOCIATES | Global Offices

## Americas

### Atlanta

1180 Peachtree St., NE  
Suite 2250  
Atlanta, GA 30309-3521  
United States of America  
Tel: +1-404-577-3000

### Boston

One Federal Street  
25th Floor  
Boston, MA 02110-1007  
United States of America  
Tel: +1-617-523-1111

### Buenos Aires

Buenos Aires Plaza  
Manuela Sáenz 323  
Seventh Floor, Suites 14 and 15  
C1107CBP Buenos Aires  
Argentina  
Tel: +54-11-4118-8900

### Chicago

200 South Wacker Drive  
Suite 2900  
Chicago, IL 60606-5802  
United States of America  
Tel: +1-312-993-9696

### Dallas

8401 N. Central Expressway  
Suite 650  
Dallas, TX 75225-4404  
United States of America  
Tel: +1-214-220-2033

### Houston

600 Travis Street  
Suite 2200  
Houston, TX 77002-2901  
United States of America  
Tel: +1-713-754-5995

### Los Angeles

11100 Santa Monica Blvd.  
Suite 350  
Los Angeles, CA 90025-3384  
United States of America  
Tel: +1-310-775-8940

### Menlo Park

2500 Sand Hill Road  
Suite 105  
Menlo Park, CA 94025-7015  
United States of America  
Tel: +1-650-233-2400

### Mexico City

Torre Reforma  
Paseo de la Reforma  
115-1502  
Lomas de Chapultepec  
México 11000, D.F.  
México  
Tel: +52-55-5249-5130

### Minneapolis/St. Paul

225 South Sixth Street  
Suite 2550  
Minneapolis, MN 55402-3900  
United States of America  
Tel: +1-612-332-6966

### New York

200 Park Avenue  
Suite 2300  
New York, NY 10166-0002  
United States of America  
Tel: +1-212-351-2000

### San Francisco

101 California Street  
Suite 2900  
San Francisco, CA 94111-5829  
United States of America  
Tel: +1-415-352-3300

### São Paulo

Edifício Eldorado Business Tower  
Av. Nações Unidas, 8501  
11º Andar  
05425-070 São Paulo - SP  
Brazil  
Tel: +55-11-3566-2400

### Stamford

301 Tresser Boulevard  
Suite 1210  
Stamford, CT 06901-3250  
United States of America  
Tel: +1-203-905-3341

### Toronto

Scotia Plaza, Suite 3410  
40 King Street West  
Toronto, ON  
M5H 3Y2  
Canada  
Tel: +1-416-364-3355

### Washington, D.C.

1701 Pennsylvania Avenue, NW  
Suite 400  
Washington, D.C. 20006-5810  
United States of America  
Tel: +1-202-654-7800

## Asia/Pacific

### Beijing

Suite 1320, China World Tower I  
No. 1 Jian Guo Men Wai Avenue  
Beijing 100004  
China  
Tel: +86-10-6505-2688

### Hong Kong

Room 1801, Alexandra House  
18 Chater Road Central  
Hong Kong  
China  
Tel: +852-2523-9123

### Melbourne

15th Floor  
Bourke Place  
600 Bourke Street  
Melbourne VIC 3000  
Australia  
Tel: +61-3-9603-1300

### Mumbai

Unit 9(A), Grand Hyatt Plaza  
Santacruz (East)  
Mumbai 400 055  
India  
Tel: +91-22-6733-2222

### New Delhi

203, Eros Corporate Tower  
Nehru Place  
New Delhi 110 019  
India  
Tel: +91-11-4603-4600

### Shanghai

Room 4504, Jin Mao Tower  
88 Century Avenue  
Pudong, Shanghai 200121  
China  
Tel: +86-21-6163-0888

### Singapore

2 Shenton Way  
#08-01 SGX Centre 1  
Singapore 068804  
Singapore  
Tel: +65-6225-1811

### Sydney

Level 40, Aurora Place  
88 Phillip Street  
Sydney NSW 2000  
Australia  
Tel: +61-2-9258-3100

### Tokyo

Izumi Garden Tower 14F  
1-6-1 Roppongi  
Minato-ku, Tokyo 106-6014  
Japan  
Tel: +81-3-5114-3700

## Europe

### Amsterdam

World Trade Center  
Tower H, 18th Floor  
Zuidplein 148  
1077 XV Amsterdam  
The Netherlands  
Tel: +31-20-305-7630

### Barcelona

Edificio Prisma  
Avda. Diagonal, 613, 2ªA  
08028 Barcelona  
Spain  
Tel: +34-93-494-9400

### Brussels

Boulevard St.-Michel 27  
B-1040 Brussels  
Belgium  
Tel: +32-2-743-12-20

### Copenhagen

Østergade 1, 1st Floor  
DK-1100 Copenhagen K  
Denmark  
Tel: +45-33-69-23-20

### Frankfurt

MesseTurm  
60308 Frankfurt/Main  
Germany  
Tel: +49-69-75-60-90-0

### Hamburg

Stadthausbrücke  
1-3/Fleethof  
20355 Hamburg  
Germany  
Tel: +49-40-480-661-0

### London

24 St. James's Square  
London SW1Y 4HZ  
United Kingdom  
Tel: +44-20-7839-7788

### Madrid

Calle Miguel Angel, 11  
Seventh Floor  
28010 Madrid  
Spain  
Tel: +34-91-319-7100

### Milan

Via Mascheroni, 5  
20123 Milan  
Italy  
Tel: +39-02-430-0151

### Munich

Ludwigstraße 7  
80539 Munich  
Germany  
Tel: +49-89-24-89-81-3

### Paris

7, Place Vendôme  
75001 Paris  
France  
Tel: +33-1-49-26-13-00

### Stockholm

Hamngatan 27  
SE-111 47 Stockholm  
Sweden  
Tel: +46-8-545-074-40

### Warsaw

Belvedere Plaza  
ul. Belwederska 23  
00-761 Warsaw  
Poland  
Tel: +48-22-851-68-38

### Zürich

Löwenstrasse 28  
CH-8001 Zurich  
Switzerland  
Tel: +41-44-447-30-30

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