



GALLUP'S PERSPECTIVE ON

Culture Asset Management

Identifying Culture Risk and Return
for Executive Leadership

GALLUP®

"Oversight of corporate culture should be among the top governance imperatives for every board, regardless of its size or sector."

— *Report of the NACD Blue Ribbon Commission on Culture as a Corporate Asset*

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Culture Is Your Riskiest Asset

A CEO-LED, INCLUSIVE CULTURE IS THE NEW REQUIREMENT OF A THRIVING, HIGH-PERFORMANCE ORGANIZATION.

A strong culture is essential for organic growth.

According to the NACD Blue Ribbon Commission, "Culture should be viewed as an asset, similar to an organization's human, physical, intellectual, technological and other assets."

Creating a sustainable culture is the responsibility of the board and the governance committee as much as the CEO because the board owns the long-term success of the organization.

Today, culture typically reaches the boardroom only when there is a problem or crisis. By this time, it is too late.

Recent front-page scandals of corporate bad behavior have brought culture to the forefront, demonstrating that the board is the last to know what the employees already know.

Some boards have used annual engagement surveys as representations of their culture, to identify potential risks. But these measurements typically lack the benchmarking and analytics necessary to identify the best and worst parts of the culture.

Leaders should identify and define their organization's unique and desired culture. Those are table stakes. But nothing exists today that audits and benchmarks how well their organization's culture is *performing* as an asset.

To address this issue, backed by Gallup's 20-year global meta-analytics of the workplace, Gallup created **Gallup Culture Asset Management**, a board-level offering that examines the 10 most important dimensions of an organization's culture.

As part of this program, Gallup offers advice to the board for making informed decisions related to people and culture.

The 10 Critical Dimensions of a Thriving Culture

USING THE WORLD'S LARGEST DATABASE OF TEAMS AND CULTURES, with data from over 70 million employees, Gallup has identified the 10 key dimensions of a healthy culture that are predictive of positive business outcomes.

These 10 dimensions serve as a framework for **determining the value of culture as an asset** and **diagnosing the risk factors in managing that asset**.

Gallup Culture Asset Management Dimensions

- 01 | Ethics and Compliance
- 02 | Diversity and Inclusion
- 03 | Leadership Trust
- 04 | Leadership Inspiration
- 05 | Disruption
- 06 | Employee Engagement
- 07 | Performance Management
- 08 | Wellbeing
- 09 | Sustainability
- 10 | Mission and Purpose

01

Ethics and Compliance

If I raised a concern about ethics and integrity,
I am confident my employer would do what is right.

DOING THE RIGHT THING IS A BUSINESS NECESSITY.

Businesses spend billions of dollars on litigation each year, and the cost of lawsuits has risen significantly.

Ethics and compliance issues quickly become safety, trust, productivity, legal, culture and brand issues.

The culture of an organization's day-to-day operations reflects its reputation. Zero tolerance starts at the top because leaders' behavior demonstrates what is acceptable for those throughout the rest of the organization.

The best leaders and managers model and demand the highest integrity of their culture.

They intentionally build trust and resolve conflicts before they escalate.



employees disagree or strongly disagree that their employer would do what is right if they raised a concern about ethics and integrity.

02

Diversity and Inclusion

At work, I am treated with respect.

DISRESPECT IS TOXIC. IT PROVOKES INTENSE FEELINGS AND DAMAGES RELATIONSHIPS.

Having a high percentage of employees who feel disrespected at work is a warning sign that there may be more harmful issues in the organization. Ninety percent of disrespected employees say they have experienced some type of discrimination or harassment at work.

No organization can prevent all forms of disrespect, but when leaders demand a culture of respect, workplaces thrive.



of employees who disagree or strongly disagree that they are treated with respect at work say they have experienced some type of discrimination or harassment at work.

03

Leadership Trust

I trust the leadership of my organization.

ONLY ONE IN THREE EMPLOYEES in Gallup's global database strongly agree that they trust the leadership of their organization.

Levels of trust in leadership vary greatly among organizations.

Consider the consequences of the difference between high-trust and low-trust organizations:

High trust:

When people trust the leadership, everything works better. New initiatives take hold. Star employees stay. Employees solve problems rather than blame. And even when leaders make mistakes, employees give them the benefit of the doubt.

Low trust:

When people don't trust the leadership, they actively plan their exit while ignoring or halfheartedly completing their work obligations. They have no interest in executing new initiatives because they've already mentally checked out.

With social media, awareness of what happens within an organization spreads quickly, affecting the employment brand and the organization's ability to attract star employees. Nobody wants to join, stay with and give their best to a company that has leaders they don't trust.

2x

RETENTION

Employees who trust their leadership are **twice as likely** to say they will be with their company one year from now.

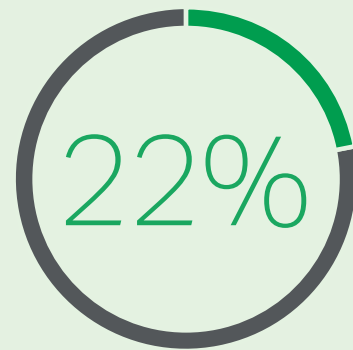
04

Leadership Inspiration

The leadership of my company makes me enthusiastic about the future.

GALLUP FINDS THAT THE BEST CEOs in the world continually inspire employees about the future, yet only 22% of U.S. employees strongly agree that the leadership of their organization has a clear direction for the organization.

An organization's people need a well-defined and well-articulated vision that they can connect to the work they do every day.



of U.S. employees strongly agree that their company's leaders have a clear direction for their organization.

05

Disruption

We have the speed and agility to meet customer and marketplace change.

THE SAYING “ADAPT OR DIE” HAS NEVER BEEN MORE RELEVANT IN BUSINESS THAN IT IS TODAY.

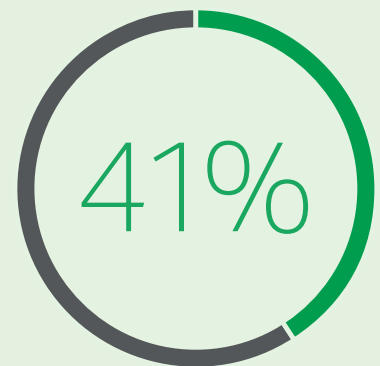
Consider just three immediate problems threatening organizations:

- 1) new competitors with radically disruptive technology
- 2) boards demanding organic growth versus acquisitions
- 3) old-style cultures that fail to attract innovative, star employees

How can organizations effectively respond to constant and unpredictable disruptions in today's marketplace and workplace?

Agility, if it exists in an organization at all, is dictated by culture and systems. Is the organization's culture customer-focused and fast? Or is it inwardly focused and bogged down by bureaucracy and processes?

Organizations that lack the capacity to adapt quickly run the risk of being overcome by competitors or put out of business.



of employees strongly agree that they know what their company stands for and what makes it different from competitors.

06

Employee Engagement

There is someone at work who encourages my development.

DESPITE MASSIVE INVESTMENTS IN PERFORMANCE MANAGEMENT SYSTEMS, just three in 10 employees, globally, strongly agree that someone at work encourages their development.

Gallup data show that **frustration with career progress is the No. 1 reason employees leave a job**.

Millennials and Generation Z are no longer pursuing job satisfaction — they are pursuing *development*.

Most members of these generations don't care about the pingpong tables, fancy latte machines and free food that organizations offer to try to create job satisfaction. Giving out toys and entitlements is a leadership mistake.

Achieving true employee engagement is about developing and maximizing the potential of every single team member.

Leaders of the highest-performing teams are coaches, not bosses.

+11%

PROFITABILITY

by doubling the ratio of employees who strongly agree that someone at work encourages their development

07

Performance Management

I have received meaningful feedback in the last week.

ORGANIZATIONS WITH TRADITIONAL PERFORMANCE MANAGEMENT SYSTEMS have struggled to inspire and develop employees.

Gallup estimates that the cost of poor management and lost productivity from U.S. employees who are not engaged or are actively disengaged is between \$960 billion and \$1.2 trillion per year.

Globally, that cost approaches \$7 trillion — or 9% to 10% of GDP.

The need for disruption in how teams are managed is urgent.



employees strongly agree that their performance is managed in a way that motivates them to do outstanding work.

08

Wellbeing

My organization cares about my overall wellbeing.

TECHNOLOGY HAS CHANGED HOW AND WHERE PEOPLE DO THEIR WORK.

Many employees frequently work outside of the office and outside of traditional business hours. Work and life are more blended than ever before. With this reality comes an expected trade-off:

Flexibility is now the most sought-after perk.

Today's workforce wants their work to be more than a job — they want their workplace to improve their lives.

So, how can an organization improve the lives of its employees while achieving high performance?

Gallup analytics discovered five interdependent elements of wellbeing — career, social, financial, community and physical.

Adults who are thriving in all five elements report 41% fewer unhealthy days, are 65% less likely to be involved in a workplace accident and are **81% less likely to look for a new employer than adults who are thriving in physical wellbeing alone.**

65%

LESS LIKELY

to be involved in a workplace accident if employees are thriving in all five elements

09

Sustainability

My organization makes a significant contribution to the world.

ONE IN THREE JOB SEEKERS say it is extremely important that their organization has a positive impact on communities.

Consequently, corporate social responsibility (CSR) has become an executive leadership and board responsibility because CSR provides a proven business advantage. Investing in CSR has helped organizations develop new competencies, systems and capabilities.

Sustainability starts with organizations being good stewards of their own practices, resources and stakeholders.

However, the true benefits of sustainability practices are realized only when they extend beyond organizational walls to affect society at large.

↑ CSR = ↑ \$

Organizations with better CSR reputations outperform peers on key financial metrics.¹

¹ Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3) 403–441.

10

Mission and Purpose

The mission or purpose of my organization makes me feel my job is important.

IF A JOB WERE JUST A JOB, IT WOULDN'T MATTER WHERE SOMEONE WORKED. But employees want their job to have meaning.

Employees want to believe in what their employer stands for. In fact, for millennials, it's the strongest driver of retention.

People need the feeling of belonging to a community, whether that community is their company, sports team or religious organization. Yet, many leaders and managers think that putting the organization's mission statement on a wall is enough for employees to feel a connection. It is not.

Globally, one in three employees strongly agree that the mission or purpose of their organization makes them feel their job is important.

By doubling that ratio, organizations can massively improve key outcomes.

34%

REDUCTION IN ABSENTEEISM

if leaders double their ratio of employees who strongly agree with the "mission or purpose" element of engagement

Gallup Culture Asset Management

BOARDS UNDERSTAND THEIR FINANCIAL DASHBOARDS, BUT THEY ARE FLYING BLIND WHEN IT COMES TO THEIR GREATEST ASSET AND LIABILITY — THEIR CULTURE.

Gallup Culture Asset Management is the first standardized, scientifically rigorous program — specifically built for boards of directors and executive teams — that reflects the health of an organization's workplace culture.

Based on the largest global meta-analytics of the world's workplace, the program gives leaders benchmarking on how their organization is doing regarding the 10 key dimensions of culture that predict positive business outcomes.

Gallup Culture Asset Management has specific workstreams and deliverables:

- Gallup reviews your existing programs, processes, systems and data to establish a baseline of your culture's performance.
- Next, we empirically assess your organization based on the 10 culture dimensions. Using Gallup Access, our online survey, management and learning platform, your survey includes questions that correlate most highly with high performance. Leaders may include additional topics relevant to their culture as well.
- Gallup analyzes the results against your organization's key performance indicators and other important measures of organizational health. Then we identify the key themes, teams and locations that warrant further exploration. Based on our data analysis, Gallup conducts on-site examinations of areas with exceptional excellence and risk within your organization.
- Once complete, we analyze the results and estimate the asset value of your culture.
- Our review culminates in the Culture Asset Report and presentation to the board, providing a comprehensive look at your organization's leverage and risk mitigation opportunities.

Based on Gallup's world-class data analytics and advice, Gallup Culture Asset Management measures, values and helps you improve the culture of your organization.

Organizations that participate in the program receive the following:

1 Culture Asset Report

The report includes benchmarks, appraisal of risk and excellence, and recommendations for action.

2 Culture Asset Valuation

This valuation estimates the value of your culture and return on asset.

3 Board Presentation

This Gallup-facilitated session reviews key results, insights and recommendations.

Discover Your Culture Risk and Return

GALLUP CULTURE ASSET MANAGEMENT IS LIKE A QUARTERLY FINANCIAL REPORT — BUT ABOUT YOUR PEOPLE.

It identifies and documents your organization's areas of greatest strength and greatest risk — it tells the **story of your culture's health**.

It also includes recommended **best practices** and **actionable advice** to maximize your culture, based on your best-performing teams and Gallup's decades of workplace expertise.

Using the most scientifically rigorous research in the industry, the program reveals to your leaders and executives what is going on in your organization so they can most effectively assess risks, invest in opportunities and make their best decisions.

Explore how Gallup Culture Asset Management can help you win more. [Contact Gallup today.](#)

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