INDUSTRY NEWS › HUMAN RESOURCES

Duke University survey: Companies have work to do when it comes to company culture

Nov 13, 2015, 9:17am EST
Updated Nov 13, 2015, 12:04pm EST

Jason deBruyn
Staff Writer
Triangle Business Journal

Share

Jillian Popadak, professor of finance at Duke University's Fuqua School of Business

When it comes to company culture, many firms apparently have some work to do.

New research from Duke University's Fuqua School of Business shows that more than 90 percent of executives said culture is important at their firms, and 78 percent said culture is among the top five things that make their company valuable. However, only 15 percent said their own corporate culture is exactly where it needed to be, and 92 percent said they believe improving their firm's corporate culture would improve the value of the company.

"There is a lot of talk about culture and next to no scientific research; we have filled that gap," says Campbell Harvey, a finance who helped conduct the research. "It is a puzzle that if culture is so important to value, why do we hear very few CEOs talking about it? Most often, talk of culture arises after a disaster – such as the VW emissions scandal. We need to change the conversation."

The Fuqua group surveyed more than 1,800 CEOs and chief financial officers around the globe, focusing their initial analysis on more than 1,400 from the U.S. and Canada. They also interviewed executives at about 20 mostly large firms, defined as those with average sales of $50 billion, for the 13-month project, which closed Oct. 31.

"Executives overwhelmingly indicate that an effective corporate culture is essential for a company to thrive in the modern business world," said professor Jillian Popadak. "We set out to determine what the mechanisms and corporate policies are that lead to effective corporate culture and how an effective corporate culture relates to outcomes such as risk-taking and long-term value creation."

Almost half of the executives said they would not acquire a company whose culture was not aligned with their own. The executives were asked to imagine they were at a company with a strong, effective culture and were evaluating two companies for acquisition, both of which would offer the same strategic and operational benefits. One had a culture closely aligned to the acquiring company, the other did not.

"We figured acquisitions were a good way to measure the value of culture," Harvey said. "We asked if the CEO would discount a target if the culture was misaligned. Thirty percent said they would discount the offer up to 30 percent, and an extraordinary 46 percent would not even make an offer."

The research team is presenting preliminary results during a conference at the Federal Reserve Bank of New York on Thursday, Nov. 12.

Jason deBruyn covers the biopharmaceutical and health care industries. Follow him on Twitter @TriBizHealth or @jasondebruyn.

SUGGESTED READING

EDUCATION

Duke University's endowment grows to $7.3 billion – a record

EDUCATION

Duke University CIO gets big bonus

HEALTH CARE
Duke spinout raises $25M to advance genome editing technique

EDUCATION
Duke receives $7.5M to help out Ph.D students

DURHAM
Duke University sells former 'lacrosse house' for $100K