CONNECTING CORPORATE CULTURE WITH THE BOTTOM LINE

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HELLO!

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DISRUPTION IS (HAS BEEN) UPON US

STRATEGY DETERMINES HOW WE STAY RELEVANT
BUT WHAT DOES ORGANIZATIONAL CULTURE DETERMINE?

‘Culture eats strategy for breakfast’
- Peter Drucker

HIRING FOR CULTURAL FIT STARTS IN THE MARKETING DEPARTMENT

Source: https://www.adweek.com/creativity/50-years-later-heinz-approves-don-draper-approves-heinz-ads-and-is-actually-running-them/
RECRUITING AND COMP TO ENSURE CULTURAL FIT

- Entry-level focus
- Six month process
- High base salaries + long-term profit sharing

**Handelsbanken’s Hiring Timeline**

- Recruit external candidate
- Interviews with HR and local executives
- Walk-through in new branch location
- 7 site visits to existing branches
- Offer extended

12 interviews over 6 months

Source: Filene Research Institute, Designing Credit Union Culture for High Performance, 2016.

WHO ARE YOU COMPETING AGAINST FOR TALENT?
THE LAWS OF ATTRACTION

Improve the quality and quantity of applicants by adopting key attraction and recruiting strategies.

CSP IS POSITIVELY RELATED TO ORGANIZATION ATTRACTION

When considering a role at an organization with high levels of CSP, applicants expect:

1. to experience pride by working for an organization with strong ties to the community
2. to experience high level of fit between their personal values and the organization’s values
3. that organizations engaged in CSP will also treat employees well

Source: Filene Research Institute, Designing Credit Union Culture for High Performance, 2016.
ORGANIZATIONS THAT ATTRACT TOP, PRO-SOCIAL TALENT

REI
employs communication efforts that increase its media attention and grow its applicant pool.

The Bridgespan Group
emphasizes the positive social impacts of its work and post-Bridgespan Group career options to successfully attract top talent in the management consulting industry.

Vantage West Credit Union
uses recruiting and hiring practices, including attention-getting videos that seek a balance of banking experience and cultural fit.

ORGANIZATIONAL CULTURE: FOUR DIMENSIONS

Source: Filene Research Institute, Designing Credit Union Culture for High Performance, 2016.
HANDELSBANKEN STUDY

-Quickly growing bank in Sweden & EU
-600+ branches
-Decentralization and empowerment model
-Strong growth and earnings with low loan losses (including during financial crisis)

Source: Filene Research Institute, Designing Credit Union Culture for High Performance, 2016.

HANDELSBANKEN’S CORE VALUES

- Customer centricity
- Decentralization
- Employee empowerment

Source: Filene Research Institute, Designing Credit Union Culture for High Performance, 2016.
STRONG FINANCIAL PERFORMANCE

EMPOWERMENT HASN’T LED TO HIGH LOAN LOSSES
“CHURCH SPIRE” PRINCIPLE SETS BOUNDARIES

• Branches don’t serve who they can’t “see”
• All customers are the primary responsibility of a single local branch
• Owners’ mindset and clarity of roles

Source: Filene Research Institute, Designing Credit Union Culture for High Performance, 2016.

ACCOUNTABILITY OCCURS AT THE LOCAL LEVEL, TOO

• Branch profit & loss statement—including direct and indirect costs
• Peer comparisons encourage competition and learning
• Regional managers provide oversight and counseling

Source: Filene Research Institute, Designing Credit Union Culture for High Performance, 2016.
CULTURE’S IMPACT ON INNOVATION

• Provide a safe means for the sharing of ideas
• Model that the best ideas are valued and implemented
• Give credit when it’s deserved
• Support a culture that values sharing information and risk-taking

PSYCHOLOGICAL SAFETY
COLLECT YOUR EMPLOYEES’ IDEAS § *

• Innovation committees
• Old-fashioned suggestion boxes
• Intranet

§ Ask ALL your employees

* Follow up whether ideas are implemented or not

COLLECT YOUR CUSTOMERS’ IDEAS

SHARE. VOTE. DISCUSS. SEE.

Share your ideas, tell us what you think of other people’s ideas and join the discussion.
SHARE YOUR THOUGHTS

How is your company/firm’s culture designed to encourage sharing of untested ideas?

REVISIT HOW YOUR ORGANIZATION APPROACHES RISK
DEVELOP A BALANCED PORTFOLIO APPROACH

Incremental Innovation
- Lower risk
- Moderate impact

Architectural Innovation
- Moderate risk
- Long term, structural impact

Disruptive Innovation
- Higher risk
- Potential for significant impact

AT&T IN THE EARLY 90s
“We overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.” – Bill Gates

- AT&T’s mobile phone forecast for 2000
  - 900,000 users maximum
  - Heavy handsets, pricy service
- Delayed significant market entry
- Overly focused on delivering the “rails”

MOBILE PHONE MARKET CAPITALIZATION

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Source: Filene Research Institute, Structures for Innovation, 2017.
FINDING THE RIGHT BALANCE

YOU MUST DO BOTH...WELL!

• Efficiency and lower cost
• Control and process
• Success measured by production and accuracy
• “Business as usual”
• High uncertainty and high cost
• Trial and error
• Success measured by insights, speed to market, first-mover
• “The vast unknown”
ORGANIZATIONAL AMBIDEXTERTY

**Structural ambidexterity**
Separate profitable core businesses (exploiters) from next-stage ventures (explorers)

**Contextual ambidexterity**
Each department is responsible for both exploitation and exploration

Source: Filene Research Institute, Structures for Innovation, 2017.

Structural Ambidexterity
Alphabet (formerly Google)

Source: Filene Research Institute, Structures for Innovation, 2017.
A THIRD MODEL: CORPORATE AMBIDEXTERITY

- Most small to midsized companies resort to contextual ambidexterity
- Our expectations, support, and monitoring systems don’t keep up
- Cost and complexity prevent most companies from instituting structural ambidexterity
- Corporate ambidexterity—business units or investments specifically focused on exploration
CULTURE: FROM TRANSACTIONS TO RELATIONSHIPS

TRANSACTIONAL/PROCESS CENTRIC
- Process Focus
- Products
- Transactional
- Rate Driven
- Order Taking

RELATIONSHIP/PEOPLE CENTRIC
- Shared Purpose
- Trust
- Respect
- Collaboration
- Consistent Behaviors

CULTURE SHIFT

ASSOCIATE CENTRIC
- Member Focus
- Solutions
- Relationship Value
- Value Driven
- Consultative Services

REPORTING HOTLINES AND ORGANIZATIONAL PERFORMANCE

- George Washington University research
- Anonymous access to NAVEX Global whistleblowing report database
- 3 million+ report records for 5000 public companies
- Positive correlation with
  - Greater profitability and workforce productivity
  - Fewer material lawsuits
  - Lower settlement costs
  - Fewer external interactions with regulators/other agencies

BEST PRACTICES FOR THE IMPLEMENTATION OF AN EFFECTIVE WHISTLEBLOWER REPORTING PROGRAM

• Integrate as part of company’s corporate compliance and ethics program
• Ensure anonymity, confidentiality, and no retaliation
• Consider whistleblower incentives (only about 10% do)
• Positive tone at the top
• Consider multiple uses for the hotline, including as a helpline
• Use a third-party provider
• Evaluate, test and audit

Source: Elements of an Effective Whistleblower Hotline, Harvard Law School Forum on Corporate Governance, October 2014

CONNECTING CORPORATE CULTURE WITH THE BOTTOM LINE

1. Recruit for cultural fit
2. Compete on your cultural uniqueness
3. Align values, accountability and boundaries
4. Develop a pro-innovation culture/structure
5. Explore whistleblower systems

Vantage West Credit Union
QUESTIONS?

Thank you for your participation!