

# Corporate Culture and Future Directions

**Kai Li**

Fellow of the Royal Society of Canada

Canada Research Chair in Corporate Governance

University of British Columbia, ABFER, CAFR, CSFN, ECGI

# Corporate culture from the field

*“I came to see, in my time at IBM, that culture isn’t just one aspect of the game, **it is the game**. In the end, an organization is nothing more than the collective capacity of its people to create value....”*

*—Louis V. Gerstner, JR., Former CEO, IBM*

*“Culture is not the most important thing in the world. **It's the only thing**. It is the thing that drives the business.”*

*—Jim Sinegal, Co-founder & Former CEO, Costco*

*“Culture has to come from the tone and the actions of its leaders, and the feeling that people get from working with those leaders. Culture is the collective actions of the company, and the choices that leaders make help their employees understand the company and its tone.”*

*—Jensen Huang, Co-founder & CEO, NVIDIA*

# Corporate culture in workplace





# Corporate culture in workplace





# Corporate culture in brand logo



keep reinventing





# What is corporate culture?

- From management scholars:

Corporate culture is “a system of ***shared values and norms*** that define appropriate attitudes and behaviors for organizational members.” (O'Reilly and Chatman, 1996)

- From economists:

Corporate culture is “a set of ***principles and values*** that should inform the behavior of all the firms' employees.” (Guiso, Sapienza, and Zingales, 2015)

# What is corporate culture?

- From financial economists – Grennan and Li (2023), “Corporate Culture: A Review and Directions for Future Research,” in: G. Hilary and D. McLean (eds.), *Handbook of Financial Decision Making*, Elgar Publishing, available on [SSRN](#)

Corporate culture is an **informal institution** (cf. governance and compensation) typified by patterns of behavior and **reinforced by people, systems, and events**.

- ❖ Corporate culture brings unity to employees’ perspectives through the expectations they have for how they need to behave to fit in and succeed in their firm.

# What is corporate culture?

- ❖ The key components of our definition of corporate culture that are supported by past research as well as guide future research are:
  - ✓ Corporate culture is dynamic rather than static (cf. societal culture).
  - ✓ **People, systems, and events** are catalysts for cultural change (e.g., M&As, CEO turnover).
  - ✓ It is possible to unpack the many elements of culture.
    - ✓ Corporate mottos like “Move Fast and Break Things” at Facebook.
    - ✓ Cultural values and day-to-day norms.
    - ✓ Differences between espoused and practiced/perceived values.



# Corporate culture: reinforced by people, systems, and events

- Three elements influence culture:
  - People (e.g., leaders, new employees, and investors)
  - Formal systems (e.g., compensation structure)
  - Events (e.g., going public, mergers, and #MeToo movement)
- People, systems, and events are helpful for identifying the “shocks” that may perpetuate within-firm changes in culture over time.
  - Internal: turnover in key positions, adopting new technologies, or reaching a new point in a firm’s lifecycle.
  - External: outside stakeholders, facing new regulation, or social or geopolitical unrest.

# Does corporate culture matter?

- Corporate culture matters because employees will face choices that cannot be properly regulated ex ante (O'Reilly 1989; Kreps 1990)
- Corporate culture “brings unity to employees’ perspectives through the expectations they have for how they need to behave to fit in and succeed in their firm.” – corporate culture defines *“a way of doing things”* within an organization (Grennan and Li, 2023)
- ❖ Despite its importance, the finance, accounting, and management literature has limited large sample evidence on the role of corporate culture because of the challenge to measure it.



# Measuring corporate culture

- The notion of culture is somewhat nebulous, making it hard to measure **in a consistent and reliable manner**.
- There have been five approaches to measure corporate culture:
  - ❖ Surveys and interviews.
  - ❖ Time-invariant proxies (e.g., executives' cultural heritage).
  - ❖ Time-varying proxies (e.g., corporate frauds).
  - ❖ Experiments. Guggenmos (2020)
  - ❖ Computational linguistic models.

# Measuring corporate culture: surveys and interviews

- Prior research asks employees and executives what the underlying values and norms are **through surveys and interviews**.
- Guiso, Sapienza, and Zingales (2015) use proprietary data based on **surveys of employees**
  - The data is based on surveys of rank-and-file employees developed by the Great Place to Work Institute.
  - Surveys include two questions that measure employees' perception of top management as **trustworthy** and **ethical**.
  - Cultural value of integrity as perceived by employees is positively correlated with higher Tobin's Q and return on sales.



# Measuring corporate culture: surveys and interviews

- Graham, Grennan, Harvey, and Rajgopal (2022) ask corporate executives a number of culture-related questions.
- ❖ What is corporate culture?
  - “a belief system,” “a coordination mechanism,” “an invisible hand,” “how employees interact with one another.”
- ❖ What mechanisms underlie the creation and effectiveness of corporate culture?
  - Formal institutions such as governance and compensation can either reinforce or work against culture.
- ❖ What aspects of business performance does corporate culture affect?
  - Executives strongly believe that an effective corporate culture enhances firm value.
    - 91% of executives consider corporate culture to be “important” or “very important” at their firm
    - 54% of executives would walk away from an M&A target that is culturally misaligned
  - Executives link culture to a wide range of actions and decisions:
    - Ethical choices (compliance, short-termism)
    - Innovation (creativity, risk taking)
    - Value creation (productivity, investment)

# Measuring corporate culture: executives' cultural heritage

- Societal culture enters business decision-making via the backgrounds of corporate executives.
- The national culture values mostly come from Hofstede (1980, 1991, 2001)
  - Power distance; Individualism vs. collectivism; Uncertainty avoidance; Masculinity vs. femininity; Long-term orientation
- Prior research infers firms' or executives' country of origin through
  - Headquarters location (e.g., Li, Griffin, Yue, and Zhao, 2011, 2013; Griffin, Guedhami, Kwok, Li, and Shao, 2017; Griffin, Guedhami, Li, and Lu, 2021)
  - Executives' last name (e.g., Liu, 2016; Pan, Siegel, and Wang, 2017, 2020)
  - Executives' family tree (e.g., Nguyen, Hagendorff, and Eshraghi, 2018)



# Measuring corporate culture: executives' cultural heritage

Table 3  
Baseline results at the firm level  
A. CEO UAI and acquisition

	(1)	(2)	(3)	(4)
		Acquisition		
CEO UAI	−0.157*** (0.015)	−0.146*** (0.013)	−0.191*** (0.047)	−0.154*** (0.020)
CEO age	−0.001*** (0.000)	−0.001*** (0.000)	−0.002*** (0.001)	−0.001 (0.000)
Missing age	−0.085*** (0.022)	−0.076*** (0.020)	−0.109*** (0.036)	−0.040 (0.028)
CEO education	0.003 (0.006)	0.006 (0.004)	−0.019** (0.008)	0.016** (0.007)
Missing edu.	−0.008 (0.012)	0.000 (0.009)	−0.046 (0.030)	0.037** (0.014)
Female	−0.034*** (0.013)	−0.028** (0.011)	−0.002 (0.033)	−0.022 (0.014)
log(MB)	0.026*** (0.005)	0.025*** (0.003)	0.023*** (0.006)	0.029*** (0.004)
ROA	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.001*** (0.000)
log(sales)	0.021*** (0.003)	0.026*** (0.003)	0.025*** (0.004)	−0.013** (0.005)
Year FE	x	x	x	x
Ind, state FEs		x	x	
Firm FE				x
Obs.	71,109	71,109	9,881	71,109
Adj. R <sup>2</sup>	.041	.057	.076	.192

- Pan, Siegel, and Wang (2020) show that CEOs with a more uncertainty-avoidant cultural heritage are less likely to engage in acquisitions.
- Use a CEO's last name to infer her cultural heritage
  - Use nationality information of passengers with the same last name arriving in the port of New York between 1820 and 1957 from *Ancestry.com*
- The uncertainty avoidance index (UAI) of a CEO with last name  $l$  is

$$CEO\ UAI_l = \sum w_{lj} UAI_j$$

where  $w_{lj}$  represents the frequency for last name  $l$  with respect to country  $j$ .

# Measuring corporate culture: executives' cultural heritage

**Table 2**  
Explaining firm-level E/S performance.

	Hofstede		WVS	
	(1a)	(1b)	(2a)	(2b)
	<i>Within-country</i>	<i>Cross-country</i>	<i>Within-country</i>	<i>Cross-country</i>
Firm Characteristics				
Size	0.109*** [0.001]	0.112*** [0.005]	0.110*** [0.001]	0.113*** [0.006]
Sales growth	−0.061*** [0.005]	−0.077*** [0.024]	−0.061*** [0.005]	−0.071*** [0.024]
Leverage	−0.079*** [0.008]	−0.038 [0.069]	−0.081*** [0.008]	0.035 [0.072]
R&D	0.092*** [0.032]	−1.542*** [0.501]	0.091*** [0.032]	−1.136** [0.508]
U.S. cross-list	0.023*** [0.004]	0.194*** [0.033]	0.023*** [0.004]	0.209*** [0.035]
Country Characteristics				
Individualism (Hofstede)		0.438*** [0.081]		
Individualism (WVS)				0.624*** [0.096]
Log(GDP per capita)		0.007 [0.013]		−0.029** [0.014]
Legal origin: common law		−0.095** [0.039]		−0.073* [0.039]
Revised anti-director index		0.049*** [0.015]		0.057*** [0.016]
Years of schooling		−0.023** [0.011]		−0.008 [0.010]
Public sector employment		−0.000 [0.001]		−0.001 [0.001]
Government effectiveness		0.033** [0.014]		0.031** [0.014]
Control of corruption		−0.047*** [0.011]		−0.048*** [0.011]
Industry FEs		Yes		Yes
Year FEs		Yes		Yes
No. of observations		33,021		32,264
No. of countries		43		38

- Griffin, Guedhami, Li, and Lu (2021) find that individualism is positively associated with firm-level E/S performance.
- Use two proxies for individualism
  - Hofstede’s individualism score
  - Survey data from the World Values Survey (WVS) and European Values Study (EVS)
- Based on WVS, an individual is considered to be individualistic if he/she:
  - (1) thinks that independence is an important child quality
  - (2) regards imagination as an important child quality
  - (3) does not think that obedience is an important child quality
  - (4) does not live with his/her parents
  - (5) thinks that divorce is justifiable
  - (6) is of the opinion that private ownership of business should increase.



# Measuring corporate culture: other proxies

- Executives' religiosity
  - Hilary and Hui (2009) use the population share of religious adherents in a firm's headquarters county as a proxy for its risk culture.
- Corporate fraud history
  - DeBacker, Heim, and Tran (2015) use the IRS audits of foreign-owned corporations in the U.S. and corruption norms in these firms' home countries to capture a culture of corruption.
  - Pacelli (2019) uses violations observed in securities market activities unrelated to equity research as a proxy for weak culture.
  - Altamuro, Gray, and Zhang (2021) use the predicted probability of internal control weakness as a proxy for weak integrity culture.
- Gender
  - Tate and Yang (2015) find a more female-friendly corporate culture when having women in leadership.
  - Faccio, Marchica, and Mura (2016) compare the performance of firms run by female and male CEOs.
  - Griffin, Li, and Xu (2021) study the value-creation proposition regarding female directors through the lens of corporate innovation.

# Measuring corporate culture: computational linguistic models

- One of the fastest-growing methods of measuring culture is to applying advanced **computational linguistic models** to big data.
- Three approaches so far:
  - ❖ Bag-of-words
    - e.g., Guiso, Sapienza, and Zingales, 2015; Audi, Loughran, and McDonald, 2016; Cameron, DeGraff, Quinn, and Thakor, 2006; Au, Dong, and Tremblay, 2021.
  - ❖ Topic modelling - Latent Dirichlet Analysis (LDA)
    - e.g., Yoo, 2020; Adams, Akyol, and Grosjean, 2021.
  - ❖ Machine learning
    - Word embedding model (e.g., Li, Mai, Shen, and Yan, 2021; Li, Liu, Mai, and Zhang, 2021; Pacelli, Shi, and Zou, 2023)
    - WordNet (e.g., Grennan, 2022)



# Measuring corporate culture: bag-of-words

- **Integrity** + Ethics + Accountability + Trust + Honesty + Responsibility + Fairness + Do the right thing + Transparency + Ownership.
- **Teamwork** + Collaboration/Cooperation.
- **Innovation** + Creativity + Excellence + Improvement + Passion + Pride + Leadership + Growth + Performance + Efficiency + Results.
- **Respect** + Diversity + Inclusion + Development + Talent + Employees + Dignity + Empowerment.
- **Quality** + Customer + Meet needs + Commitment + Make a difference + Dedication + Value + Exceed expectations.
- **Safety** + Health + Work/Life balance + Flexibility.
- **Community** + Environment + Caring + Citizenship.
- **Communication** + Openness.
- **Hard work** + Reward + Fun + Energy.
- Guiso, Sapienza, and Zingales (2015) count the advertised values listed on a company's website for S&P 500 firms as of June 2011.
  - 85% of S&P 500 companies have at least a section called "corporate culture."
- They classify value words into nine categories.
- Fail to find a significant correlation between the frequency of value words and short- and long-term performance.

# Measuring corporate culture: topic modeling (LDA)

- LDA assumes that a document is generated from latent distributions over a collection of words, depending on the topics it delivers.
- Yoo (2020) applies LDA to CEOs' letters in annual reports.
  - Find that firms with more similar cultures are more likely to merge.
  - The cultural similarity of two merged firms is positively related to acquirer announcement period return.
- Adams, Akyol, and Grosjean (2021) construct a measure of “gender culture” by applying LDA to mandatory reports by Australian firms.
  - Equality of training opportunities is positively associated with female representation in leadership and firm performance.



# Measuring corporate culture using machine learning

- Li, Mai, Shen, and Yan (2021) employ a machine learning technique—the **word embedding model**—and **earnings call transcripts** to measure corporate cultural values.
  - Earnings calls involve mostly CEOs and sometimes other top executives speaking to analysts, often reveal the set of values that are important to a company. (Graham, Grennan, Harvey, and Rajgopal 2023)
  - Our starting point is the five most often-mentioned values by S&P 500 firms: ***innovation, integrity, quality, respect, and teamwork.*** (Guiso, Sapienza, and Zingales, 2015)

# The word embedding model (aka word2vec)

- Our goal is to construct a **culture dictionary** by associating new words and phrases with the seed words defining each cultural value as provided in Guiso, Sapienza, and Zingales (2015).

- *Integrity* + Ethics + Accountability + Trust + Honesty + Responsibility + Fairness + Do the right thing + Transparency + Ownership.
- *Teamwork* + Collaboration/Cooperation.
- *Innovation* + Creativity + Excellence + Improvement + Passion + Pride + Leadership + Growth + Performance + Efficiency + Results.
- Respect + Diversity + Inclusion + Development + Talent + Employees + Dignity + Empowerment.
- *Quality* + Customer + Meet needs + Commitment + Make a difference + Dedication + Value + Exceed expectations.



# The word embedding model (aka word2vec)

- ❖ The word embedding model is based on a simple, time-tested concept in linguistics: *Words tend to co-occur with neighboring words with similar meanings* (Harris 1954)
- The algorithm learns from the entire collection of earnings call transcripts and transforms any word (or phrase) of interest as a vector of 300 most important features in all neighboring words (less than five words apart).
- Such vector representation allows us to compute the association between a pair of words using cosine similarity, e.g., between a seed word defining *Innovation* and a candidate word as part of the **culture dictionary**.

# Thirty most representative word/phrase list for each value

Innovation	Integrity	Quality	Respect	Teamwork
Creativity	Accountability	Dedicated	Talented	Collaborate
Innovative	Ethic	Quality	Talent	Cooperation
Innovate	Integrity	Dedication	Empower	Collaboration
Innovation	Responsibility	Customer_service	Team_member	Collaborative
Creative	Transparency	Customer	Employee	Cooperative
Excellence	Accountable	Dedicate	Team	Partnership
Passion	Governance	Service_level	Leadership	Cooperate
World-class	Ethical	Mission	Leadership_team	Collaboratively
Technology	Transparent	Service_delivery	Culture	Partner
Operational_excellence	Trust	Customer_satisfaction	Teammate	Co-operation
Passionate	Responsible	Service	Organization	Coordination
Product_innovation	Oversight	Reliability	Entrepreneurial	Engage
Capability	Independence	Commitment	Skill	Jointly
Customer_experience	Objectivity	Customer_need	Executive	Coordinate
Thought_leadership	Moral	Customer_support	Empowerment	Teamwork
Expertise	Trustworthy	High-quality	Management_team	Business_partner
Agility	Fairness	Ensure	Best_brightest	Alliance
Efficient	Hold_accountable	Customer_relationship	Professionalism	Team_up
Technology_innovation	Corporate_governance	Quality_service	Staff	Technology_partner
Competency	Autonomy	Product_quality	Highly_skilled	Joint
Know-how	Core_value	Quality_product	Skill_set	Cooperatively
Cutting-edge	Assure	Capable	Technologist	Relationship
Agile	Stakeholder	Service_quality	Competent	Collaborator
Creatively	Fiduciary_responsibility	End_user	Entrepreneur	Interaction
Customer-centric	Continuity	Quality_level	Experienced	Working_relationship
Enable	Credibility	Customer_expectation	Energize	Co-operate
Value_proposition	Honesty	Service_capability	Entrepreneurial_spirit	Technology_partnership
Reinvent	Privacy	Client	High-caliber	Association
Focus	Fiduciary_duty	Customer_requirement	Manager	Dialogue
Innovation_capability	Rigor	Sla	Leadership_skill	Dialog



# Scoring cultural values

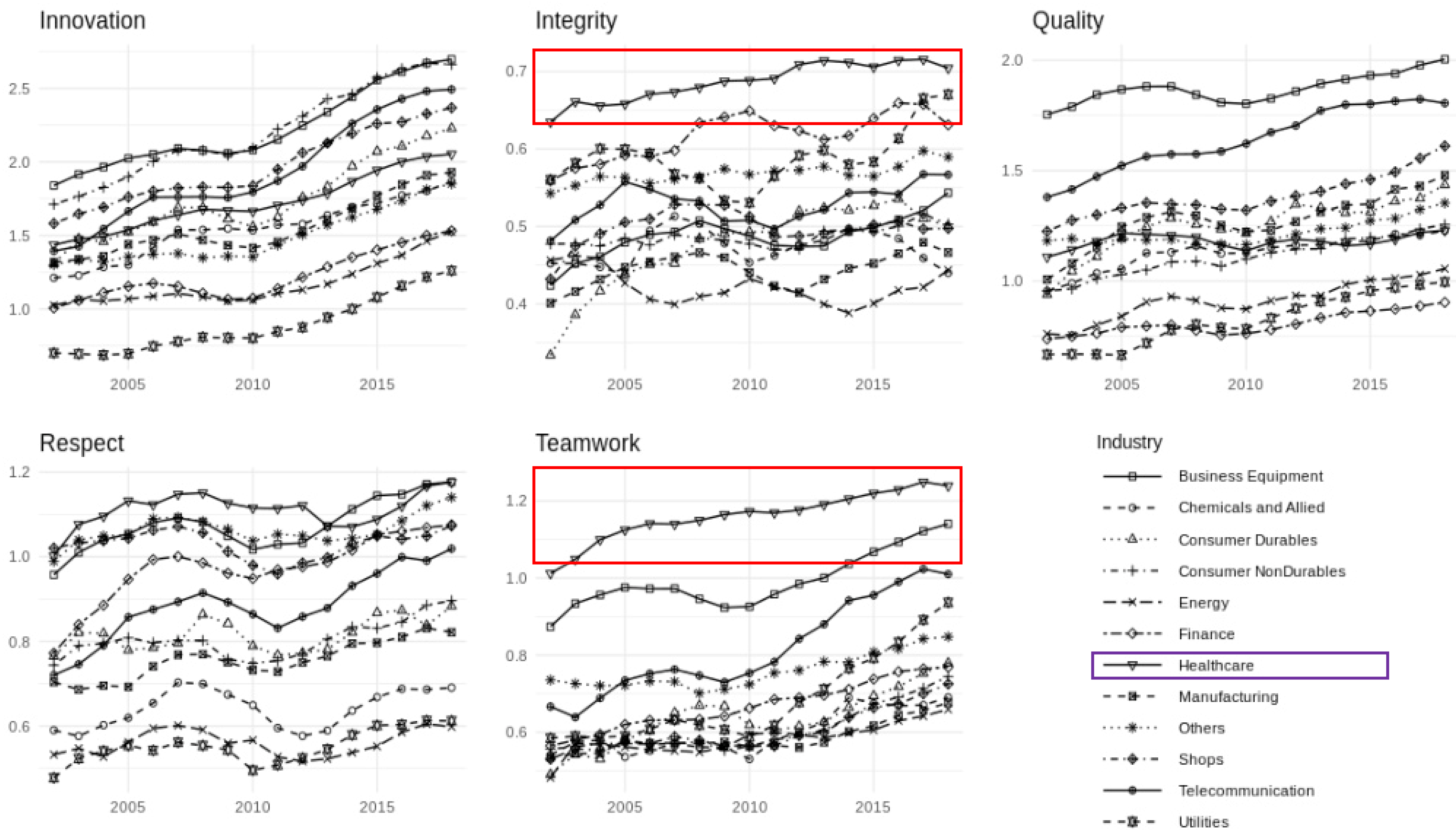
- At the firm-year level, we measure corporate cultural values by counting the frequency of **dictionary words** underlying each cultural value in the Questions and Answers (QA) section of the call normalized by the length of the Q&A section.
- Our firm-year measures of cultural values are based on three-year moving averages of annual values.
  - 62,664 firm-year observations for 7,500 firms over the period 2001–2018 (data updated to 2021, available [here](#)).

# Summary statistics

Variable	Obs.	Mean	10th Percentile	Median	90th Percentile	SD
Innovation	62,664	1.737	0.692	1.488	3.141	1.029
Integrity	62,664	0.584	0.198	0.504	1.077	0.381
Quality	62,664	1.323	0.499	1.155	2.384	0.777
Respect	62,664	1.005	0.306	0.793	1.983	0.754
Teamwork	62,664	0.864	0.286	0.688	1.689	0.635

- ***Innovation*** is the most frequently mentioned cultural value, whereas ***Integrity*** is the least frequently mentioned cultural value.
- Among the five cultural values, the correlation between ***innovation*** and ***quality*** is the highest, at 0.490, and the correlation between ***innovation*** and ***integrity*** is the lowest, at 0.109.

# Corporate culture across industries and over time





# Validating our measures

- There is a general concern that commonly advertised values do not capture how values are perceived and upheld by employees (Guiso, Sapienza, and Zingales, 2015).
- It is thus important to validate our measures using some well-established markers for best practices in the corporate world. For example, we examine
  - ❑ the correlation between *innovation* and other markers of corporate R&D - # patents, R&D spending, MSCI R&D strength. - *An innovative culture is broader than the usual measures of corporate innovation – R&D expenses and patenting.*
  - ❑ the correlation between *quality* and product quality and safety from MSCI and top brand from Brand Finance rankings.

# Corporate culture and M&As

- Using a sample of close to 8,000 deals over the period 2003–2018, we show:
  - Firms scoring high on the cultural values of *innovation* and *respect* are more likely to be acquirers, whereas firms scoring high on the cultural values of *integrity* and *quality* are less likely to be acquirers.
  - Firms closer in cultural values are more likely to do a deal together – **cultural congruency**.
  - Post-merger, acquirers' cultural values are positively associated with their target firms' premerger cultural values – **acculturation**.

# What makes firm resilient?

- Li, Liu, Mai, and Zhang (2021) examine how firms with a strong corporate culture fare amid the COVID-19 outbreak.
- They hypothesize two potential channels:
  - **The human capital channel** whereby a strong culture empowers employees to make consistent decisions and exert greater effort based on long-term perspectives, resulting in higher productivity.
  - **The technology channel** whereby a strong culture instills long-term orientation and makes firms more likely to adopt digital technology and/or introduce new products/services.



# Corporate culture, COVID-19 exposure, and stock returns

	Monthly return			
	(1)	(2)	(3)	(4)
Overall exposure	-0.098*** (0.015)	-0.105*** (0.015)	-0.092*** (0.014)	-0.098*** (0.015)
Overall exposure × Strong culture	0.109*** (0.017)	0.109*** (0.018)	0.084*** (0.016)	0.085*** (0.017)
Firm characteristics	No	No	Yes	Yes
Four-factor loadings	No	Yes	No	Yes
Firm FE	Yes	Yes	Yes	Yes
Month FE	Yes	Yes	Yes	Yes
<i>N</i>	35,505	35,505	35,505	35,505
Adj. <i>R</i> <sup>2</sup>	0.407	0.415	0.423	0.429

- In terms of economic significance, firms with a strong culture are associated with only a monthly **return drop of 0.1 percentage points** compared to 1.1 percentage points for firms without when their exposure to COVID-19 is increased by one-standard-deviation.

# Corporate culture and firm response in the crisis period

	Community engagement			Cost cutting		Digital transformation			New product development			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Strong culture	0.394*** (0.148)	0.417*** (0.147)		-0.068 (0.104)	-0.003 (0.098)		1.800*** (0.326)	1.834*** (0.325)		0.548** (0.213)	0.609*** (0.209)	
Overall exposure		0.021*** (0.004)	0.017*** (0.004)		0.059*** (0.003)	0.059*** (0.003)		0.031*** (0.008)	0.018** (0.008)		0.056*** (0.006)	0.051*** (0.006)
Overall exposure × Strong culture			0.017*** (0.005)			0.002 (0.004)			0.056*** (0.011)			0.018** (0.007)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	2,394	2,394	2,394	2,394	2,394	2,394	2,394	2,394	2,394	2,394	2,394	2,394
Adj. <i>R</i> <sup>2</sup>	0.039	0.046	0.047	0.052	0.161	0.161	0.111	0.116	0.111	0.081	0.112	0.111

- Firms with a strong culture are more likely to support their community, no more likely to engage in cost cutting, more likely to embrace digital transformation, and more likely to develop new products than their peers without a strong culture.

# Corporate culture, COVID-19 exposure, and performance and real outcomes

	Sales per employee			Layoff		
	(1)	(2)	(3)	(4)	(5)	(6)
Overall exposure	0.028 (0.130)	0.062 (0.129)	0.013 (0.133)	0.207*** (0.040)	0.216*** (0.040)	0.206*** (0.041)
Overall exposure × Strong culture	0.382*** (0.117)			0.009 (0.050)		
Overall exposure × Strong people culture		0.465*** (0.129)			-0.110** (0.055)	
Overall exposure × Strong technology culture			0.354*** (0.102)			0.010 (0.047)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	14,594	14,594	14,594	14,594	14,594	14,594
Adj. <i>R</i> <sup>2</sup>	0.058	0.058	0.058	0.035	0.036	0.035

- We show that firms with *a strong people/technology culture* are associated with high employee productivity; and firms with *a strong people culture* are no more likely to layoff employees.



# Corporate culture, COVID-19 exposure, and performance and real outcomes

	ROA			ROS		
	(7)	(8)	(9)	(10)	(11)	(12)
Overall exposure	-0.007* (0.004)	-0.007* (0.004)	-0.007* (0.004)	-0.015 (0.031)	-0.008 (0.031)	-0.018 (0.032)
Overall exposure × Strong culture	0.008** (0.004)			0.059** (0.027)		
Overall exposure × Strong people culture		0.011** (0.005)			0.041 (0.038)	
Overall exposure × Strong technology culture			0.005 (0.004)			0.057** (0.025)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	14,594	14,594	14,594	14,594	14,594	14,594
Adj. <i>R</i> <sup>2</sup>	0.063	0.063	0.063	0.048	0.048	0.048

- We show that firms with *a strong people/technology culture* are associated with better operating performance.

# Looking ahead

- Corporate culture is expected to be shaped by as well as play a role in:
  - Leadership.
  - Formal governance systems and corporate events.
  - Technology.
  - Industry dynamics.
  - ...

# Looking ahead: leadership

- Enrich our understanding of the mechanisms underlying the leader-culture relation and their relative importance.
- Understand the timing and reasons behind corporate leaders' investments in culture.
  - Why do some leaders underinvest in culture?
- ✓ Examine the quality of the match between leaders and culture, and how that match relates to business outcomes.



# Looking ahead: formal governance systems and corporate events

- There are many major events worthy of study.
  - Going public might contribute to changes in culture (e.g., Guiso et al., 2015)
  - Shareholder activism might not be conducive to fostering a strong culture (Popadak, 2016)
  - Postmerger acquirers' cultural values are positively associated with premerger target firms' cultural values (Li et al., 2021)
  - Going private transactions.
  - Restructuring and recapitalization events.
- ✓ Research examining how these events contribute to cultural change, value creation, and the extent to which the existing culture influences selection into these events will be informative.

# Looking ahead: technology

- Recent advances in technology have a number of implications for culture.
  - The way management and employees interact.
  - Whether and how flexible work arrangements affect cultural values and norms and their transmission when interpersonal socializing and interactions are absent.
  - Whether leaders need to change existing aspirational values and introduce new values.
- Researchers may investigate the cultural complexities associated with these advances in technology.
  - Does work-from-home enable a more inclusive culture, or does it create a two-tiered culture?
  - Do remote leaders weaken culture?
  - What role does technology play in setting employees' expectations for how they need to behave to fit in and succeed in a firm?

# Looking ahead: industry dynamics

- Li et al. (2021) find that over time, most industries put more emphasis on technology and innovation and score higher in innovation.
  - The healthcare industry stands out by scoring the highest in respect and teamwork.
  - The business equipment industry holds the highest scores in innovation and quality.
- Empirical research exploring the complex relation between competition, culture, and firm performance will be valuable.
  - Industry competition can be disciplinary so that only firms with a strong culture can compete.
  - Industry competition puts pressure on firms not to invest in long-term intangibles such as culture.



# Looking ahead: more directions

- Corporate culture is expected to play a role in:
  - Earnings management.
  - Voluntary disclosure.
  - Stock market crash risk.
  - Investor relations.
  - Supply chain management.
  - Disruptive innovation.
  - Workplace safety.
  - Environmental and social performance.
  - ...

**Thank you!**