Challenges in building/changing a Company Culture

Challenges in building company culture

- Companies face tremendous obstacles when trying to build or change their culture.
- Negative culture has a significant impact on employee morale and turnover.
- It is necessary to implement strategies to overcome these challenges,
  - Leadership roles
  - Feedback systems
  - Consistent cultural practices

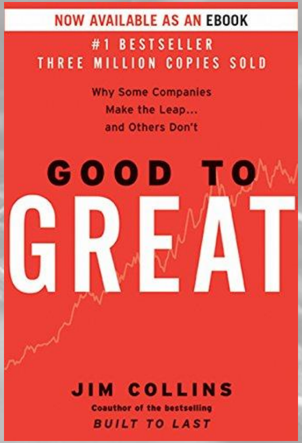
Culture Change

- When and why culture change may be necessary for an organization?
- Steps and strategies for effectively implementing culture change.
- The role of leadership in managing and promoting culture.

Culture and Leadership

Culture and Leadership.

Good to Great, Jim Collins (2.001)



- Leadership. Top leaders. Excellence
- The right values. Freedom. Responsibility
- The right people in the right jobs and ready to go the extra mile
- Knowing where to go:
  - What can be the best at?
  - What are we passionate about?
  - What makes economic sense for the company?

Culture and Leadership.

Good to Great, Jim Collins

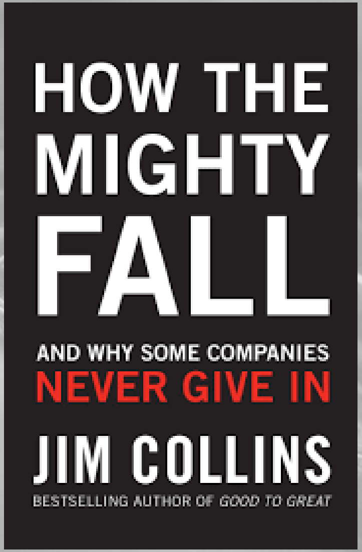
"Those who build great companies understand that the ultimate throttle on growth for any great company is not markets, technology, competition, or products. It is the ability to get and keep enough of the right people".

Leadership Styles

- **Autocratic Leadership** makes decisions without consulting their team members, even if their input might be useful. This style can be effective for quick decision-making and situations where there's no need for team consensus, but it can stifle creativity and autonomy.
- **Democratic/Participative Leadership** makes the final decisions, but they include team members in the decision-making process. They encourage creativity, and people are often highly engaged in projects and decisions. As a result, team members tend to have high job satisfaction and productivity.
- **Transformational Leadership** leaders are all about initiating change in organizations, groups, themselves, and others. They create a clear vision, sell it, and then inspire others to adopt it through passion and motivation. They are often seen as passionate, capable, and inspirational.
- **Laissez-faire Leadership** gives authority to employees. Leaders using this style delegate responsibility for the decision-making process and offer guidance if needed. This style can lead to high job satisfaction but might not be effective if team members lack the knowledge or expertise to manage themselves.
- **Servant Leadership** is a leadership philosophy in which the main goal of the leader is to serve. This differs from traditional leadership where the leader's main focus is the thriving of their company or organizations. A Servant Leader shares power, puts the needs of the employees first, and helps people develop and perform as highly as possible.
- **Charismatic Leadership is** all about the charm and persuasiveness of the leader. Charismatic leaders are driven by their convictions and commitment to their cause. Their main method is inspiration and passionate communication. They can run the risk of focusing more on themselves rather than the team.
- **Situational Leadership** leaders change their style depending on the strength of their team, the work involved, and the type of organization they're leading. They adapt their style for better leadership effectiveness, often fluctuating between the directive and supportive approaches.

Different environments and circumstances require different approaches, and successful leaders often adapt their style based on the needs of their team and the specific situation at hand. They also may embody different types throughout their career as they encounter different scenarios.

Declining Organization



- ➜ Reasons
  - Organizational atrophy
  - Vulnerability
  - Environmental decline or competition

- ➜ Phases
  - Blind
  - Inaction
  - Crisis
  - Dissolution

"Decline can be avoided, detected, reversed"
How the mighty fall, Jim Collins (2.009)

Conclussions

- **A strong Culture is a powerful motivational force**
  - It inspires employee
  - Creates “organizational identity”
    - Facilitates people integration and commitment
    - It is the most powerful retention factor

- **Corporate Culture Implementation**
  - Mission, vision and values can be instrumental in supporting corporate culture but it is leaders’ behavior that creates a culture
    - 0 tolerance for non-ethical behavior

- **Cultural Change**
  - Cultural change is possible but requires a strong and consistent leadership effort.

- **Corporate Culture is one of the Strategy Implementation Pillars.**
  - Hiring and retaining the right people is the most critical success factor in an organization
  - Company culture is key to attract and retain the right people
  - Strategy Implementation Pillars must be in sync.

The importance of culture

Quelle: Deutsche Fotothek

What are you doing?

1. I’m cutting stones
2. I’m earning a living
3. **I’m building a cathedral!**

If something annoys you, what do you do?

1. Complain about it
2. Ignore it
3. **Fix it!**

Introduction to Business Management

Session 17

Session 17

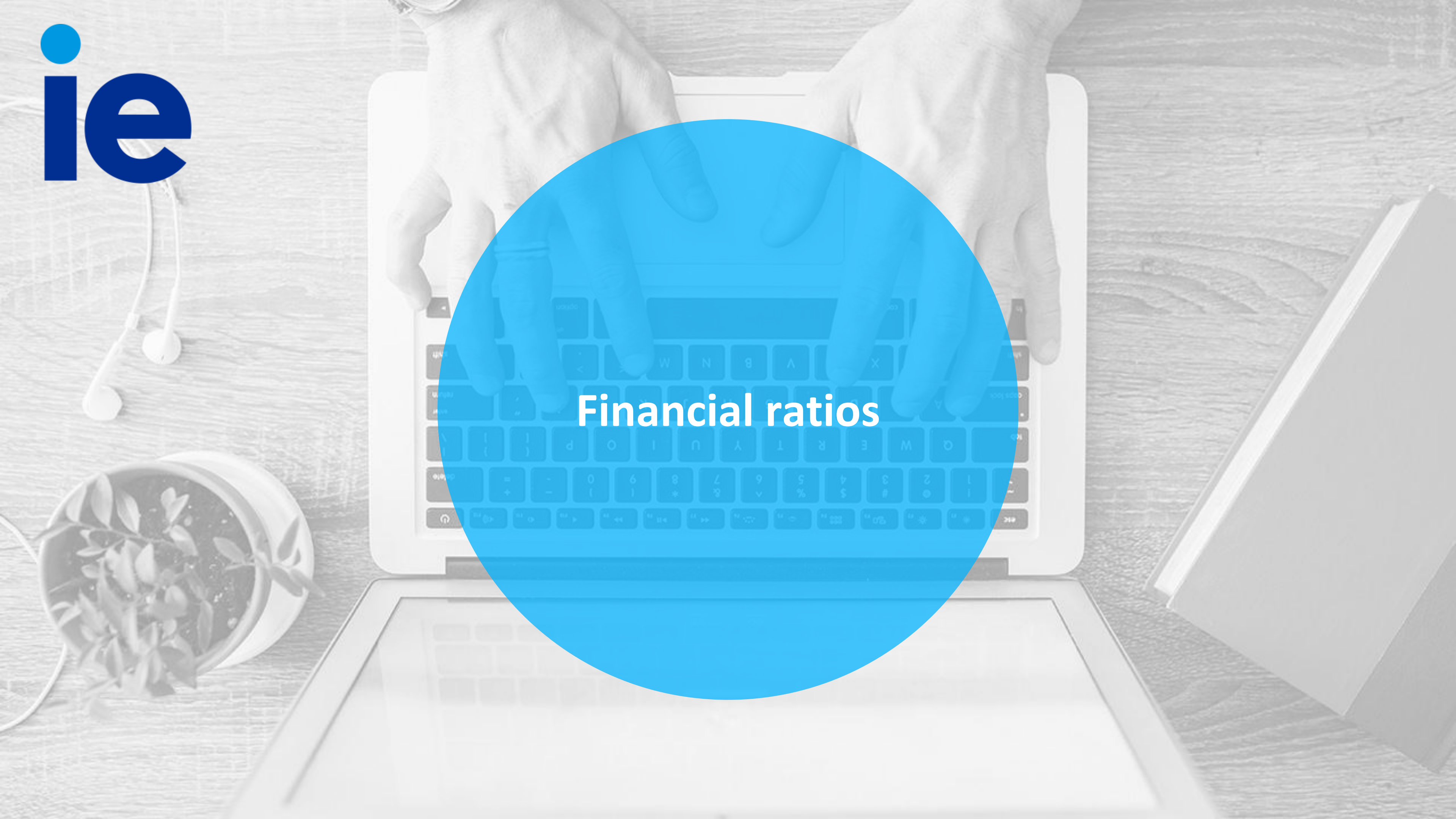
Agenda

1 Financial Ratios

2 The role of the Board of Directors

3 The role of the CEO

4 The role of the COO



Financial ratios

Importance of Financial Ratios

Understanding key financial ratios is crucial for investors as they can help determine the meaning and impact of these ratios on the stocks. Financial ratios:

- Assist investors in making informed decisions on whether to invest in a company or not.
- Help track the company's performance, enabling early identification of trends.
- Aid investors in comparing a company's performance against its competitors and the industry as a whole, providing valuable insights into the firm's overall financial health.

Types of Financial Ratios

Financial ratios provide different types of information. The main categories of financial ratios are:

- Leverage ratios, which help measure a company's debt.
- Profitability ratios, which help measure a company's ability to generate income.
- Liquidity ratios, which help assess a company's ability to repay short-term and long-term loans.
- Market value ratios, which help evaluate a company's share price.

Financial Ratios – Types, Meaning & Formulas (1)

- **Leverage ratios** show the debt (borrowings) of a company. Debt to Equity ratio is one of the most important ratios to analyze a company.
  - **Debt to Equity** ratio shows a company's total debt against shareholder's equity. A high debt-to-equity ratio is not favorable for equity investors as it signifies high risk.
    - Formula: Total Liabilities / Shareholder's Equity
  - **Interest Coverage Ratios** signifies a company's ability to pay its interest obligations. A high-interest coverage ratio means the company can make timely interest payments, which is a good sign for debt investors.
    - Formula: Operating Income/Interest Expenses

Financial Ratios – Types, Meaning & Formulas (2)

- **Profitability ratios** like ‘Return on Equity’ ratio highlights a company’s ability to generate profits (returns) using its equity capital.
  - **Return on Equity Formula: Net Income / Shareholder’s Equity**

Financial Ratios – Types, Meaning & Formulas (3)

- **Liquidity Ratios** help investors understand if the company has enough assets to repay its short-term and long-term loans.

  - **Current ratio** measures the company's ability to repay short-term loans with existing assets.
    - Formula = Current Assets / Current Liabilities

  - **Quick ratio**, also known as Acid-test ratio, evaluates a company's ability to repay its short-term liabilities with its quick assets.
    - Formula: Current assets – Inventories / Current Liabilities

  - **Operating Cash Ratio** highlights the number of times a company can pay off its liabilities from generated revenue.
    - Formula: Operating cash flow / Current Liabilities

  - **Cash ratio** evaluates a company's ability to repay its short-term liabilities with cash and cash equivalents.
    - Formula: Cash & Cash Equivalents / Current Liabilities

Financial Ratios – Types, Meaning & Formulas (4)

- **Market Value Ratios** help in evaluating whether the stock prices are undervalued or overvalued. Earnings Per Share (EPS) & Price-to-Equity (P/E) ratios are some of the most important financial ratios.

  - **Earnings per share** is the net income earned for every outstanding share.
    - Earnings per share formula: Net Income / Total outstanding shares

    A high EPS ratio means that the investment is worthwhile, and the company can generate high dividends for its equity shareholders.

  - **Price to Equity (P/E)** Ratio is one of the most important ratios to analyze a company. P/E ratio helps investors understand the relative value of a company’s share price to its earnings.
    - Formula: Share Price / Earnings Per Share

The Board of Directors

The Board and Corporate Governance

- Corporate governance forms the basis for corporations to make decisions that consider economic, social, regulatory and the market environments. **Corporate governance** gets its roots in ethical behavior and business principles, with the goal of creating long-term value and sustainability for all stakeholders.

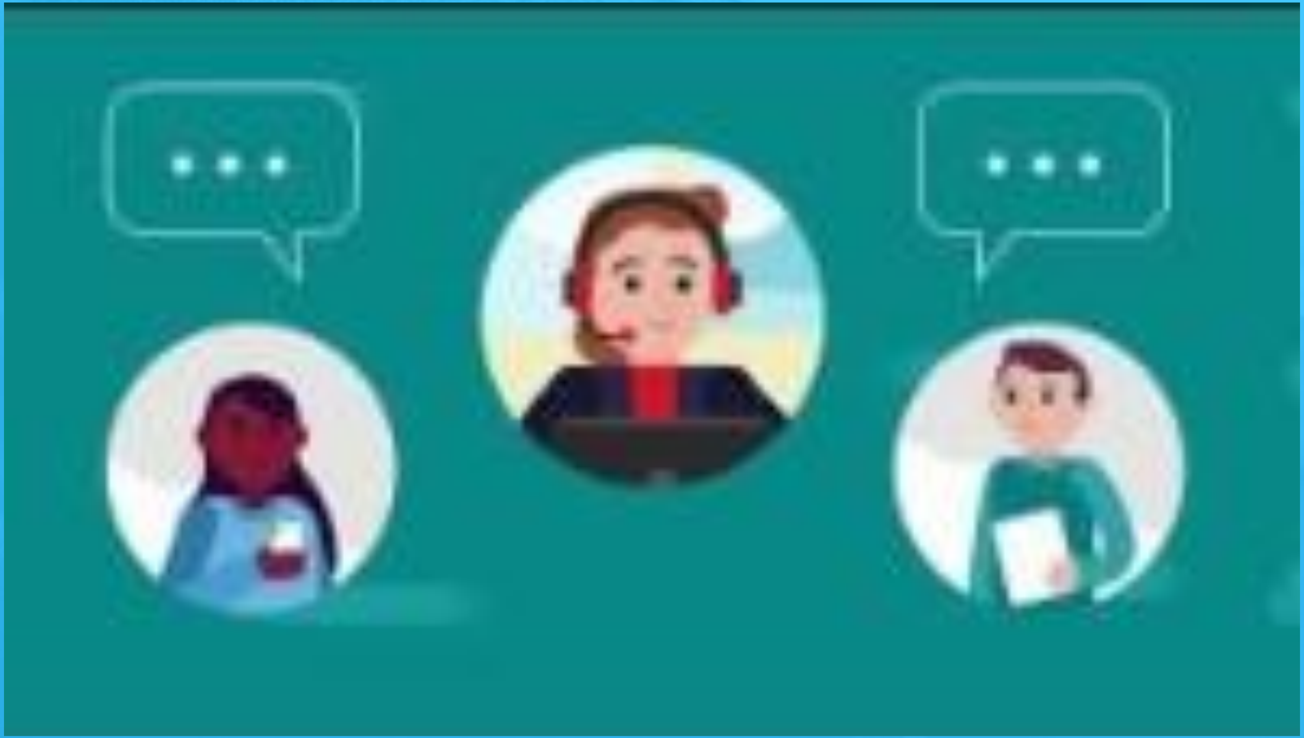
- Corporate board directors face the continual challenge of aligning the interests of the board, management, investors, shareholders and stakeholders. They respond to their duties and responsibilities with full regard to transparency and accountability.

- It's often said that corporate boards are responsible for providing oversight, insight and foresight. Good governance principles are fundamental to the work that board directors do.

What Is Corporate Governance?

- Corporate governance is the **system of rules, practices, and processes** by which a firm is directed and controlled.
- Corporate governance involves balancing the interests of a company's many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community.
- Since corporate governance provides the framework for attaining a company's objectives, it encompasses every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Corporate Governances



What is the main function of the board of directors?

Each board carries a fiduciary responsibility for:

→ Duty of Care: Ensuring all assets are used prudently.

→ Duty of Loyalty: Ensuring all decisions are made in the organization’s best interests and help it move closer to its mission.

→ Duty of Obedience: Ensuring the organization abides by all laws and regulations and its own bylaws.

Board of Directors

Specific Board Roles taken by Individual Members (1)

The structure of board roles may vary from one organization to the next, but most break down into the following board of director responsibilities:

- **Board Chair**: Frequently referred to as Board President, this person works closely with the organization's leaders and management to ensure the organization's mission and goals meet the highest. The Board Chair is also responsible for setting agendas, conducting board meetings, hiring and overseeing the CEO, creating committees, and appointing committee chairs.

- **The Vice President or Vice Chair** serves as second-in-command and keeps abreast of all board activities, so they're ready to step in as Board President when the need arises. They also take on special projects the Board Chair assigns, such as leading the important Nominating and Governance Committee.

Specific Board Roles taken by Individual Members (2)

- **Secretary**: This person handles the many tasks to ensure board meetings remain effective and efficient. He provides meeting notices, prepares agendas, takes minutes during board meetings, and then distributes the approved minutes to the entire board.

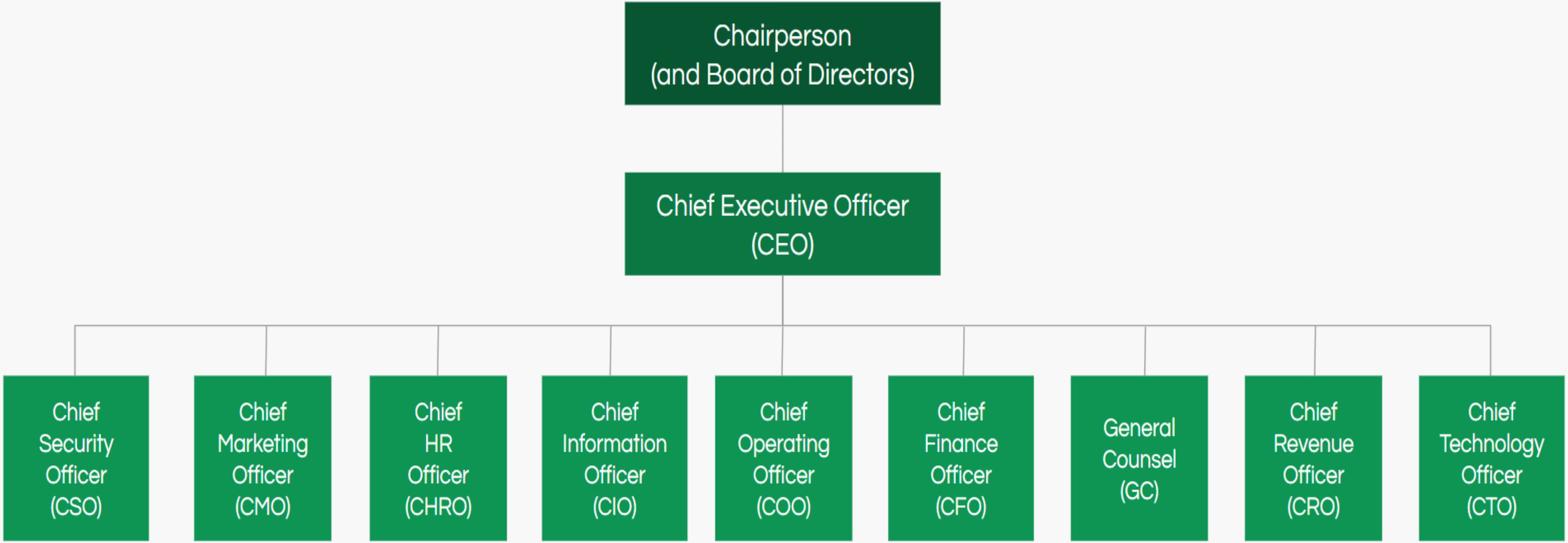
- **Treasurer**: This person monitors finances, prepares the organization’s budget, and oversees the board’s finance committee.

- **Committee Chair**: Boards often appoint various committees to dive deeper into different initiatives for the organization. A Committee Chair leads the committee, sets the agenda for committee meetings, and reports information gleaned back to the entire board.

- **Director**: Individual board members fulfill director roles on a board. Their responsibilities typically fall under the umbrella of a fiduciary or legal advisor — or providing sound, ethical, and legal governance and financial management policies. They’re also tasked with fundraising and advocating for the organization.

The CEO role

C Suite


Chairperson
(and Board of Directors)
Chief Executive Officer
(CEO)
Chief Security Officer (CSO)
Chief Marketing Officer (CMO)
Chief HR Officer (CHRO)
Chief Information Officer (CIO)
Chief Operating Officer (COO)
Chief Finance Officer (CFO)
General Counsel (GC)
Chief Revenue Officer (CRO)
Chief Technology Officer (CTO)

Chief Executive Office (CEO)

- The primary responsibility of a CEO is to make significant managerial and executive decisions that have an impact on the organization.

- As the highest-ranking executive in a company, the CEO is responsible for the success and failure of the organization. A good CEO values and considers input from employees.

- Additionally, the CEO serves as the communication link between the board of directors and the management of the company. The CEO is appointed by the board members and shareholders through voting.

CEO Duties & Responsibilities

The role of a chief executive officer (CEO) varies depending on the organization's mission, product, goals, and operational needs. The size of the organization and workforce also affects the CEO's duties. Generally, the CEO is responsible for:

- Creating, communicating, and executing the organization's vision, mission, and overall direction
- Leading the development and implementation of the organization's strategy
- Seeking advice and guidance from the board of directors when necessary
- Formulating and implementing the strategic plan that guides the business or organization's direction
- Overseeing the complete operation of the organization
- Evaluating the success of the organization in achieving its goals
- Considering potential acquisitions or the sale of the company in a way that benefits the shareholders
- Representing the organization in civic and professional association responsibilities and activities at the local community, state, and national level
- Participating in industry-related events or associations that will enhance the CEO's leadership skills, the organization's reputation, and the organization's potential for success

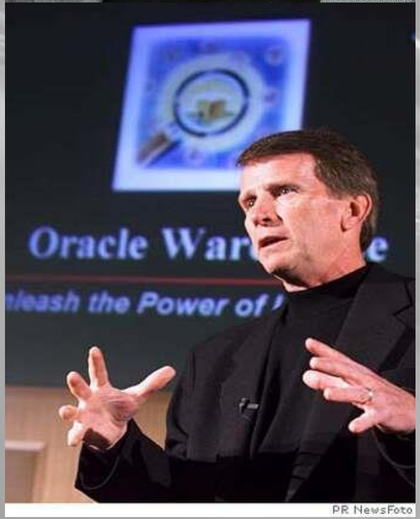
Education, Training, & Certification

- CEOs are expected to have significant management experience, with increasing levels of responsibility in each role.
- Additionally, companies often require CEOs to have relevant industry experience.
- Some companies also mandate CEOs to participate in executive development, leadership, and other professional development programs.

The COO role

Main differences between COO and CEO

	COO	CEO
Corporate ranking	COOs rank second-highest and report to the CEO.	They rank highest and may report to a board of directors.
Job responsibilities	They facilitate daily operations of the organization.	They oversee the long-term goals of the business.
Position necessity	Some companies may not have a COO.	This is an essential job in a company.
Shares and ownership	They may be a shareholder, but they likely aren't a major shareholder.	They're often the business owner or a major shareholder.
Company vision	They facilitate operations to support the company vision.	They create the vision for the company.
Focus	They attend to internal affairs.	They handle external affairs.
Skills	They're skilled in decision-making, organization and attention to detail.	They're skilled in communication, management and leadership.



An example. Larry Ellison & Ray Lane

- In 1992, Larry Ellison, who was the CEO at the time and is now the executive chair and CTO, hired Ray Lane to turn the company's fortunes around. Lane joined Oracle USA as Senior Vice President and President. Later in 1996, he became COO.

- When Lane took over, he integrated packaged software and high-margin professional services. This allowed him to sell two products in one cycle and increase revenues from a single sale.

- In 1992, Oracle generated a revenue of $1.8 billion and earned a profit of $61.5 million. However, in 1997, its revenue increased to $5.7 billion and profits to $821.5 million.

- In 1999, Lane received a salary of $1 million and a $2.25 million bonus. Additionally, he was granted 1.125 million stock options, valued between $11.8 million and $30 million at the time.

Thanks!

Any questions?

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