Treating Company Culture as a Profit-Center

When it comes to company culture, leaders at Baird put their money where their mouth is. Speaking at the 2011 Great Place to Work® Conference, they shared insights on how they built and preserved their winning culture as a key strategic advantage.

When asked to name their profit centers, few businesses would put their culture on the list. Not that company culture fails to get noticed. Walk into any corporation and you’re likely to find their stated values displayed in a meeting room or lobby. Not as many actually put them into practice. Fewer still would go so far to treat their culture as a profit center, investing in its development and protecting it during tough times. One of these rare examples is Robert W. Baird & Co., one of FORTUNE’s 100 Best Companies to Work For® for the past eight years.

To understand the culture of this employee-owned financial services firm, one can look to its mission statement: “To provide the best financial advice and service to our clients and to be the best place to work for our associates.” Based in Milwaukee, Wisconsin, Baird has worked toward this goal by creating a strong culture based on teamwork, integrity and customer service among its 2,600 global associates. The culture is articulated by six principles, including “Clients come first,” “The best financial advice is the result of expertise and teamwork,” and “How we succeed is as important as if we succeed.”

“These are not just words on a plaque to us,” said Beth Kavelaris, Senior Vice President, Director of Culture & Integration. “We believe that they are action verbs; every single one of them.”

“We truly believe that our culture is a profit center. It creates more efficiency and bottom-line profit for our clients, and more profit for us,” said Kavelaris. Or as Baird’s CEO Paul Purcell put it, “If we don’t have the best people, we can’t be the best middle market firm.”

Baird has seen the results of this philosophy. The firm attracts top talent, receiving 58,000 resumes in 2010, an average of 200 applications per job opening. “I’ve interviewed 250 people in the last two years. They come because of the culture,” said Purcell.

Once hired, Baird associates stay. The firm’s voluntary turnover is 4.7%, well below the industry average of 16%. Having and keeping the best people has also led to attracting new clients and translated to growth. Since 1994, the firm has grown from $180 million in revenues to $847 million in 2010.

The firm’s culture was built up and sustained through many activities, big and small. Many firm wide initiatives stand out, including Baird’s onboarding and mentoring programs, its community involvement, recognition efforts, and leadership development. Yet it’s not just big initiatives. “These things can be small tiny things
that you just do on a daily basis,” said Kavelaris. She went on to highlight three key factors in Baird’s success:

**Start at the top**
A strong culture is driven from a company’s leadership. Paul Purcell proves an excellent example. “He puts his money where his mouth is,” said Kavelaris. “He opens almost every single one of our leadership, orientation, and inclusion programs. He does town halls. He comes and has lunch. If you say to him ‘You know Paul, I really want you to come and talk to my team,’ he will make time. He answers his own phone and/or he will respond within 24 hours.”

**Fanatical about hiring**
“It’s all about your people and you have to be fanatical about who you hire,” said Purcell. To ensure this, every hire goes through a rigorous interview and on-boarding process. The process has a strong focus on cultural fit, most notable for its “No Asshole Policy.” “We’ve had to turn away people who are very intelligent, could hit the ground running, create a lot of revenue for us and completely poison the well,” said Kavelaris.

“Because we’re so fanatical about how we hire, it allows us to cherry pick for talent and for culture,” she continued. “People really appreciate that rigid gate keeping that we do and they feel very special that they’re in. They really have a pride that they got in the door.”

**Keep learning and improving**
“We are definitely on a journey. We are not the perfect place to work,” said Kavelaris. “We hope for the most part we are a great place to work, but we definitely have things that we’ve done wrong and things that we’ve had to stub our toe and learn.” In practice, Baird applies a five step model for continuous learning: 1) Regularly measure associates’ perceptions, 2) share all positive and negative results, 3) create realistic and practical solutions, 4) execute in a timely fashion, and 5) evaluate and make improvements.

These practices have led to a robust culture. Yet it showed signs of strain over the past three years as the firm went through major restructuring, employee growth, and expansion to new markets. “It’s easy to be great in the good times,” said Kavelaris. “It’s in the adversity when you really test the mettle.”

As associate concerns grew about maintaining the culture, Baird leaders responded by conducting a cultural assessment, and taking several steps to preserve and reinvigorate the Baird culture. The firm’s chief human resources officer and CEO decided to create a position called Director of Culture and Integration, designed to help oversee and strategize on internal branding practices. In addition, a cross-functional associate advisory group was formed, tasked with informing and creating practical solutions. This group’s work resulted in two innovative programs: “The Baird Difference Class,” a full day class to understand and discuss Baird’s cultural principles, and an internal TV series, “Whose Culture is it Anyway?” which features candid conversations between executives and associates about Baird’s cultural principles.
These efforts paid off. During the economic downturn, Baird opened 20 new locations and increased employment by 10% over the past three years, while many competitors went out of business or significantly downsized their workforces and operations.

Culture can equal profits. It takes a willingness to stand by the investment in culture, whether making hiring decisions or handling times of transition. Those leaders willing to take this stand, like at Baird, enjoy the returns through better talent, stronger client relationships, resilient employees, and sustained revenue.

About Great Place to Work® Institute
Great Place to Work® Institute has been listening to employees and evaluating employers since 1980 in order to understand what makes a workplace great.

We know that the foundation of every great workplace is trust between employees and management. Our Best Companies to Work For lists, employee surveys, culture assessment tools, advisory services, and educational events have made us leaders in helping organizations build high-trust workplaces.

The Great Place to Work® Institute combines our expertise and proprietary tools to help you turn your workplace culture into a powerful source of competitive strength and business success. To learn more, visit our website, email or feel free to give us a call at 415.503.1234, ext. 380.