

# BerkeleyHaas

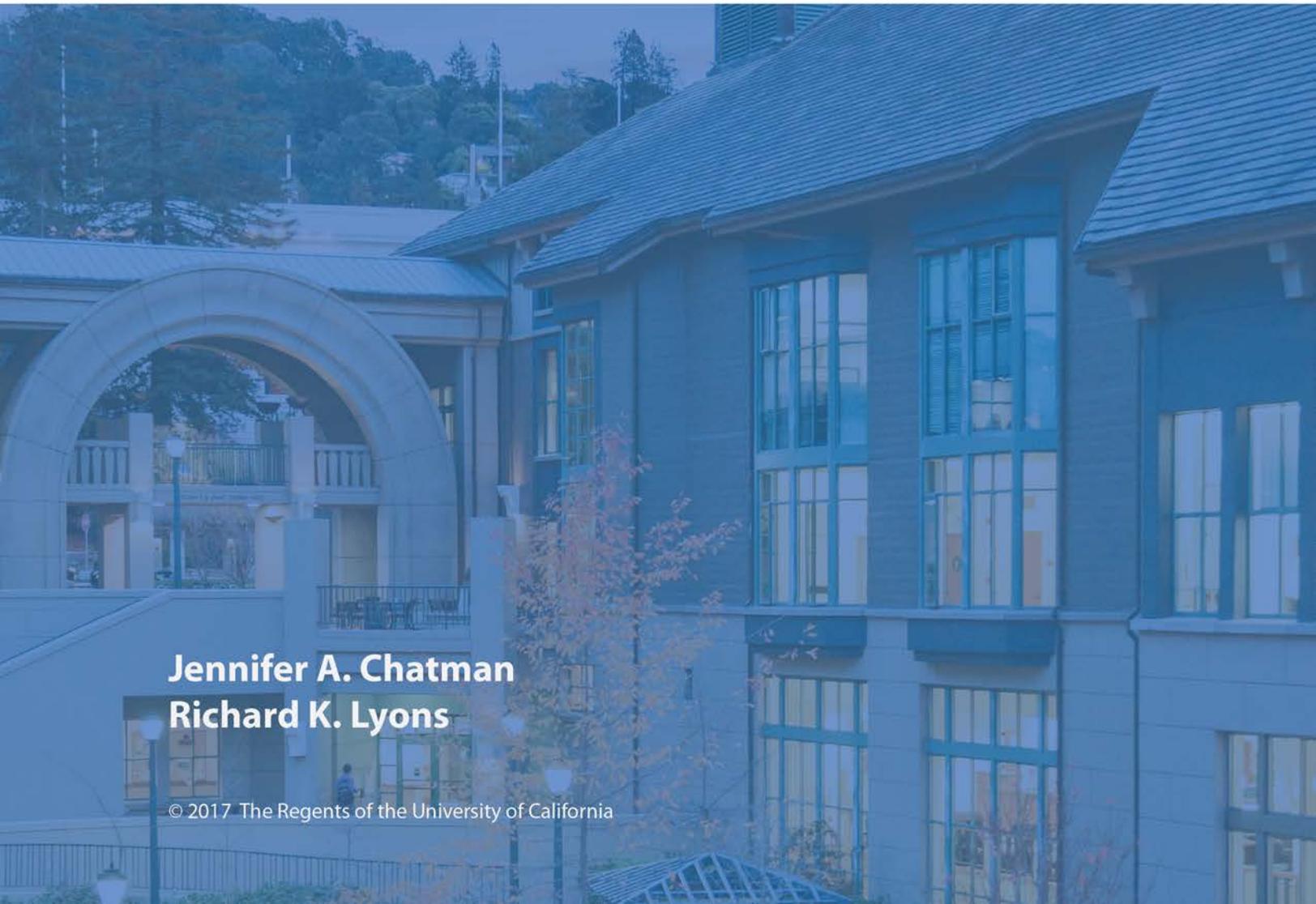
## Case Series

CASE STUDY

### The Berkeley-Haas School of Business: Codifying, Embedding, and Sustaining Culture

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Richard K. Lyons

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# BerkeleyHaas Case Series

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**RICHARD K. LYONS**

## The Berkeley-Haas School of Business: Codifying, Embedding, and Sustaining Culture

*When you look at institutions that are intentional about culture, they are not just intentional about it for five or 10 years; they're intentional about it for 30, 40, or 50 years. These examples show that institutions can maintain very strong cultures through successions but that culture still needs to evolve over time.*

—RICHARD K. LYONS, DEAN

In June 2017, as 56-year-old Richard Lyons, dean of the Berkeley-Haas School of Business prepared to make his announcement to step down (at the end of June 2018), he looked at his guitar in the corner of his office. He reflected on all the times he had played it for his students and the Berkeley-Haas community and beyond. A flood of good memories streamed through his mind because he had served in various roles at the school for 24 years, most recently as dean for the past 11 years. Still, a major question weighed on him: Would the culture and defining principles codified during his deanship outlive his term as dean? And what could he do in his last year to increase that likelihood?

An inflection point in Lyons's career was his 20-month stint as the Chief Learning Officer at Goldman Sachs from 2006 to 2008 (prior to that, he was a professor of finance and economics at Berkeley-Haas from 1993 to 2004, acting dean from 2004 to 2005, and executive associate dean

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Jennifer A. Chatman, Paul Cortese Distinguished Professor of Management, prepared this case study with Richard K. Lyons, Dean and Bank of America Dean's Chair, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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from 2005 to 2006).<sup>1</sup> It was at Goldman Sachs (and through his study of an article, *Leading by Leveraging Culture*<sup>2</sup>) where Lyons saw “firsthand how profoundly powerful a culture could be in helping an organization achieve its goals.” He added: “When I say culture, I mean a set of values and norms in an organization that shape behavior, in the way culture can act as an internal gyroscope for everyone in an organization to keep them in balance, acting ethically and in line with the organization’s larger interests.”

When Lyons returned to Berkeley-Haas as dean in 2008, he saw a “huge culture opportunity sitting right in front of us.” While Berkeley-Haas had a culture, “no one knew how to talk about it and we had no integrated narrative,” he said. Lyons and his colleagues spent two years working on the culture, launching a strategic planning process, culminating in the “Defining Principles” in 2010:

Question the Status Quo  
Confidence Without Attitude  
Students Always  
Beyond Yourself

“We *codified* the culture of Berkeley-Haas—which had been latent in the school for generations,” he said. Lyons simultaneously constructed a vision for the school: “*To become the most distinguished-by-culture business school,*” which he believed was bold, measurable, and strategically relevant.

Since then, the Defining Principles have become a tangible differentiator for the school among students, prospective students, alumni, and external constituents such as companies and recruiters. For example, surveys of all three of Berkeley-Haas’s MBA programs<sup>3</sup> and the undergraduate program found that 75 percent of students cited the principles as a strong reason for choosing Berkeley-Haas, and more than 90 percent of alumni from the past decade were familiar with them and frequently cited them as beacons in navigating their careers and lives.

As Lyons watched the evening light shine on his guitar, he reflected on his accomplishments while at Berkeley-Haas. He hoped that he had codified a culture that would not only outlast his tenure, but also those of future deans. He also hoped that the culture would remain malleable and would evolve as Berkeley-Haas evolved long into the future.

### **A Complex Organization**

Lyons and the deans before him led a unique and complex organization. First, Berkeley-Haas had multiple stakeholders with varying degrees of power—there were 86 “ladder faculty” or tenure-track research faculty and 150 “professional faculty” who were typically not full-time employees and who were not on a tenure-track, but rather taught courses at Berkeley-Haas while pursuing professional careers in the for- and not-for-profit worlds. Berkeley-Haas was unusual when compared to other business schools in that budgetary constraints kept the ladder faculty numbers low, but since the school was highly competitive with top schools in the numbers and

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<sup>1</sup> Lyons graduated from Berkeley with a Bachelor’s degree in 1982 and then MIT in 1987 with a Ph.D. in economics. He then spent six years on the Columbia Business School faculty before returning to Berkeley-Haas.

<sup>2</sup> Jennifer A. Chatman and Sandra Eunyoung Cha “Leading by Leveraging Culture,” *California Management Review*, Summer 2003: Volume 45, No. 4.

<sup>3</sup> Haas offers a full-time MBA program, an evening-and-weekend MBA program, and an executive MBA program.

types of programs it offered, a “shadow army” of professional faculty had evolved, some of whom were long-term “loyal servants” to the school.

While professional faculty taught approximately half the credit hours in a typical Berkeley-Haas MBA student’s program, they had no voting rights on anything related to the school’s governance; thus, the ladder faculty were the “most powerful.” John Morgan, Berkeley-Haas ladder faculty in economics said: “The [ladder] faculty can send a fairly powerful message. We’re considered influencers and mentors and rightly so...faculty can fake-embrace things like culture or just ignore them and students will pick up on that so faculty have a huge influence either way.”

Second, any dean at Berkeley-Haas worked within a system of shared governance with the ladder faculty and with the university at large. In fact, Morgan called decision making very “consensus-driven” where “individual blockers” could play a big role in getting things done. “Staff can be blockers just as much as faculty can be blockers, just as much as students or admissions can be blockers,” he said. Andrew Rose, ladder faculty in International Business and Trade, and Haas Associate Dean for Academic Affairs for six years of Lyons’s term as dean, added: “Shared governance means we have more say over things like hiring, what we teach, how we teach, etc. It also means the dean has less control; the dean doesn’t control our salaries unilaterally, hiring, or a host of other things. We are in a weak-dean system. When you want to get the faculty to do something big, the dean has to get buy-in from faculty.” Steve Tadelis, ladder faculty in economics agreed: “The first dean that tries to direct what the faculty work on is going to be the first dean who will be publicly embarrassed in ways I can’t even imagine. Even Rich Lyons’s attempt at culture was bold. But Rich knew how to steer things in a way that brought people on board.” Tadelis also called faculty in research universities such as Berkeley-Haas a “group of freelancers” versus a “cohesive team.”

Lyons agreed with Morgan and Rose: “You just don’t do things top-down here. If you were to ask a [ladder] faculty member if they work for me, they would laugh because none of them see themselves as working for me.” He added: “Faculty are among the hardest constituencies in any academic environment because they have the largest stake and are the deepest equity-holders in the institution. Deans come and go, but faculty are here for 30 years.” That said, the culture of shared governance matched Lyons’s own leadership style: “I’m not a command-and-control type of person,” he said. “I’m much more of an influence-beyond-authority kind of person and I’ve always responded better to that kind of leadership.”

Scott Galloway, Berkeley-Haas alum, former Haas Board member, entrepreneur and marketing professor at NYU commented on Lyons’s skills and challenges: “I believe Dean Lyons is the strongest dean in graduate education right now in terms of really being able to relate to, and to a certain extent, control faculty—which tend to be a very expectant and difficult group to manage; there are no carrots and no sticks. You have to have tremendous credibility with all stakeholders from faculty, alumni, community, and students, and Rich has all of those.”

Third, more than half of the Berkeley-Haas ladder faculty worked in quantitative fields such as economics and accounting, where culture and other “soft” concepts were not typically a part of their scholarship, interests, or experience. Tadelis said that especially 10 years ago, such “soft” things like culture were commonly viewed as “fluff and irrelevant.” Tadelis added: “Most of our ladder faculty are very rigorous, model/data-driven people and when you’re building slogans and principles and saying that these will actually shape and influence the future, that’s a hard sell.” Morgan also added that academics were “trained to be cynical about everything; your job in graduate school is to criticize everyone and everything.”

Finally, the unique structure of business school made leadership challenges different when compared to corporations. Morgan said: “In business, you are trying to appeal to a narrower set of stakeholders [employees] who are also in charge of the execution of the operations of the firm. Here, culture is less directed towards the employees [faculty and staff] but rather more towards the students who are transient individuals and here for only two years.” However, students often held long-term connections and loyalty to the school and program as they transitioned to lifelong alumni, donors, and active volunteers in activities such as prospective student interviewing. Berkeley-Haas staff members were also constituents, with some employees working at the school for decades, while others turning over often. Staff members at business schools such as Berkeley-Haas often lacked influence and power when compared to faculty members, but long-term staff members could potentially serve as culture carriers.

### **The Beginning**

Early in his first term as dean, in the fall of 2008, Lyons and Berkeley-Haas’s advisory board decided to embark on a journey to develop a new strategic plan (ultimately an 18-month-long process). This stemmed from the team’s belief that the school needed to define its brand of leadership, relative to that of other top-ranked business schools, as well as to redefine business leaders and change the perception that Berkeley-Haas graduated excellent analysts while other schools graduated leaders. The strategic plan would also address other broad issues, including the shift towards flatter organizations and the increasing complexity of business challenges such as healthcare and energy. The idea was that Berkeley-Haas leaders would both thrive in the changing business world and develop innovative solutions for their organizations and the world.

As part of the strategic planning process, Lyons wanted first to focus on core values: “During a typical strategic planning process, organizations tend to quickly write down mission statements and core values, in the race to focus on strategy,” he said. “If I hadn’t had my experience at Goldman Sachs, I might have come to Berkeley-Haas and taken a strategic plan template and done the same thing, writing down five words as part of the core values, with no execution plan to support the words. We didn’t want to approach it this way, because we knew we only had one chance to get it right.”

Lyons knew the school had a “distinctive culture,” but when he started as dean, he sat down at his computer and searched on the Berkeley-Haas website for words such as “shared values,” “core values,” “principles,” and “culture.” He said: “What did I find? Nothing. We hadn’t codified anything.” He then searched for similar words on the websites of other top-ranked business schools, finding that while most had clearly articulated their values and the values were admirable, they often included generic words such as “excellence” and “integrity,” for example, and the values rarely varied from one school to another. “We didn’t want to use the same hackneyed 10,000-foot level phrases,” he said. “Instead we wanted to stay at the ‘10-foot’ level and be relevant and differentiated. We really wanted to go after the brass ring and not only codify what was already here, but also support traits that lead to better outcomes for our graduates and society.”

### **Codifying the Culture: Four Defining Principles**

Lyons and his team felt that the culture needed to stem from “essential elements of our existing culture, rather than to create some ideal because that would feel inauthentic to people.” He added: “The notion of codifying what is already here is part of finding, rather than creating our voice—moving from an implicit culture to an explicit one.”

During this process of evaluating what they had, the team determined that their culture stemmed from three things: “Place, People, and Culture.” *Place* meant being a part of the greater university, regularly among the world’s top five universities and located in the San Francisco Bay Area where innovation and entrepreneurship flourished. *People* meant that Berkeley-Haas had always been a good fit for leaders who put fresh ideas to work in their organizations. *Culture* meant that Berkeley-Haas had a differentiating culture where its students tended to question the status quo, possess confidence without attitude, and commit themselves to larger causes. Once the team identified aspects of its unique culture, they leveraged some of those elements to articulate what they called the Defining Principles.

Lyons explained: “Our four principles have always been the Berkeley-Haas heartbeat, but we have never articulated them before, and have never used them to deliberately shape our students and graduates.” The preamble of the Defining Principles stated: “We have long lived by principles that define and differentiate us. These include excellence and inclusion, centerpieces for all of U.C. Berkeley. As part of a world-renowned university, we are inspired and expect to achieve excellence in all that we do. Differences in thought, too, are a Berkeley hallmark—our broad mix of cultures, backgrounds, and perspectives has always led to more creative outcomes. For the Berkeley-Haas School, there are four principles that, taken together, sharply define us relative to our peers.”

1. **Question the Status Quo:** We lead by championing bold ideas, taking intelligent risks, and accepting sensible failures. This means speaking our minds even when it challenges convention. We thrive at the world’s epicenter of innovation.
2. **Confidence without Attitude:** We make decisions based on evidence and analysis, giving us the confidence to act without arrogance. We lead through trust and collaboration.
3. **Students Always:** We are a community designed for curiosity and lifelong pursuit of personal and intellectual growth. This is not a place for those who feel they have learned all they need to learn.
4. **Beyond Yourself:** We shape our world by leading ethically and responsibly. As stewards of our enterprises, we take the longer view in our decisions and actions. This often means putting larger interests above our own.

### ***Leveraging Experts***

During the Defining Principles process, Lyons and his team consulted with two experts, Rick Cronk, retired president of Dreyer’s Grand Ice Cream and Berkeley-Haas board member, and professor of management Jennifer Chatman, a Berkeley-Haas ladder faculty member and research expert on culture and its impact on organizational performance. Cronk provided Lyons with insight on how Dreyer’s implemented its “Grooves” culture that included things such as “Respect for the Individual,” “Ready, Fire, Aim,” and “Learn, Learn, Learn.” The Grooves inspired Lyons and his team to see how culture could change an organization. “Professor Chatman showed us some of the research-based methods she had devised for corporations to help them identify and leverage their culture, as well as aided us in the design of a focus group survey,” said Lyons.

Throughout the process, Lyons also reached out to many thought leaders such as Professor Emeritus of Berkeley-Haas, David Aaker, often called the “father of branding” who was vice

chairman of Prophet, a global brand and marketing consultancy firm. Prophet had done a brand study for Berkeley-Haas in 1999. Larry Johnson, a U.C. Berkeley Foundation board member and one of Berkeley-Haas's alumni helped to determine what execution of the Defining Principles might look like.

### ***Involving Constituents***

During the early stages, Lyons launched the “campaign and strategy working group” composed mostly of ladder faculty members and a few senior staff. “We felt this was our time to construct that one narrative that would make people want to invest in our future,” said Lyons. “We needed to take a stand on something important so that we could develop a shared mission and a sense of a destination that inspires people.” One faculty member said: “Rich just wanted to lay the groundwork for what the focus would be on an ongoing basis, which the faculty tolerated without being particularly engaged.” Lyons also suggested that a handful of select professional faculty be involved in this process as well.

As part of the focus-group study described above, Lyons and his team conducted focus groups with over 150 students, staff, professional faculty, and alumni, as well as conducted one-on-one interviews with numerous ladder faculty, board members, and recruiters to identify current and ideal cultural norms and principles for Berkeley-Haas. Lyons said: “We knew that for people to accept our Defining Principles, we had to have a lot of fingerprints on them. We met with a lot of faculty, they sent us emails with what they thought should or shouldn't be on the list, and we had staff, student, and alumni input.”

The results showed that “driven to excellence” and “innovator” were the two values that consistently topped the list of ideal values for Berkeley-Haas. A working group of senior staff utilized the focus group and interview data as well as Lyons's own ideas related to the principles to create a draft set of principles which were then circulated among board members, faculty, students, and alumni for feedback.

### ***Anticipating and Staying Ahead of Faculty Concerns***

Lyons expected to face resistance and challenges along the way. He said: “An economist faculty member who is close to me, and not wired to look at culture efforts positively, told me after I came back from Goldman Sachs, ‘be careful because to some faculty, you're sounding very corporate.’ That was great advice for me. So, I started using the word ‘culture’ less because, even though there is a significant and compelling academic research domain focusing on organizational culture, some faculty viewed it as poorly defined and it's just not where some faculty come from. Instead, I started using the word ‘principle.’ It became really important for me to speak into their listening, because faculty listening was different than staff listening which was different from alumni listening.”

Morgan explained some faculty concerns further: “Our faculty here are worried that we will become like Harvard Business School, meaning that academic rigor will be devalued and connections with industry will be the main coin of the realm. These Defining Principles are a bit soft—they don't sound academically all that rigorous. For a lot of faculty, that sounds like a very dangerous way to go and if I'm a professor of finance, am I comfortable with these soft notions? ‘Students Always,’ what does that mean, really? And ‘Beyond Yourself,’ that sounds like something from the non-profit world.” Morgan continued on the challenges: “There was a lot of pushback because we're Berkeley; we're academically rigorous. Maybe that's what we should be doing—instead of talking about these Defining Principles, we should be getting the smartest guys

with the perfect GMATs and the 4.0s, the quant jocks, etc. So, Rich Lyons had a sense that there would be these resisters and blockers and he was ahead of the faculty in a lot of ways.”

### ***Avoiding Hackneyed Phrases***

Lyons and his team wanted to avoid the same hackneyed core values or cultural words that are on a lot of office walls—words and phrases such as “integrity” and “respect.” He said: “We wanted to find words that reflected our own voice and would speak to our students and others. This is not to say that Berkeley’s core values of access, excellence, and inclusion are not important to us too. In fact, “excellence” was one of the Defining Principles at some point and several faculty felt strongly about keeping ‘excellence’ on the list, but we wanted to avoid common phrases that would undermine what we were trying to do. It simply wasn’t distinct enough of a word. As a compromise, we put ‘excellence’ in the preamble and focused on the four principles that differentiated us.”

### ***Getting the Words and the Number Just Right***

Lyons and his team also chose not to use the phrase “core values.” “At one point, we used the word ‘core,’ but if we were not going to use words like ‘excellence,’ ‘access,’ or ‘inclusion,’ we felt that we shouldn’t call them ‘core,’” Lyons said. And although “core values” is a common phrase in the business world, Lyons and his team received much feedback that the phrase felt too individually focused or personal to people. “Instead, if we wanted to define who we are as an organization, we needed to use a word such as ‘defining’ that communicated that,” said Lyons. “Otherwise, people might say that we left out too much. In fact, after we communicated our Defining Principles, no one said that we left anything out.”

Lyons and his team tweaked the specific language of the principles a lot to make sure they “got the language just right.” In fact, during the process, Lyons had a stack of drafts pinned to the wall that was 12-pages thick, each page red-lined with word changes. “Beyond Yourself” was a particularly hard phrase to come up with. “Because we are a public institution that competes almost exclusively with elite private schools, service to the public is deep within our DNA,” said Lyons. “We wanted to find words that captured this service and went beyond a ‘me-centered’ universe sometimes associated with business. The phrase took a long time to come up with and involved a lot of word-smithing and imagination. One of our many earlier incarnations of ‘Beyond Yourself’ was ‘Wear a Bigger Hat,’ as just one example.”

In terms of the number of Defining Principles, the team originally had many candidates, but they wanted to limit the number so that they could “go for it,” so that the principles would “cut through.” “A board member felt that we had one or two too many,” recalled Lyons. “But we felt that reducing the number would be too compromising.”

### ***Gaining Consensus***

After 18 months of working on the strategic plan and the Defining Principles (of which the principles took six months), the Haas Strategic Plan was unanimously voted into effect by the Berkeley-Haas ladder faculty. Before the vote, Lyons had met individually with most of the ladder faculty to gauge their support for the strategic plan and address any remaining concerns. “We wanted the faculty to vote on the strategic plan—I didn’t want anyone saying, ‘we didn’t vote on that; the dean just wanted to do this.’ The unanimous vote was a testament to the need for change and the way we respected our culture of shared governance,” said Lyons. “If I were a CEO of a company with a less participatory culture, I might be able to get away with outright

stating the core values. But at Haas, I felt that there would be enough resistance to a dean who just stated what the values were, that I wanted to avoid what would not have been effective.”

### **Integrating the Defining Principles**

From the start, Lyons and his team felt that the “how” of their Defining Principles would be just as important as their content. He said: “We believe that a strong-culture community reinforces its own values every day by signaling favor or displeasure to its members.” Thus, at the end of 2009, the team put together a Defining Principles Implementation Plan that showed how the principles would be embedded in everything Berkeley-Haas did—admissions, orientation, curriculum, career services, and alumni relations within both its Full-Time MBA and Evening & Weekend MBA Programs. Other constituents such as faculty and staff were also targeted during this integration process.

### ***Admissions and Students***

In the admissions arena and most intensively with Haas’s MBA programs, the Berkeley-Haas team strived to identify “innovative leaders who resonate with our Defining Principles and culture,” said Lyons. Beginning in 2010, the Defining Principles appeared in the application—prospective students were asked to choose one principle and explain why they embodied that principle.

In addition, during each applicant’s interview, the interviewer, oftentimes from the alumni, evaluated the applicant’s fit with the Defining Principles, and how the applicant has demonstrated the principles in his or her career. “Prior to this change, our interview assessment form could have been any business school’s form—it had absolutely no signature to it,” said Lyons. It simply asked how the applicant “fit with the Haas culture.” He said: “This is one small change that took 30 seconds to make, but has had a big impact—now tens of thousands of conversations during applicant interviews are going to proceed differently.”

Moreover, questions on an applicant’s recommendation letters were changed to one that stated: “In the Berkeley-Haas MBA program, we develop leaders who have ‘Confidence without Attitude’ (or, confidence with humility). Please provide examples of how the candidate reflects this value.” Lyons said: “Now suddenly, our recommenders not only think of Haas differently, but they also have to think about the applicant differently.”

Finally, Berkeley-Haas made sure they communicated the Defining Principles to applicants on its website, collateral, at information sessions, and during orientation week. Beginning in 2010, during orientation week, new MBA students received a wallet-sized card that listed the Defining Principles on the front and the definitions on the back (the culture card’s latest iteration was made from sustainable wood).

Students also experienced the principles in some of their courses (discussed more below). The Defining Principles were also celebrated through awards such as the “Service and Leadership” award that recognized three to six graduating students who not only best embodied a given principle, but also made an outstanding contribution to the MBA experience. Another example was the “Beyond Yourself” Fellow award given at graduation to MBAs who had volunteered over 60 hours pro bono (not a part of their courses) during their two years in the MBA program.

The admissions process was not as intensive at the undergraduate level, but in 2013, the undergraduate admissions team had begun interviewing some applicants, steadily increasing the

number of students interviewed each year. Lyon's noted: "Most observers on campus, such as faculty and administrators in Humanities and Social Sciences, didn't necessarily think "Confidence without attitude" when thinking about the selected 'strivers' who majored in business." That said, Lyons believed that the more appropriate reference set would be undergraduate students at other top business schools, such as the University of Pennsylvania's Wharton School, not English majors at Berkeley, a point he began including when onboarding undergraduate Haas students at their orientation.

### ***Alumni***

Alumni who had graduated prior to the advent of the Defining Principles learned about them through Berkeley-Haas communications, themed events, and awards. For example, Berkeley-Haas's alumni magazine featured cover stories about the culture initiative and the principles, and frequently contained stories about alumni demonstrating the principles. For each issue, Lyons wrote a "Letter from the Dean" column where he often placed emphasis on the principles.

Tenny Frost, executive director of alumni relations and development said: "The Defining Principles became such an important part of our alumni program—it really gave us a foundation to stand on. We went full tilt in that we embraced it, created culture cards, and created regional chapter programs labeled 'Students Always' or 'Beyond Yourself' where alumni could do an activity in the community that matched the relevant principle."

Frost and her team also embedded the principles into alumni reunions where alumni were asked to nominate others who embodied certain Defining Principles. They received hundreds of these nominations each year. Frost sent an email to the nominated people and explained which of the four principles they were nominated for and in her email signature, the Defining Principles were also listed as reinforcement: "I feel like we have played a part in helping the Defining Principles become not just something that is an active part of when you're a student, but really extended into the life of alumni. It's taken us by surprise just how much our alumni have embraced the principles." Frost said that she was delighted to see alumni noting their nominations on their LinkedIn pages. One alumni even named his company after his favorite Defining Principle, CWA Advisors.

### ***Faculty and Staff***

As the team rolled out the Defining Principles to students and alumni, "we knew that the Defining Principles also had to become part of our greater culture that included our faculty and staff," said Lyons. In the fall of 2010, the team began presenting the Defining Principles during orientation for staff, ladder faculty, and professional faculty.

About a year-and-a-half after the Defining Principles were launched, they were included in staff performance evaluations and staff were provided with "guiding behaviors." Lyons said: "We added guiding behaviors for our staff because they asked for more specific ways in which the principles might influence how they work daily."

The annual Outstanding Staff Awards were altered and based on the principles and interview questions for prospective staff members were modified. In 2012 to 2013, the team held community town hall meetings for all staff members on each of the principles, offering a tool kit to provide examples to show how managers could translate them into practice.

For Berkeley-Haas's Faculty, the challenge was how to bring the principles into their world where they were typically measured by research and teaching. Lyons said: "The first 'ask' of the faculty was a request that they not undermine or diminish our defining principles in the classroom—'this might not be your cup of tea, but understand that our MBA students have been working in industry and likely had leaders who have talked about this all the time;' the faculty agreed and have kept the bargain. The second 'ask' was to encourage the faculty to integrate the principles into their classrooms if they saw such opportunities."

In the Leadership Communications course syllabus, for example, Cort Worthington, professional faculty of leadership, negotiation, and personal development said the principles were in his syllabus each year (although he joked that students probably never read those pages) and one of the student speech assignment choices was to identify a Defining Principle of choice: "Inspire us to take this principle into our own lives. Be careful not to moralize or preach, but explain how this genuinely resonates with you and describes how a person's life could be empowered by following this principle." He acknowledged that only a minority of students chose this option though.

Morgan, who taught Game Theory in the MBA program said that he integrated some of the principles into his course too: "I use the principles as a kind of connective tissue between various concepts such as showing that a firm's actions were different versions of 'Questioning the Status Quo,' showing how a firm or a manager, not explicitly, used the principle to power some kind of innovation. Students really like that. In this way, the Defining Principles have influenced my teaching for the better."

Lyons discussed the "third level" ask of the faculty as an example of knowing when to push the faculty and when to pull back: "The third level would be putting such principles into research faculty performance evaluations, which is a battle we probably shouldn't fight because we might get strong push-back. Part of getting buy-in is knowing what battles to fight. I believe we can reach our culture goals without going to level three."

Lyons and his team also reinforced the Defining Principles during in-person faculty gatherings at the beginning of each term. However, despite such efforts, some new faculty were unaware of the principles. Omri Even Tov, who joined the accounting department in 2015 as ladder faculty recalled his lack of exposure to the principles: "No one talked about the Defining Principles during interviews and I wasn't aware of them at all. At some point when I joined, I received a postcard with them listed [different from the wallet card referred to earlier]."

Despite this, Even Tov said that he tried to integrate the principles in the classroom since students understand them: "The Defining Principles are rooted and people talk about them. If you're in class and you want people to participate more, you might say, 'Go Beyond Yourself' and they get it." Tadelis too added a few small elements of the principles in his microeconomics for decision-making course: "I weave in the Defining Principles when possible such as 'Question the Status Quo' because part of my class is to reshape the way students think about problems and how to make decisions using economic principles."

## **Curriculum as Culture**

### ***Redefining the Business Graduate***

Building on the Defining Principles process, the team set out on a bigger goal to "redefine the business graduate," centered around the idea of developing "path-bending innovative leaders" to

make change in a challenging world. Up until that point, the school had never directly stated that it develops “leaders,” nor was it viewed so much in the market this way. Despite this perception by some, Berkeley-Haas was still “getting extraordinary students who were capable of being leaders,” said Lyons. “So, an important, but understated shift was for us to think bigger and to change our tone about our students and graduates.” It was at this point, that Lyons and his team started referring to Berkeley-Haas students and graduates as “Innovative Leaders.”

In the process of defining what this type of leader was, the team came up with a new curriculum called Berkeley Innovative Leader Development (BILD) that included 10 key capabilities that defined the innovative leader. Specifically, these capabilities of innovative leaders were organized in four buckets: Defining Opportunities (problem framing, opportunity recognition, and experimentation); Making Choices (revenue model innovation, valuation of ideas, and risk selection); and Building Organizational Capacity (influence without authority, managing ambiguity/conflict, team creativity, and adaptive governance). Each capability was followed by a detailed descriptive paragraph.

These BILD capabilities were developed jointly with faculty members and “were also capabilities demanded by recruiters and others in the marketplace,” said Lyons. At the time, Lyons also said: “We want to prepare leaders who define what’s next for our markets and our societies. This kind of path-bending leader is more critical than ever to our collective future.”

Morgan commented on the challenges of shared governance during this process: “There were a lot of capabilities because the dean felt that it was necessary to try and appeal to each of the subject matter areas from marketing to accounting to finance, and try to give them some goodies to make them feel like they’re really included and central to this part of this related initiative.

After the team conducted two evaluations of the BILD program, one in 2012 and another in 2014, they determined that although the capabilities had not gained much traction with students, the students clearly understood and identified with the Defining Principles. As a result, Lyons and his team chose to eliminate the capabilities in 2014. Morgan commented: “We ditched them completely. I thought this was a very brave move by the dean. He just tossed them and said, ‘Ok, that was a fail.’”

But without the capabilities, Morgan felt that there was now a “gap”: “We have these Defining Principles that are embedded in the organization with the staff, the students, and to some degree the faculty, and this idea of a Berkeley Leader (the current incarnation of BILD and the innovative leader concept) and we’ve tried to assign certain attributes to Berkeley Leaders. I think the next dean could fill this gap. We know a lot about the characteristics that are important in selecting individuals we bring to Berkeley-Haas, but what are the leadership characteristics we celebrate when they come out—when they’re transformed? What happens during the transformation?”

Specifically, Morgan and other faculty were worried about the future of business school education where costs continued to rise and new innovative models, where “others could provide 80 percent of what we offer at 20 percent of the cost,” could disrupt the industry: “Can the Defining Principles be a path to long-run competitive advantage in a market that is under threat of being commoditized and disrupted? Not by themselves. I think they are a necessary condition but not a sufficient condition. Until you fill in the blanks about what this magical transformation is, where is the unique value-add, the Defining Principles alone are a great start, but they’re not the end of the road and they won’t be enough by themselves.”

### ***An Integrated Experiential Learning Curriculum***

Part of the team's work on culture was also to fully develop a finishing component to the core MBA curriculum—a structured process for delivering innovation in organizations. As part of its curricular changes, all full-time MBA students were required to take at least one experiential learning course that prepared them to solve real-world business problems, while emphasizing innovative leadership skills. “We also wanted to integrate our already successful experiential learning programs into our innovative leader curriculum; students now must apply skills and capabilities developed in other core courses to these experiential courses,” said Lyons at the time.

Students could choose from one or more from a list of nine (at the time, but currently 14) distinctive experiential programs such as Haas@Work which sent teams of students to work with top executives at major companies such as Cisco, Disney, and Clorox to solve specific problems; Cleantech-to-Market which sent a cross-disciplinary group of students and others such as engineering students to work with Lawrence Berkeley National Laboratory and other departments to evaluate the commercial viability of new technologies in fields like alternative energy; or The Startup Lab where students were paired with local venture-backed startups to identify, frame, and address strategic business challenges. Later these experiential programs would be called “Applied Innovation.”

### **Measuring Performance**

Lyons and his team were committed to measuring the effectiveness of its culture and curriculum efforts. “The larger goal is, of course, the success of our graduates,” said Lyons. Morgan felt that the Defining Principles were ultimately a “big success story” with the students. “I think the Defining Principles are a terrific set of organizing principles for life.” Numerous notes, emails, and letters revealed that the principles hit a nerve with many students and alumni. Lyons said: “An alum sent this handwritten note when we first wrote about the principles in an alumni magazine. On ‘Question the Status Quo,’ he said, ‘that was here in spades when I was here’ and for ‘Confidence without Attitude,’ he said, ‘we had that when I was here 60 years ago.’ That’s my codify story.”

Lyons said on feedback from recruiters and others: “Venture capitalists tell me our Defining Principles describe the kind of people they like to fund. Recruiters tell me that when they hire for senior positions, it comes down to culture fit over skills nearly every time. Clients of our short executive programs tell me they chose us for culture fit, which they didn’t see among peer schools. Our culture makes these outside audiences think differently about Berkeley-Haas’s talent, sending ripples beyond what we initially intended.”

Stephanie Fuji, former assistant dean of MBA Admissions said that measuring the role the Defining Principles had on admissions was difficult but there was an effect: “So many factors go into application volumes that it’s hard to measure, but a consistent trend over time was that the fit of the students really increased.” She added: “Conversations we had with people at events or who would apply seemed to indicate a stronger understanding of their connection to the school and these were due to the clear principles. No other school was putting a stake in the ground like we were with the Defining Principles.” And “fit” showed up in the classroom and the community, according to Lyons: “10 years ago, we had maybe fewer than 10 people in a class that didn’t conform to ‘Confidence without Attitude,’ informally called the “no a--hole” rule back in the day, but now we have 0, 1, or 2, another testament to how we codified the values we have long held. Our Defining Principles allow us to attract even more top students who appreciate our

culture. That’s a bold step—we understand Berkeley-Haas is not the right fit for every student—but we don’t disappoint those who come here.”

A 2013 alumni survey indicated high awareness of the principles, especially among recent graduates, and a 2016 alumni survey found that overall perceptions of the school had improved since 2013. A 2017 survey<sup>4</sup> asked current students to describe a positive but unexpected benefit of the Defined Principles—many responses focused on the openness and approachability of fellow students and the framework the principles provided for evaluating problems. The survey also asked whether the principles were well-embedded and 90 percent of all respondents agreed that the principles were strongly reflected in the behaviors of their classmates (undergraduate students were less likely to agree with this statement). In a 2015 exit poll of full-time MBAs, 92 percent of people felt that their classmates displayed “Confidence without Attitude” and 89 percent felt that the culture as described by the principles was what they expected it to be.

Faculty buy-in of the Defining Principles varied a bit more. In general, professional faculty “found the culture work very appealing because these efforts were more corporate and many of them have dual perspectives,” said a faculty member. Morgan, a member of the ladder faculty said: “Buy-in for faculty has changed because some of us now embrace these things because the students embrace them like a network effect. Some of the faculty who are star teachers brought the principles into the classroom and I think seeing things like that produced a kind of buy-in on the part of the faculty, but it’s still a reluctant buy-in.” Tadelis spoke positively about codifying the culture versus changing a culture: “It’s hard to change people and it’s hard to change culture. The Defining Principles are really what Haas and Berkeley are as an institution. It was there already and it was just a matter of putting things in focus and sharpening the message.”

Rose provided his perspective on Lyons’s efforts: “I don’t really know what the strategic plan consists of but I know it’s important to lots of people and that we have one so I have no reaction.” On the Defining Principles, he said: “The students like them, the alumni like them, the [ladder] faculty are indifferent so I have no problem with them at all. It’s fine with me. In fact, my view has changed positively because the Defining Principles seem to have an impact on student selection, and they do different things in the world than they would have otherwise.”

Rose explained why he didn’t incorporate any of the principles into his courses: “I don’t see how the costs of inflation for a typical household or if the Danish Kroner is overvalued, relates to ‘Beyond Yourself’ in any way. The Defining Principles are orthogonal to anything I teach.” He added: “You won’t find much enthusiasm for the Defining Principles [among the ladder faculty] but you also won’t find people sneering at them. Realistically, I think that’s the most that Rich could have hoped for.” Rose explained: “The vast majority of ladder faculty here are research-active and serious scholars. A soundbite like some of the Defining Principles, just doesn’t cut it. It’s the opposite of what we do—we like to think about things carefully and go through the pros and cons of everything.”

Tadelis was initially skeptical about the Defining Principles but changed his views after his work experiences in the corporate world at Amazon and eBay: “Before I had that practical wisdom of working at companies, I couldn’t fully grasp the objective of these Defining Principles. I now think these are core to being a successful team member in any organization.”

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<sup>4</sup> Shipra Agarwal, a member of the full-time MBA class of 2017, conducted this study. It is the same survey that found 75 percent of students cited the Defining Principles as a strong reason they chose Berkeley-Haas.

Worthington felt that communication of the principles was too “slim” for all faculty: “At some point, I was onboarding new faculty, both professional and ladder, and I don’t think the Defining Principles were communicated enough. I don’t recall having any materials or any information on the principles to give to people.” Though Lyons addressed the incoming faculty at their orientation each year with a discussion of the principles, attendance was not 100%, nor were there supporting written materials.

For staff, Lyons felt that the principles were integrated too slowly: “We were focused on the students, the alumni, and getting faculty buy-in. But this is an enterprise-wide thing. For our staff, it took us a year-and-a-half before we clarified the behaviors around these principles and we had to play catch up because we were focused on other constituents. If it’s truly the institution we’re focused on, we need to focus on the staff too. We were way too slow to do that.” In 2013, 72 percent of staff members said that Berkeley-Haas’s mission and goals were providing them meaningful direction in their jobs.

### **The Future**

As Lyons prepared for his final year as the dean of Berkeley-Haas, he was excited about all the progress the school had made—the six academic programs were consistently in the top 10 of major rankings, with two ranking #1; the MBA curriculum revamped; launch of the new Management, Entrepreneurship, & Technology (MET) program (a dual-degree program with the Haas and Berkeley Engineering School); launch of the new Berkeley MBA for Executives Program in 2013 (after dissolving the joint program with Columbia); new executive education and interdisciplinary programs, and a new building, Connie & Kevin Chou Hall<sup>5</sup> (a state-of-the-art 80,000 square foot learning laboratory open for classes in the summer of 2017), to name a few. Lyons’s tenure resulted in eight of the ten largest gifts in Berkeley-Haas’s history, and nearly a doubling of the philanthropic contributions of the prior decade.

Despite these advances, Lyons felt a deep passion towards his culture initiative and the Defining Principles and wanted to ensure their legacy: “I have had several conversations and executive sessions with our Berkeley-Haas board and they are totally behind the Defining Principles, and we have talked about the board’s role in keeping this strong.” In fact, Jack Russi, 2017 Chair of the Haas Board of Trustees said: “[It is hard to overstate] how important the process of having the Board not only buy-in but enthusiastically support the Defining Principles. I believe there is a direct correlation to the fact that [Dean Lyons was] able to secure eight of the 10 largest gifts and the strategy around differentiating on culture.”

Lyons added: “I also email the faculty annually with a subject line like ‘benefits to you from our culture strategy.’ I want faculty to see all the data such as full-time MBA admits citing the Defining Principles as the top-most reason they chose to come here. So, the board is primed and I have been trying to create momentum in the faculty’s thinking about the benefit statement.” Lyons felt the Board would be happy, for example, to sign a letter communicating their commitment to the principles as fundamental to the school’s future strategy.

Lyons and his team were also in the process of launching a Berkeley Leader concept (discussed briefly above) with a set of statements that derived directly from the Defining Principles. He said: “Culture in and of itself isn’t enough. It needs to serve a greater goal. For us, that

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<sup>5</sup> Kevin Chou, an alumnus of Berkeley-Haas had founded mobile gaming firm, Kabam and along with his wife, Dr. Connie Chen, donated up to \$25 million to Berkeley-Haas in March 2017. The building cost \$60 million to build and was fully funded by donors.

aspiration is using our Defining Principles to influence leaders addressing society's big opportunities and challenges. All top business schools produce leaders. But what kind of leader? That's the differentiator. We're about 70 percent there to linking culture to a sharp leadership brand—reframing the principles as defining leadership principles.” Lyons also planned to continue highlighting the culture in columns in the alumni magazine: “In the last two columns I plan to write this year, I will say something about keeping the culture strong and I want the alumni to be one of the voices that maintains the durability of our culture.”

Lyons emphasized that much of the culture has been integrated into business processes: “If someone wanted to get rid of the culture, they would have to actively undo 180 business processes such as changing our interview assessment form, changing the questions on our recommendation letters, paint over words in the Innovation Lab, extract tiles that have our principles on them from the courtyard [put in place in 2013], take things out of the staff performance evaluation process, take out the interview questions when we hire staff, take the principles out of the onboarding process for staff, and more. All these things are the most natural ways to keep some of the momentum going.”

On the future of the principles, some ladder faculty such as Rose were skeptical: “I think the Defining Principles will live on for at least a year or two. I hope they live on for a long time. But I don't know. Deans want to do something different—that's how they leave their imprints. Since we're not going to build a new building anytime soon, I would imagine the next dean would want to do a new strategic plan. I hope the Defining Principles live on because I don't want to do another strategic planning exercise.” He added: “If the Defining Principles went away, two important constituencies would be less happy (students and alumni) and that's not a good thing.”

Worthington, of the professional faculty, said: “I don't think the principles will endure after Dean Lyons leaves. I don't encounter them much and they're not communicated much. I think Rich Lyons communicates them consistently but in a haphazard way.” However, he valued the principles, adding: “I want to think of legacy here. The principles have been a real discovery and there has been real intentionality around them. They're pithy like real diamonds and diamonds don't get changed over time, and they're not like slogans on a corporate wall. I'd like them to be elevated to some degree.” Jennifer Chizuk, former COO of Berkeley-Haas was more optimistic: “A new dean will have new ideas but when we get a letter from a graduate from 1950 telling us we nailed the culture, I think we codified a culture that always existed so a new dean couldn't just come in and do away with the culture. The new person should be a fit with the culture and embrace it, live it, and reinforce it in new interesting ways—tell stories, showcase new examples.” Long-time senior staff member Dan Sullivan echoed a similar sentiment regarding durability: “I'm confident, but not complacent.”

On the future dean and the culture, Lyons said: “I have been a dogged champion for the culture and talk about it all the time so it's natural for it to lose some energy under the next dean because that person just wouldn't be as close to it as I have been. But there are a lot of institutions that can maintain very strong cultures over many successions because organic support is so strong. Cultures need to evolve over time so elements should change. I don't mean the four principles themselves, but instead, for example, the next dean might decide to focus on specific behaviors that link to a given principle and make things more concrete than we did.” In the job announcement for the new dean, Lyons made sure the Defining Principles were prominent.

Berkeley-Haas board member, Michael Gallagher said the hiring process would play a critical role in the legacy of the principles: “The important question is how well the next dean is selected. The dean is the rudder of the ship and if that person comes in and wants to redefine the culture, it

would be a grave mistake. The dean should be selected on his or her ability to understand, support, and to have a passion for advancing these Defining Principles. If that happens, they will be sustainable for a very, very long time.”

As Lyons walked through the Berkeley-Haas courtyard after making his announcement to step down as dean, he stopped to reflect on the Defining Principles that were etched into the stone. He looked forward to his final year in which he still had much to accomplish: “Serving as your dean has been the most fulfilling job of my career,” he wrote in the message to the community. “And we still have a lot to accomplish together this coming year!” Making sure the Defining Principles lasted was at the top of his list.

**Case Discussion Questions**

1. How does articulating a culture in a business school differ from undertaking a similar initiative in a company? Why?
2. Who are the different constituents relevant to the Defining Principles and the culture initiative?
  - a. How do these constituents' interests differ?
  - b. How have each of these constituents adopted the Defining Principles?
  - c. How does that adoption vary and why?
  - d. Can advocates of "leading through culture" answer the kinds of objections expressed by some who feel it is "soft" or unscientific?
3. In what ways could the different constituents' behaviors further embed the Defining Principles at Berkeley-Haas over time? Weaken the DPs' influence over time?
4. Evaluate Dean Lyons's approach to identifying, codifying, and cultivating the Defining Principles at Berkeley-Haas.
  - a. What worked well?
  - b. What could have been improved?
  - c. How well do you think the Defining Principles contribute to the end goal of developing "Berkeley Leaders?"
5. How likely do you think the Defining Principles are to endure after Dean Lyons's term ends?
6. What could be done, and by whom, to increase the chances that the Defining Principles will endure after Dean Lyons's term ends?
7. Do you feel that leaders of universities and parts of universities are less likely to follow culture-based strategies than are leaders of other types of organizations? Would higher education be well-served by paying more attention to shared culture and values?
8. What are the deep values conflicts that seem to have prevented a deeper incorporation of the initiative? How might those be addressed?