

Warren Buffett, corporate culture guru

By PATRICIA SELLERS March 17, 2011

by Patricia Sellers

How critical to success is a healthy corporate culture?

As my [Postcard last Thursday](#) noted, Ginny Rometty, one of the top execs at IBM

, says that culture is emerging to be the No. 1 corporate asset.

Jeffrey Katzenberg, DreamWorks Animation's

chief, seems to agree—as [yesterday's Postcard](#) details.

Another guy who deems a thriving culture to be a vital ingredient of a successful company: Warren Buffett. I spent much of my “vacation,” which ended yesterday, catching up on reading—including Buffett's recently released letter to Berkshire Hathaway

shareholders. Since culture is our topic of the moment, I must share this excerpt:

...Our final advantage is the hard-to-duplicate culture that permeates Berkshire. And in businesses, culture counts.

...Cultures self-propagate. Winston Churchill once said, “You shape your houses and then they shape you.” That wisdom applies to businesses as well. Bureaucratic procedures beget more bureaucracy, and imperial corporate palaces induce imperious behavior. (As one wag put it, “You know you're no longer CEO when you get in the back seat of your car and it doesn't move.”) At Berkshire's “World Headquarters” our annual rent is \$270,212. Moreover, the home-office investment in furniture, art, Coke dispenser, lunch room, high-tech equipment –you name it–totals \$301,363.”

Buffett goes on to say that Berkshire directors receive token compensation—no options, no restricted stock, virtually no cash, and no directors and officers liability insurance. The latter, he points out, is “a given at almost every other

large



billion—forces the board to “think and act like owners,” as Buffett says. “If they mess up with your money, they will lose their money as well.”

As for the management at Berkshire Hathaway, Buffett insists that an owner orientation prevails there as well. He writes: “Our compensation programs, our annual meeting and even our annual reports are all designed with an eye to reinforcing the Berkshire culture, and making it one that will repel and expel managers of a different bent.”