

# GOOD ORGANIZATIONAL CULTURE: ACUITY INSURANCE

By Benjamin Socha, CBEA Research Analyst

Organizational culture refers to a complex set of values, beliefs, assumptions, and symbols that define the way in which a firm conducts business. In the business world, organizational culture can have a huge impact on the successes and failures of a business in a particular industry or field. Because an organization's culture is of such importance, there has been significant research attempting to define good organizational culture, and whether it can be a source of competitive advantage. Barney's work on organizational culture explores the relationship between organizational culture and sustained superior financial performance.

Barney talks about the relationship between culture and performance, and explains what exactly makes an organization's culture different, and more importantly, profitable. Barney refers to three necessary conditions for a firm's culture to provide sustained competitive advantage, and thus, a source of sustained superior financial performance. The three necessary conditions that must be met are: 1. The

culture must be valuable, 2. It must be rare, and 3. It must be imperfectly imitable. A firm's culture is considered valuable if it allows it to do things and behave in ways that add some sort of economic value to the business. If, because of its culture, a firm can add some economic value, then culture can be considered as the reason for superior financial performance. Secondly, a firm has a culture that is rare if it has attributes and characteristics that are not common to organizational cultures of other firms. This rarity of culture only works if similar firms do not have cultures that allow them to function in a similar way. Finally, a firm's culture must be unique to the point where it is nearly impossible to completely duplicate. If a firm's culture is easily imitable, then sustained superior competitive advantage and financial performance will be unattainable because other like-firms will be quick to copy and implement an identical organizational culture.

Acuity Insurance is an interesting local example of a

company experiencing sustained competitive advantage resulting from organizational culture. Located in rural Sheboygan, Wisconsin, Acuity Insurance is one of the industry leaders in across-the-board financial performance. Boasting annual revenues of nearly \$1.3 billion, Acuity has been able to spark internal and external growth throughout almost all areas of business. In addition, Acuity ranks among the top in terms of overall financial performance for insurance companies, with a recent independent research firm, Conning, Inc., ranking Acuity among the top five standouts leading the industry in both growth and profitability. Acuity also produced a personal auto loss ratio over the past five years that was more than four points better than the industry benchmark. Over the past few decades, Acuity has experienced what can be considered superior financial performance, and the result can be attributed to valuable, rare, and imperfectly imitable organizational culture.

Acuity's culture can be considered rare compared to most companies, and it can be considered even more so in terms of insurance companies. In 2016, Acuity is currently ranked as the second best company to work for, according to *Fortune's 100 Best Companies to Work for*, and Acuity was ranked third by Fortune in 2015. Fortune also ranked Acuity as the best place to work in the insurance industry in 2015. Highlighting their numerous accolades, Acuity Insurance has a 96 percent job-satisfaction rate from employees. The

awards and recognition for employee satisfaction and work place environment make Acuity Insurance a rarity in the insurance business. Above-average time off, unlimited sick leave, and generous benefits highlight an impressive list of outstanding perks and programs that are designed to promote employee satisfaction and comfort. At Acuity, employees are regularly invited to have lunch with an officer on an executive team and receive valuable feedback or suggestions. A cultural foundation based on open communication and low power-distance makes Acuity's level of employee interaction unique.

The rare culture at Acuity directly correlates to the value and competitive advantage that it experiences relative to other insurance companies. Incredible levels of employee satisfaction, coupled with excellent office atmosphere, great rewards, and great challenges give way to an employee turnover of less than two percent. This low level of turnover contributes to the bottom line, decreasing hiring costs and eliminating a bulk of the need for additional extensive training. It is also one of the primary proponents of their success, which centers on developing committed employees with the desire to improve and to help grow the company. Acuity's employees give agents the same treatment that the employees themselves receive; they take time throughout the year to remind agents

that they are indispensable pieces of Acuity's success. This universal treatment is a major value-added to the company, and it is an essential part of why Acuity creates so much value throughout the company.

Finally, as discussed in the aforementioned study, organizational culture must also be imperfectly imitable in order for a competitive advantage to be lasting. Acuity's culture is a clear example of one that is imperfectly imitable primarily because of the people who work there. The talent pool that is drawn to the company is based mostly out of the surrounding region of the Sheboygan area. The employees, who range from recent college graduates to experienced professionals, all have a commonality that makes the culture lasting and difficult to imitate. They are mostly from the hardworking Midwest, and many possess the kind of empathy and selflessness that is commonplace in the area. The kinds of people that Acuity hires are a perfect fit for sustaining their unique organizational culture, and it would be an understatement to say that the employees at Acuity love what they do. Statistically, 98 percent of employees say they take great pride in the company, 98 percent say Acuity has a great atmosphere, and 98 percent say they feel good about the ways in which Acuity contributes to the community. Overall, 96 percent of employees say that the entire workplace environment is great. Last year, 235 employees were hired out of an applicant pool of 6,143, a statistic that shows how selective Acuity is when deciding who they believe will carry on

the unique demographics of their organizational culture. The people hired possess core values, like integrity, hard work, the ability to work in a team, and respect for one another. By hiring people who fit the culture, Acuity is able to retain the uniqueness that makes their culture imperfectly imitable.

For Acuity Insurance, the implications of having such a culture, one that is rare, valuable, and imperfectly imitable, are very straightforward. Acuity should try to understand what it is about their culture that gives them competitive advantages, and then figure out how to maintain their organizational culture despite continued company growth and eventual company changes. Acuity has thrived in the insurance world for a number of years, and their unique organizational culture provides the backbone for their sustained competitive advantage and superior financial performance.

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