

Boards and Organisational Culture

What is culture?

- u Organisational mindset
- u A set of shared norms in the organisation, a consensus about what things mean and how things get done.
- u ‘How we do things around here’ - both spoken and unspoken
- u There can be outward signs of culture, such as statements of values, but these may not be an accurate reflection of the shared norms - culture is best revealed through observing interactions eg how employees behave with
 - u Other employees
 - u Executive
 - u Customers
 - u Stakeholders

Why is a focus on culture important?

- u 60% of employees have left or would leave because of negative culture
- u A positive culture that attracts good talent leads to 33% increase in productivity
- u Companies with strong cultures saw a 4x increase in revenue growth
- u Happy employees are 12% more productive
- u Culture failure damages reputation
- u Poor cultures can adversely impact an organisation eg staff morale, absenteeism and the organisation's ability to attract and retain volunteers
- u Culture is also a significant factor in the perception of an organisation by its funders, donors and the community
- u Intangible assets such as intellectual property, customer base and brand now account for over 80 per cent of total corporate value, compared to under 20 per cent 40 years ago.
- u 94% of executives and 88% of employees believe a distinct workplace culture is important to business success and see it as a competitive advantage

Failures in culture...

- u Banking Royal Commission - section of report is devoted to culture and how it was linked with the risky, immoral and sometimes illegal activities of financial services entities (Feb 2019)
- u BlackBerry was one of the great innovators in the mobile phone market with stylish products were well ahead of their time in both design and functionality. The culture at BlackBerry was all about the phone, not about the customer; while at Apple and Samsung, it was the other way around. BlackBerry may well have been producing technically superior products, but Apple and Samsung made phones that people wanted. (2013)
- u Descriptions of Uber's toxic culture have painted the picture an environment in which individuals viewed their colleagues as competition rather than teammates. In other words, if the company focuses only on profit and scale, it leaves culture to be created on its own and sends the message that results by any means necessary trump everything else.

How do boards manage and monitor culture?

- u A 2017 NFP Performance and Governance Study Report carried out by Baxter Lawley (sponsored by Commonwealth Bank) found
 - u one third of directors reported that their boards actively oversee culture and only 43 per cent reported that their culture is monitored well
 - u Half of all directors said that, compared with financial outcomes and strategy, controlling culture is 'difficult or very difficult'.
 - u strong correlation between the difficulty in managing culture and the number of employees - 65 per cent of directors of organisations with 1,000 or more staff believe management of culture is 'difficult' or 'very difficult'.
 - u Only 10 per cent said they found it 'easy' or 'very easy' with boards of smaller organisations being 'closer' to the action and have a better 'feel' of the culture

Board metrics for culture

- u Staff surveys
- u Retention rates
- u Absenteeism rates
- u Reward, recognition and remuneration schemes
- u Complaints and feedback
- u Internal and external audit reports
- u Independent assessments
- u Customer surveys
- u Exit interviews
- u Workplace health and safety stats
- u Social media audits
- u Claims and litigation

What else can boards do?

- u Hire the right CEO
- u Observe the interaction of executives with each other and CEO - informal and formal occasions
- u Attend site visits, safety walk arounds, training forums, industry events, and informal gatherings.
- u Interact with other employees during site visits, board presentations and company events.
- u Seek input from the senior leadership team - do a deep dive into particular areas or business units and ask about culture
- u Be a customer or consumer of the product - mystery shopper!

As a director some questions to ask yourself

- u How quickly or well are issues and information escalated?
- u What sort of behaviour do our reward and remuneration reward?
- u How quickly do we resolve complaints?
- u What happens when someone deals with a customer?
- u What happens when mistakes are made or problems arise?
- u How does information flow around the organisation?
- u How helpful/useful are my board papers?
- u What happens when unsafe work practices are 'easier' than the safe approach?
- u How do we handle diversity of people and opinions?
- u How do we treat our suppliers?
- u How do we treat each other?

The Board acts as a role model for the rest of the organisation.

The way the Board interacts with executives and each other - how challenges to the status quo are dealt with, how new information is processed, how dissention and conflict is resolved and how decisions get made all impact on the culture of the Board and thus the organisation.

THANKS!

NFP Success assists organisations who wish to strengthen, grow, innovate and lead, and focus more intently on their purpose. Our team are keen to work with forward thinking NFP organisations to ensure that they vision and operate to their full potential.

