Cultivating Culture

Our just-published research on behalf of the FRC on what boards are actually doing around "culture" [Cultivating Culture] suggests that a lot more clarity is needed around what boards can realistically be expected to do – and more structure around how they do it. Here we touch on a few of the main messages from our investigations.

(Our report "Cultivating Culture" contains a lot more practical suggestions on what you might do, so take a look at the full works! And get in touch if you'd like to discuss the research or what might work best for your board.)
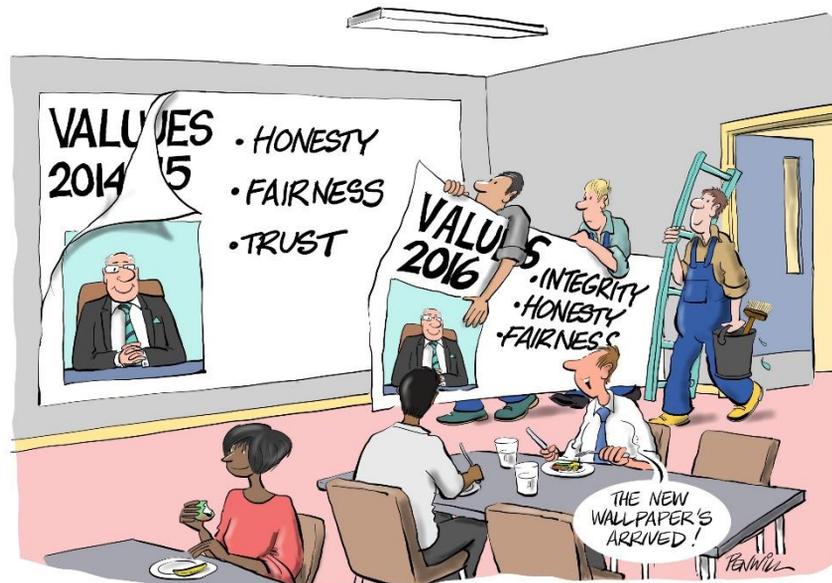
Good practices to consider...	Things to avoid...
Discuss what "culture" means to the board – and extend that out into a discussion with the wider executive. And when it becomes clear that it means different things to different people (as is likely), don't get too hung up on it. As long as the discussion takes place and there's an understanding of the different angles, the board and management can simply take this into account rather getting caught up in trying to pin down an elusive and unimportant common definition.	Assuming that "culture" means the same to everyone. It won't, so best to recognise this before people trip up over different use of the language being reflected in confusing messages and discussions.
Make sure there is clarity around who is actually responsible for setting and communicating the culture. Based on what we've seen in our research, that will mean the CEO and the executive team. So the board needs to work out what its role is – and other than hiring and firing the CEO or in a crisis, that role will mainly be about oversight over what the Executive is doing to drive and monitor the target culture.	Assuming that, just because the regulators are – quite rightly – looking for the board to take ultimate responsibility, this means that the board has to take an active lead in "setting the culture" for the organisation. It's an oft-heard expression but it needs to be interpreted wisely. Realistically, it's hard for non-executives to be a direct influence on many people below executive level – and, in any case, it falls much more logically to those responsible for executing strategy and managing the business.
Having worked out the board's role, think through what more it can do. (55% of the chairmen we surveyed think their board should do more to get involved in the right way.) That means, for example, regularly revisiting the target culture; asking how we behave against our publicly-professed standards; expressing our views on what we expect management to develop and embed; and ensuring committees focus on different aspects of culture and behaviour as part of their routine work.	Failing to come up with a structured approach for the board to follow and just leaving it to an informal "pick it up as we go along" approach. Yes – the behavioural angle does need picking up on "every" item (see the next point) but the board will benefit from having some discipline around how it forms a view of the culture and actively exercises oversight.

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Deal with culture not as a distinct concept but primarily as an integral part of the discussion of each agenda item. For most of the items there's likely to be a behaviour angle. Consideration of this shouldn't be forced or artificial – we all recognise that how people will respond to an initiative, a change or a new approach will have a big influence on its impact and on the firm's risk exposure.	Settling for a separate "culture" agenda item, probably once a year along with "all that other governance stuff". Sometimes it's good to have a specific space for considering behaviour (and looking at, for example, staff survey reports). But that isn't the same as thinking about the cultural angle underlying other board topics as they arise – after all, behaviour doesn't happen only once a year…
Make it part of strategy. Culture will be a crucial driver of performance and success, so recognise its importance and make behaviour an integral ingredient in the strategy discussions and performance monitoring.	Identifying "people" as a key strategic driver – and then not thinking through what that means. It might be easy to think of dependence on key executives – or "people as a resource" (although that often doesn't get thought through by boards either) – but how should these people behave? What attitudes do you need to see and foster to increase the chances of strategic success? Are some things impossible to pull off with your existing culture?
Recognise that the appointment of the CEO – and then keeping any eye on what the Executive is doing – is going to be perhaps the biggest influence of all on the culture. Get that wrong and it will be an uphill battle to change the attitudes and behaviours of the rest of the business (not to mention the risk of heading downhill, if you see what we mean).	Thinking that it's possible to change the culture of the organisation when the CEO is not aligned with the board's thinking on target behaviours – or simply behaves in a way which shows half-heartedness or even contradicts the message. If that's the situation, no values statements or structured culture programmes are going to change things.
Listen to the CEO's message, understand the approach to getting it out there, and then see with your own eyes how it's being responded to.	Taking at face value the CEO's assurances that the message is hitting its mark – or trying to judge that from the confines of the boardroom. There's no real substitute for NEDs getting out into the business and looking and listening. If the CEO is concerned about what they might get up to off the leash, the answer is to set out some sensible ground rules, not to discourage visits.
Give time to discussion of lapses – and successes. It's important to understand the behavioural root cause of major problems, and then follow through with management what they are doing about it. But the "good stories" need to be surfaced too, not just to get a balanced view of the prevailing culture but because demonstrations of approval from the board can help to reinforce the impact of good examples across the organisation.	Failing to follow through with management on how they are tackling a cultural failing: sometimes these issues are difficult and there's an ever-present temptation to duck them rather than to deal with them. The board can help management resist that temptation. But focusing only on problems and failing to think about what's working well can lead to despondency in the boardroom – and amongst management. It's not good for their morale if the board seems to focus only on the bad and misses all the good that's being done.
Before asking for lots more information or even special reviews about culture, take stock of what you've already got. Look at it "through a cultural lens" to join up the dots and see what picture emerges. And include informal sources of information such as private meetings with the head of internal audit and the HR director.	Pursuing a vain quest for a definitive "measurement" of culture. That's even the wrong word – by its nature it isn't measurable. You need to triangulate from different sources of information – some of which will include quantitative measures and some of which won't – and use judgement to infer the overall picture. More data isn't always helpful, so think hard about what you've already got before asking for more.

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