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Corporate governance and your organisation's culture

» Organisations get the culture they deserve.

» Your actions and behaviours and those of your people determine your organisation's culture.

» People really are your organisation's most important asset.

» Treat your people the way you would want to be treated.

» Organisational culture is like corporate governance; it is about people, not policies, processes, and systems.

The best analogy that I can come up with is that organisational culture is like the product of a chemical reaction. You take a variety of elements/compounds, combine them and, in the appropriate conditions, you end up with a particular product. The product may be very beneficial (e.g., water), or it may be extremely toxic (e.g., potassium cyanide). The key is what you start with and how all the elements react together. Once the reaction is complete, it is too late to say, "I don't like product, I'll change it." If you want a different product, you have to change something. That something may be the ingredients you start with; it may equally be the way you combine them and the conditions under which they are combined.

Purse

Organisational culture is the result of a wide range of factors and the environment in which it develops. Once an organisation's culture has become embedded, you cannot simply change it. If your organisation has a "toxic" culture, you cannot simply say, "We'll embark on a 'Culture Change' programme and that will fix everything." It won't,

because a culture change programme is attempting to treat the consequences and the symptoms, rather than the causes. Treating the consequences/symptoms will not address the underlying factors and environment that produced the culture that you want/need to change. If your organisation has a toxic culture and you want to change it, then you must first identify the causes. At its core, organisational culture can be described as, "The way that we do things here." Simplistic, but nonetheless true; if your organisation culture is toxic and inconsistent with good corporate governance, then you need to change "The way that we do things here." The good news is that it isn't rocket science; it is actually fairly basic.

Organisational culture and corporate governance share one crucial characteristic—they are internal. Yes, they are influenced by external factors like compliance, legislation, and regulation, but unlike them, your organisation's culture and governance, for good or ill, are under your control. Your actions and behaviours and those of your people determine your organisation's culture. Organisations get the culture they deserve.

Some factors affecting organisational culture

Values and behaviours

I can almost hear everyone saying, "Please not again, we have a 'statement of values and behaviours'." Well bear with me. An organisation's values and behaviours are crucial to achieving a "good" corporate culture, but they have to be much more than something formulated by your board. They have to be something that is understood and implemented by everyone in an organisation, such that they become part of the way you and your organisation do things. If an organisation has a set of values and behaviours then, to have any meaning/value, everyone (I do mean everyone, including especially the directors and executives) has to "walk the talk."

An organisation doesn't need a written statement of values and behaviours. In some organisations, notably the armed forces, their values and behaviours have become embedded over centuries. There have been failures, but they have tended to be isolated aberrations, rather than the norm. Assuming your organisation has not had the opportunity to embed its values and behaviours over a couple of centuries, then where to start?

You want your people to take ownership, so why not start by involving them in determining what they should be? The board/executive can and should take the initiative by producing a draft list (it shows that this is something of importance), but please keep it short and written in everyday language rather than management jargon. Everyday language means that everyone can understand it. Short, probably no more than 10 bullet points on a single sheet of paper, means that everyone can remember it.

You've produced the draft; now put it out to your people for discussion and comment. Listen to the views of your people and amend your draft accordingly. This will take time, but if you have really involved your people,

they are far more likely to take ownership of the result. All this will take time, but it could massively improve the long-term success and sustainability of your organisation.

All organisations are different, so there is no "template" when it comes to a statement of values and behaviours, but here are some ideas:

- We treat all our colleagues with dignity and respect.
- We trust our colleagues to do the right thing.
- We act ethically in all that we do, with honesty and integrity.
- We take responsibility for our actions.
- We encourage colleagues, clients, and suppliers to express their opinions.
- We listen to our colleagues, clients, and suppliers.
- We encourage colleagues, clients, and suppliers to work to our values.
- We assist colleagues, clients, and suppliers to achieve our values.
- We constantly try to improve, with honesty and integrity, the performance of our organisation.
- We work to create and encourage trust among all our colleagues.
- We strive to be the best in all that we do.

I know it's more than 10 points, but it isn't a template!

Your people

People really are your organisation's most important asset. It is your people who make things succeed or fail. It is your people, all your people, who are the catalyst for a dynamic and positive organisation. Policies, procedures, and systems may play a part, but only as a support. Toxic organisational cultures and failures in good corporate governance are caused by people. So what is the solution when dealing with your people? The answer is that there is no single solution. You can forget all

the latest theories on leadership and people management, just stick to the basics.

Treat your people the way you would want to be treated. Treat people with dignity, honesty, respect, and trust. You may not agree with their views, but do them the courtesy of listening to their views before you dismiss them; who knows, you may learn something. If you disagree, then explain why; that way people will know that they have been listened to. If you treat people as you would want to be treated, they will reciprocate. It may take some time, especially if you are working to change a toxic corporate culture, but it will happen and the people will come to trust you. Do remember though that trust is hard won, but very quickly and easily lost.

You have to be an exemplar to your people; in other words, you've got to walk the talk. Values and behaviours are meaningless window-dressing unless they are fully embedded in your organisation, and that will only happen if everyone, from the chairman down, walks the talk. When your values and behaviours are fully embedded, then your people will promote them and act as guardians to them; they will exert peer pressure on non-compliant individuals. The result is a virtuous circle.

Legislation and regulation

These are clearly external factors and, although they may have some impact, they cannot determine what sort of corporate culture your organisation has any more than they can ensure that an organisation exercises good corporate governance. Back in the 1960s and 1970s, successive UK governments thought that you could legislate for good employee relations;

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they were wrong! At its core, like corporate governance and organisational culture, employee relations is internal to the organisation and it is about people.

The same is true today. The proliferation of regulations, codes of conduct, et cetera, do not ensure that organisations and their people achieve and sustain either a good organisational culture or good corporate governance. Arguably, they simply lead to a "tick box" approach. If you have a good organisational culture, with deeply embedded values and behaviours, then good corporate governance is an unavoidable consequence. It also means that your organisation can easily evolve to meet the inevitable changes in legislation and regulation.

Concluding remarks

- ▶ At its core, corporate/organisational culture is akin to corporate governance; it is about people, not policies, processes, and systems;
- ▶ Use consultants to carry out an independent and objective assessment of the root causes of your existing organisational culture and to advise on possible solutions. An objective assessment is crucial;
- ▶ Do not use consultants to implement your "change" programme. It is for you to demonstrate total and long-term commitment and ownership to the programme; and,
- ▶ Always walk the talk. For cultural change to succeed, you have to remember that actions speak louder than words. ✳

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