THE BENEFITS OF HAVING A CORPORATE CULTURE

The FRC in the last few months have come out with a Report which looked at the increasing importance which Corporate Culture plays in delivering long term business and economic success.

Stakeholders and Society in general have a vested interest in healthy corporate values, attitudes and behaviours that lead to sustainable growth and long term economic success.

A healthy Corporate culture is a valuable asset, a source of competitive advantage and useful to the creation and protection of long term value. It is the Board's role to determine the purpose of the Company, and ensure that the Company's values, strategy and business model are aligned to the stated culture and vision.

Culture in a corporate context can be defined as a contribution of the values, attitudes and behaviours manifested by a Company in its operations and relations with it stakeholders. These stakeholders included shareholders, employees, customers, suppliers and the wider community and environment which are affected by the Company's conduct.

Culture is much more about people than rules. Codes of conduct are a baseline. A culture is created by what you do rather than what you say.

Leaders, in particular the Chief Executive must embody the desired culture, embedding this at all levels and in every aspect of the business. Boards will have the responsibility to act where leaders do not deliver.

Even though not directly responsible for embedding culture, boards never the less play an important role in influencing culture and in supporting the efforts of the executive team to embed the values and reinforce desired behaviours and culture.

Two of the most important ways in which Boards can influence culture are in leading by example – displaying and communicating the values when in the business – and the selection and management of the Chief Executive.

Therefore for Boards, culture starts with their behaviour in the boardroom. Employees need to see that the leadership is held to account and to the same standards as the rest of the organisation.

It is generally accepted that the Chief Executive has the most influence over the culture of the Business – even more so in smaller companies. The accountability for assessing and driving culture lies with the management team. And especially the Chief Executive, who sets expectations and drives behaviour and change throughout the organisation.

There is a Board culture and an organisation culture. The two are linked, but it is the Chief Executive who most influences organisational culture. The key is to balance the focus of the Board, so to encourage the right behaviours across the organisation without trying to do the job of the Chief Executive.

Therefore the relationship between the Chairman and the Chief Executive is important in defining cultural behaviour and policies across the business. The more closely they work together the more likely it is that a strong ethical culture will evolve across the business.

Dominant personalities can be disruptive in all sorts of ways especially culture. Therefore choosing the correct balance of people, especially the Chief Executive, is key to the culture of the organisation.

CONCLUSION

Therefore Company Boards

1. Should be connecting their purpose and strategy to culture.
2. Aligning values and incentives which support and encourage positive behaviours consistent with the Company's purpose, values, strategy and business model.
3. Assessing, measuring and reporting on Company culture in Annual Financial Statements

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