

Corporate Culture

The questions



KordaMentha
corporate

Concerns have been raised over ASIC's recent interest in organisational culture. Financial System Inquiry chair, David Murray, voiced his doubts about any organisation's ability to assess and report on its cultural framework. His comments reflect some of the questions leading executives are asking in response to the challenging people issues facing Australian business today.

Can an organisation assess its own Culture?

The common wisdom about culture highlights the human and financial risks associated with an unhealthy culture and the measurable benefits which result from a healthy culture.

Recognising that a healthy culture is important in attracting staff, many firms have included statements about their culture on their websites. However, these statements typically have an aspirational tone and are based more on how the business likes to see itself rather than on any objective data.

Evidence shows that there are a handful of factors which have the greatest influence in creating a positive culture and one is that leaders "walk the talk" of the organisation's values. Another is the financial incentives structure. A further determinant of a healthy culture is the way challenge is invited and responded to, particularly at senior levels of the organisation. Healthy cultures welcome challenge and honesty. Unhealthy cultures suppress dissent.

Last year we conducted a strategic review of a national organisation with over 5000 employees. Our focus was leadership and culture. During the interview process, one of the senior leaders recounted an event which spoke to the heart of their culture.

He said "I listened to what was being presented by my colleague and thought the information was totally and fundamentally wrong. However, in spite of this, I said nothing and neither did anyone else in the room. On the way back to my office, another colleague who had also been present said, 'Do you think he was lying to save his job or is he genuinely that deluded?'"

This anecdote highlighted a shared understanding of "the way we do things around here". Even at the highest levels of the organisation, challenge was not wanted, not effective or both. It was a red flag of risk and an indicator that the company culture was undermining its ability to achieve any of its goals.

The reality is that an organisation's ability to assess its own culture correlates directly with how healthy its culture is.

This was a company with a large HR team who had also spent millions of dollars on consultants in an attempt to create a positive work environment. They had done several standard surveys, including employee engagement, and seemed to be monitoring the people issues. However, a more thorough examination showed that while there was a lot of information, the right questions weren't being asked. There were no questions in any of the surveys asking whether leaders were a role model for company values, nor if staff had confidence in its leadership.

This situation highlights the difficulties with a company evaluating its own culture. The CEO who authorised the feedback processes had a vested interest in not putting his own capability, and that of the senior people he had recruited, under too much scrutiny. The HR team believed they were doing a good job in difficult circumstances. They didn't want to hear too much criticism from unhappy staff. The consultants were also conflicted in evaluating the results of their own efforts. Lots of data was produced to meet reporting and regulatory requirements but the real picture lay in what was unreported.



Five questions every board should be asking:

- Have we conducted a confidential organisational culture survey recently?
- Who checked that we asked all the right questions?
- What did responses show were our main risk areas?
- What have we done to get an independent, deeper look at these risks?
- How might our process be compromised by conflicting interests?

Ironically, the reality is that an organisation's ability to assess its own culture correlates directly with how healthy its culture is. Organisations with a healthy culture and strong leadership will assess themselves with rigour and integrity. They have the resilience to accept their failings and address them. Equally, businesses with unhealthy cultures and leaders who have a personal agenda to preserve the status quo will do a very poor job. They want to be seen to do something while hiding the facts. They may comply with requirements but will present data that obscures or omits the truth.

We are working currently with an organisation at the request of the board who have some concerns about the results of recent staff surveys. They suggest there may be issues with bullying and unethical behaviour. The initial response of the CEO was to suggest that he would get the Big 4 firm who audits the company to look at the issues and write a report for the board. The partner in the audit firm is conflicted by both his personal and professional relationship with the CEO. His report would be unlikely to implicate the CEO and other executives in any serious way. The board wisely suggested a more independent review.

All internally conducted surveys should include a set of core, compulsory questions which reflect the important differentiators between a healthy and unhealthy culture.

So what does this mean in regard to assessing culture? Confidential internal surveys are good indicators of risk but they are only as good as the questions they ask. If internally administered surveys are to be seen as informative and valid, there should be a mandatory set of core questions which reflect the most important factors associated with cultural health.

For example, surveys should include questions that help to determine whether:

- The leaders are role models of the organisation's values.
- The HR function is seen to be independent and trustworthy in dealing with complaints of inappropriate behaviour regardless of who is involved.
- Challenges, honesty and professional debate are invited and well received at all levels.
- Poor performance is managed constructively in all instances.
- There are robust, confidential 360 degree feedback processes in place which are incorporated into performance assessment.
- Performance incentives reflect stated values.
- Excellent performance in all the areas which the organisation says it values is recognised.

Where staff surveys identify risk, it is unlikely that the organisation can be relied upon to conduct a more thorough examination of its own culture and to disclose all pertinent information. Further investigation should be carried out by an external body that is independent and not conflicted by other relationships with the firm.

Where the survey responses indicate a risk in any of these areas, an organisation cannot be relied upon to conduct a deeper examination of its own problems.

To summarise, in some ways assessing culture is analogous to doing an internal audit on important people issues. As with any audit, businesses with the most to hide will do the worst job if asked to audit themselves. Similarly, if there are imposed reporting requirements, they will supply the necessary paperwork to avoid further scrutiny.



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