Culture

The board models and works to instil a culture that supports the organisation's purpose and strategy

10.1 The board defines and models a desired culture that aligns to the purpose and strategy

10.2 The board oversees a strategy to develop and maintain the desired culture

10.3 The board oversees mechanisms to monitor and evaluate organisational culture

10.4 The organisation's values are clear, periodically reviewed and communicated to stakeholders

10.5 The board oversees a framework for the reward and recognition of workers

A strong culture is an invaluable asset to an organisation and can contribute significantly to an organisation's ability to achieve its purpose. However, a poor culture can undermine an organisation's performance. The board plays an important role in shaping an organisation's culture, including through leading by example.

What is culture

Culture represents the shared values, assumptions and beliefs that shape the behaviour of the people involved in an organisation. It is often described as the way people act when nobody is looking. Culture can seem like a nebulous concept, but while it may be difficult to measure or define, it is a powerful influence on the people involved in an organisation and their actions.

Good cultures are aligned to an organisation's purpose and support the achievement of its goals. For example, if your purpose is to educate primary school children, the ability to do this will be enhanced by a culture that prioritises the best interests of the child and places emphasis on high standards in teaching and child welfare.

Conversely, poor cultures can adversely impact an organisation such as through its impact on staff morale, absenteeism and the organisation's ability to attract and retain volunteers. Culture is also a significant factor in the perception of an organisation by its funders, donors and the community. In some circumstances, poor culture can even result in misconduct.

It is also important to recognise that there may be multiple cultures within an organisation. Different attitudes and practices may emerge, and be actively cultivated within particular teams, for example.

Monitoring culture

There is no single metric that can be used to evaluate the culture of an organisation. Instead, boards must consider a range of data sources to build a picture of culture through combining both quantitative and qualitative information.

Measuring culture does not necessarily have to involve the development and measurement of new performance indicators specific to culture. Most organisations already have access to a range of data that can be used to build a picture of their culture.

"And now here is my secret, a very simple secret: it is only with the heart that one can see rightly; what is essential is invisible to the eye."

Antoine de Saint-Exupéry, *The Little Prince*

According to the AICD's 2018 NFP Governance Study the top five ways that NFPs measure culture are:

Figure 12: Top five ways of measuring culture

Staff survey results	Staff turnover and dismissals	Client survey results	WH&S reports	Client complaints
45%	41%	40%	35%	33%

(Source: AICD *2018 NFP Governance and Performance Study*)

There are also other ways through which the board can develop a sense of what the organisation's culture is. For example, the board might review the decisions and actions of management to determine whether they are consistent with the organisation's desired culture. Many boards also engage directly with clients, staff and volunteers to build a picture of culture based on personal interactions. However, care should be taken to keep the CEO informed about any such activities.

The board's role in culture

The board and its directors play a critical role in shaping an organisation's culture. Because culture can significantly influence an organisation's ability to achieve its purpose, it is important that boards form a view on what kind of culture will best support the achievement of their purpose and take steps to develop or maintain it.

"The fish rots from the head."

Ancient Chinese proverb

There are several different ways that boards can engage with and practically influence an organisation's culture. For example, the selection of a CEO can have an enormous impact on culture. Setting out a code of conduct for an organisation can also influence the organisation's culture, as can establishing remuneration structures that incentivise desired behaviours.

Every action of the board has potential to influence the organisation's culture in some way. For example, if a board approves a budget which makes generous provision for learning and development and requires reporting on how much time staff spend undertaking training, over time this is likely to contribute to creating a culture that values ongoing education. Although such decisions might not be considered through a cultural lens, they have the potential to influence an organisation's culture in small but powerful ways.

It is not only the board's decisions that have the potential to influence culture, but also its behaviours and attitudes. How board members interact with one another, the questions that they ask of management and the way they conduct their meetings can all influence culture. In this way, the culture of the board itself ripples through the organisation. This is called setting the 'tone from the top'.

Managing culture should therefore involve ongoing reflection by directors about how their decisions and behaviour shape their organisation's culture. The cultural impact of board decision-making should be a consideration in decision-making. Boards should also consider how their organisation's culture might impact the certainty with which the intended outcomes of their decisions will be achieved – considering culture from a risk management perspective.

A simple way to keep this fresh in the minds of directors is to make sure that culture is a regular agenda item for board meetings.

Organisational values

One of the practical ways that a board can influence culture is through defining organisational values. Values are an expression of the organisation's identity and are intended to guide the behaviours and decisions of the people involved with the organisation.

For example, if an organisation has the value of 'excellence in client service', that may mean that they do not provide services unless they are confident they meet a certain standard, or that they prioritise rectifying service issues when they occur over other issues.

For values to be effective they need to provide clear guidance about what an organisation considers to be good. At times, holding true to an organisation's values can be challenging, however, it is important that boards are prepared to make difficult decisions to stay true to their values.

Boards must approve the organisation's values and also work within them. They should be guided by the organisation's values in their own decision-making and should also challenge decisions of management when they are not in line with the organisation's values. Values are not meaningful unless they are observed and there are consequences for failing to observe them.

Culture and incentives

An important influence on an organisation's culture is the way staff and volunteers are incentivised to behave. These incentives may be material (such as through pay rises, bonuses or gifts) or non-material (such as increased seniority, certificates of appreciation or public recognition).

The board should oversee a reward and recognition framework that aligns incentives to the organisation's purpose. It is important that incentives are aligned to the organisation's purpose so that the people involved in the organisation are working towards the same goals.

The way behaviours are incentivised or discouraged sends an important message about what the organisation values are and what it is trying to achieve. It is also important that these incentives are realistic and achievable. For example, if an employee is incentivised to do their job too quickly, this may encourage them to rush or cut corners, and may adversely impact the organisation's purpose or even result in misconduct.

Not all incentives are rewards. Some incentives are negative, such as the possibility of a penalty for failing to meet defined expectations. It is important that there are negative incentives to discourage behaviours that are inconsistent with a desired culture or stated expectations of conduct.

Boards should be prepared to make difficult decisions to enforce culturally appropriate behaviours and empower management to do the same. In certain circumstances, such as where the behaviours are extreme or repeated, it may be necessary to terminate a person's connection with the organisation to protect the culture.

QUESTIONS FOR DIRECTORS

WHAT SORT OF CULTURE WILL BEST SUPPORT THE ORGANISATION TO ACHIEVE ITS OBJECTIVES?

WHAT IS THE CULTURE OF THE ORGANISATION AND HOW IS THIS DISCERNED?

HOW OFTEN DOES THE BOARD DISCUSS CULTURE?

DO THE BEHAVIOUR OF STAFF AND VOLUNTEERS ALIGN TO THE ORGANISATION'S VALUES?

HOW DOES THE BOARD ALIGN ITS DECISION-MAKING TO ITS VALUES?

CASE STUDIES

HelpfulCare

HelpfulCare has established a policy document titled 'Being HelpfulCare' that articulates their desired culture alongside their strtegic statements.

The 'Being HelpfulCare' policy sets out the organisation's values and the cultural behaviours that staff are expected to exhibit. Anyone can access the policy on HelpfulCare's website.

The board has directed management to act within the limits of this policy and to find ways to bring the policy to life. As a result, cultural fit is assessed in the recruitment process and positive examples are celebrated through internal communications. The board set the principles and practices for reward and recognition of employees to promote alignment with culture.

The board regularly considers culture as part of their formal decision-making process. The board also requires that culture be considered in the context of recruitment and the executive have authority to manage staff who exhibit behaviours that are inconsistent with the cultural norms.

Measuring culture is a critical focus for HelpfulCare. The board has instructed management to undertake annual staff engagement and client perception surveys. The board also reviews performance measures such as staff turnover and work health & safety reports, and a selection of client feedback is presented for board review at each meeting.

The Friendlies

The Friendlies' behavioural code called 'The Friendly Way' also sets out what their culture should be. The governing documents require the board to behave in a way that is consistent with the code and to promote it to members.

To assess how well the organisation is meeting its cultural goals, the board conducts a survey of members every two years. In the survey they ask how well the organisation is living up to 'The Friendly Way' and what steps the organisation could take to continue to improve.

'The Friendly Way' also sets out the organisation's core values. In assessing new projects, the board is required to evaluate their alignment to the organisation's values.

The board has required that demonstrating the organisation's values and adhering to 'The Friendly Way' are part of the employment contract of the coordinator. The board also work to identify members who have been exemplars of the values and reward them through public recognition involving either commemorative awards or letters of appreciation from the president.