

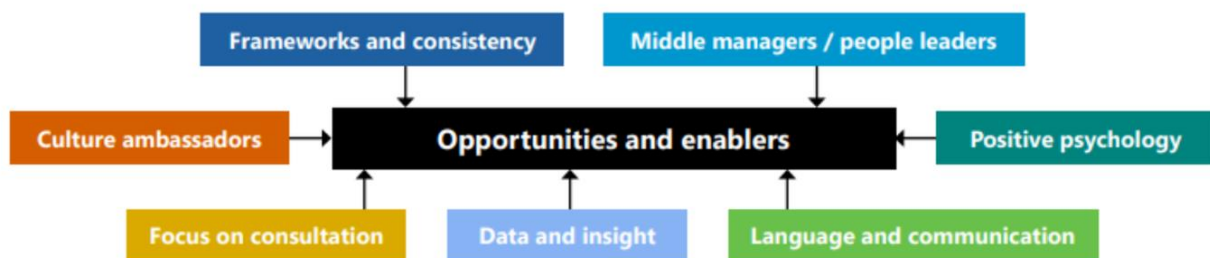
Features

The board's role in corporate culture governance

By Allyson Stewart-Allen, August 2022

Peter Drucker, the late Austrian-American business consultant, said: “Culture eats strategy for breakfast”, and most company directors will be aware of the power of culture to accelerate business and team performance.

In December 2021 the Financial Reporting Council published its research findings [Creating Positive Culture: Opportunities and Challenges](#). It contains a list of culture enablers that every executive and non-executive director should foster. The boards of Boeing, P&O Ferries, Peloton, Meta and Volkswagen will be all too aware of the cost of cultural dysfunction.



Source: FRC | *Creating Positive Culture*

The FRC enablers fall into several categories that help boards to monitor their outcomes. These are evidenced in the following ways:

Frameworks and consistency

- show how all the elements of an organisation’s culture (vision, mission, values, goals etc) fit and work together
- enable boards, leaders, middle managers and teams to understand the role they play
- act as a lens through which decisions are made and actions taken

Middle managers/people leaders

- drive change on a daily basis, given their focus on task, delivery and targets
- must be enabled or culture initiatives are likely to fail
- can become a barrier if their targets are not aligned with company culture

Positive psychology

- nurtures workers' mindsets and facilitates engagement/consultation
- creates a safe environment for workers to raise concerns and share ideas
- enables challenging discussions on the company's current and desired culture

Language and communication

- help to create a common narrative
- enable a shift in culture so long as the message is constant and consistent
- are key to clarity and relatability

Data and insight

- enable boards and leaders to assess and monitor culture
- show that there is no one single measure or one single point of truth
- work together to put culture into context

Focus on consultation

- results in more meaningful engagement
- is more effective in embedding culture change than a top-down approach
- should be all-encompassing across countries, departments and teams

Culture ambassadors

- support conversations about culture, helping to channel them down and across
- act as the eyes and ears of an organisation, reporting on strengths, weaknesses and the effect that culture is having on daily operations
- should be diverse and drawn from across the organisation

As a board member, here are the questions to ask to ensure that these enablers are a permanent feature of your business:

Enabler category	Questions to ask
Frameworks and consistency	Is there a consistent understanding of how the organisation's values are to be enacted? Is it clear across all levels in the business what good behaviour looks like?
Middle managers/people leaders	What needs to change so that middle management feels empowered to align the culture with strategic objectives?
Positive psychology	How can psychological safety be improved so people feel heard and will speak up when they see bad behaviour?
Language and communication	How well understood and accepted are the rules of engagement of staff at all levels?
Data and insight	Do we measure the right things so we can adjust our corporate culture to be more enabling and remove disablers?
Focus on consultation	What can be done to engage staff at all levels in this business in defining our culture?

Conclusion

Corporate cultures provide the power to align, motivate and secure high performance from staff at all levels. It is incumbent upon boards to make sure that the behavioural rules support strategy and commercial objectives.

While often seen as an intangible, corporate cultures can and should be built and then monitored so they can deliver further benefits, including:

- shaping the employer brand for attracting/keeping talent
- enhancing the corporate brand for investors, regulators and clients/customers
- accelerating the exploration and exploitation of the innovation pipeline

While each of us has experience of a bad boss or compromised culture, there are ways to prevent and fix this so that the rules of engagement are positive and productive. Cultural governance is that path to success.

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