

# The 20 Critical Questions Series

## What Directors should ask about Corporate Culture

Updated 2022

**Corporate Culture – An organisation’s culture is the sum of its shared values, principles and behaviours. A useful working definition is ‘a set of shared mental assumptions that guide interpretation and action in organisations by defining appropriate behaviours for various situations’. A colloquial definition frequently heard in workplaces is ‘the way we do things around here’ or ‘what we expect around here’.**

### Leadership

1. Is there appropriate ‘tone at the top’? Is there active sponsorship and engagement from the board of directors to drive the corporate culture? Is there understanding and a desire to embed a positive culture from senior management? Do all leaders actively promote a consistent and aligned culture? Are all leaders role-modelling the desired culture?
2. Is there clarity of the desired culture and alignment of that culture to the business objectives? Are the business strategy and culture articulated simply and communicated frequently? Is there clear articulation of the desired culture on an ongoing basis so everyone in the organisation understands what it should be? Are people encouraged to be honest and give frank and fearless advice instead of being ‘yes’ people?

### Strategy

3. Is the business strategy in line with the organisation vision, objectives, purpose, values, and principles?
4. Have strategic and operating plans been updated where significant changes have arisen from the external context or the internal operating environment for example leadership changes, technology and process changes, incentives, etc?

### People Management

5. Are all elements of people management aligned to the desired culture, and does this clearly focus on ‘the how’ of leadership? Is the people strategy aligned to the business strategy, enabling embedding of the desired culture across the organisation?
6. Does the recruitment process support the hiring of people whose ethics, values and principles are in line with those of the organisation? Are staff able to connect to the organisation’s values, principles and desired culture through induction and training mandated or offered? Is the desired culture continually reinforced?
7. Is the organisation structure aligned with the objectives and strategies of the organisation and closely linked to key processes and resources?
8. Is risk appetite set in line with the organisation values, principles and desired culture? Is performance monitored against the approved risk appetite?
9. Is the appropriate remuneration and incentive structure in place? Does it have any unintended consequences? Is the performance management process robust? Does it support the organisation’s values, principles and desired culture? Is it linked to incentives in place?
10. Does the organisation put a priority on culture in performance management, appointments, rewards, promotions, etc? Is there a high level of staff engagement? Are their metrics for this?

### Resources

11. Does senior management understand that culture reaches into the supply chain? How is the desired culture reflected in relations with the supply chain?

# What Directors should ask about Corporate Culture

12. Is there active ownership of organisation communications via the internet, social media and intranet? Is this clearly aligned to the desired culture? Is there careful alignment of the work environment and culture? Are product development and product pricing decisions aligned? Are credit policies aligned with the values, principles and desired culture?

## Reputation

13. Is sufficient attention given to the organisation's external reputation as employees watch for alignment with internal culture messaging? Does management monitor and consider the external reputation through media, web presence, social media and relationships with activist or environmental groups?
14. Does the organisation respond effectively to customer and supplier complaints? How are problems and mistakes identified and fixed, including breaches?

## Process and Change Management

15. Is there clear understanding of the impact of key performance measures across the business, both financial and non-financial, especially from the perspective of impact on individuals?
16. Is there management of processes from a culture perspective to ensure appropriate alignment?
17. For every change or transformation program, is there clear understanding and regular discussion about impact of change on organisation culture when implemented?
18. Is emotional intelligence applied in understanding groups of individuals, including internationally and within countries working with different cultures?
19. Are appropriate delegated authorities in place and are procedures complied with? Are conflicts of interest identified and managed?
20. Does the tone of organisation policies and procedures promote a positive culture and behaviours as something to be rewarded and encouraged?

## The Big Question

**How does management, audit or risk committee and board of directors clearly know the organisation has a healthy corporate culture?**

## Acknowledgement

This 20 Critical Questions on Corporate Culture has been prepared with input from the book 'Powering Audit Committee Outcomes' by Bruce Turner AM. It includes the author's research and content based on information contained in 'Managing Culture: A Good Practice Guide' (IIA-Australia), Ethics Centre (Chartered Accountants Australia and New Zealand) and 'A Journey into Auditing Culture' (Grant Thornton United Kingdom).