The Role of Boards in Governing Organisational Culture in the West Australian Not-For-Profit Sector

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This research summary highlights the key findings of our recent Emerging Leaders in Governance Program survey of Western Australia's not-for-profit sector in relation to the board's role in governing organisational culture. Based on the key findings, we developed a checklist to support Board Directors (new or established) to successfully govern organisational culture based on best-practice research in this area.

Background

Human Synergistics International defines culture as the shared value, norms and expectations that govern the way people approach their work and interact with each other[1]. As such, culture impacts all areas of an organisation, including financial performance, strategy and talent recruitment and management. Research shows that it is imperative for boards to take a proactive role in governing their organisation's culture by implementing mechanisms to measure culture and by managing risks which may arise from poor culture. Our primary research findings are backed by research globally, including perspectives from leading business schools like INSEAD who found that cultural issues should not be confronted either too superficially (reducing complexity) or too technically (changing culture through rules and policies).[2] Instead any approach shouldbe a balance between the critical influencers and best-practice models.

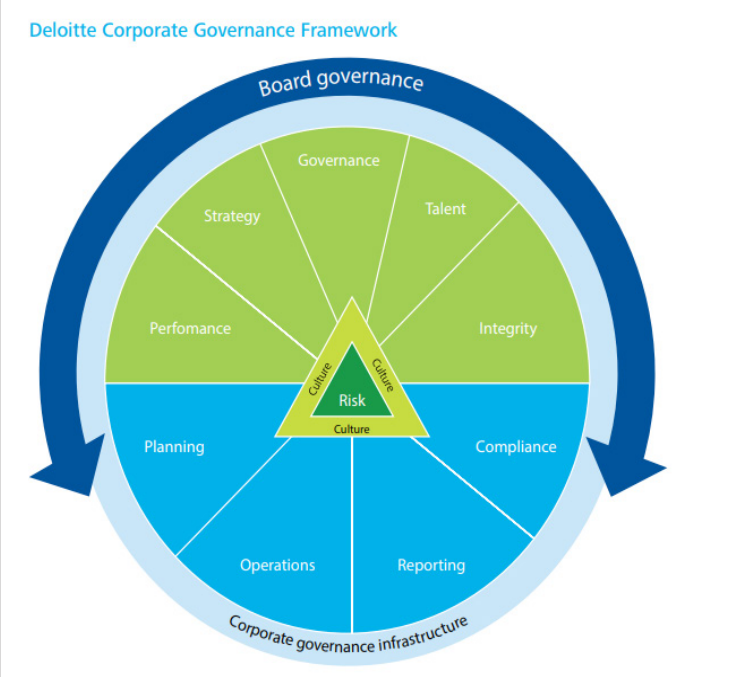
The Australian Institute of Company Directors[3] stress the significance of Board directors' accountability for the tone at the top when it comes to corporate culture. Furthermore, a report by Deloitte[4] suggests a review of the nature of a not-for-profit's culture should be included in the board's baseline assessment and that the board must take a leading role in ensuring the existence of a culture that is conducive to good governance.

Further practical advice is also provided by the Australian Institute of Company Directors[5]. The discussion revolves around how the board's role in governing culture is acknowledged as being important; however, corporate culture itself does not seem to be high on the board's agenda. The article details a few practical ways boards can shape an organisation's culture, including formally defining an ideal culture and working with staff and stakeholders to develop strategies to achieve it. It also stresses the importance of selecting the right CEO and establishment of, and adherence to, codes of conduct around ethical standards.

An article on Better Boards[6] outlines nine ways to reshape the board's role in governing organisational culture, which include:

- Define the board's role in culture
- Put organisational culture on the agenda
- Establish a culture dashboard to measure
- Take the organisation's cultural pulse regularly
- Introduce culture into the CEO performance review
- Establish a culture team
- Get professional help
- The board should strive to set the culture tone

In addition, Deloitte's Governance Framework[4] points to the infrastructure of an organisation as the basis of good governance. Risk, and importantly culture, are at the core as they influence all aspects of governance. It is this framework that we adapted to create the attached resource, as we believe this model to be a well-considered wholistic framework.



Research Methodology

Twenty-eight voluntary Western Australian not-for-profit board members participated in an online survey in March 2018. The research population consisted of 92% not-for-profit service providers and 8% for-profit providers in WA, across aged care (32%), community (25%), disability (11%) and other (32%) sectors varying in business focus and organisational size.

The survey consisted of eight questions; five questions establishing the demographic profile of participants. The primary purpose of the survey was to assess how survey participants considered a series of actions relating to governing organisational culture, selecting those they believed to be the role of a board. Furthermore, survey participants comprising of existing board members (64%), CEOs (29%) and members of the executive team (7%) were also asked to provide actual examples of how the boards set and monitor organisational culture.

Key Research Findings

Our primary survey findings reflect the diversity of the perceived responsibilities of not-for-profit board directors in governing organisational culture and indicate the ways in which board directors are able to govern organisational culture.

Survey participants' responses demonstrated a correlation between the Western Australian NFP sector and existing academic research, in particular the Deloitte Governance Framework's key governance elements. Based on these responses, the board's role in governing organisational culture was condensed into four key elements and behaviours:

- Governance
- Strategy
- Performance
- Intergity.

A snapshot of the findings has been developed as a one-page resource for current and future NFP board members, including the examples given by survey participants. Please note: Only notable findings above 70% have been included.

References

1 Human Synergistics International, The Role of the Board in Managing Organisational Culture White Paper, page 4
2 Board Leadership in Corporate Culture: European Report 2017, Research Report by Board Agenda and Mazars in association with INSEAD, page 5
3 Australian Institute of Company Directors or its licensors 2016/17 V2, Governance for directors, foundations of directorship, page 9
4 Deloitte LLP and affiliated entities 2013, The Effective Not-for-Profit Board - A value-driving force, page 9
5 Australian Institute of Company Directors 2017, Culture top of mind, but low on the agenda
6 Better Boards, Raphael Goldsworthy, 2016, Reshaping the Boards Role in Organisational Culture

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