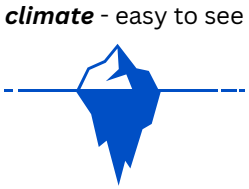
ELGP Research Summary
Melissa Koh

Board's Impact on Organisational Culture

What is Organisational Culture?

"Values, assumptions, unwritten rules and behaviours that prevail and are commonly accepted in an organisation – the norms – that create the essence of what it is like to work in that organisation."



climate - easy to see

culture - not obvious, but represents critical mass and dictates how iceberg responds to currents

How is culture measured?

It can be measured both internally, externally, formally and informally. Examples include engagement surveys, 360 feedback, customer and employee net promoter scores, investor/stakeholder surveys, sub-committee activities and interactions, observations of interactions between executives and staff, and other employee data (i.e. grievances, complaints, turnover, absenteeism, etc.)

What impact does culture have on the organisation?

Positive cultural norms are seen to be a prerequisite to organisational success, resulting in better employee morale, wellbeing, productivity and performance. It can also drive innovation and growth, promote ethical behaviour, increase customer satisfaction and create strong employee engagement.

Conversely, toxic cultures present a risk for organisations as it is often the underlying cause for non-compliance. More specifically for NFPs, loss of community confidence due to bad employee conduct -a byproduct of poor culture - impacts public trust.

Board's role in building organisational culture

Similar to strategy, **culture needs to be on the board's agenda** to ensure clear expectations around behaviours and decision making. Additionally the board has a responsibility to ensure these **expectations are reinforced and evaluated**. Historically however, boards have not proactively led organisational culture.

Some ways the board can do this is to **define the desired culture through value statements** or a code of conduct and **develop a culture and risk appetite statement**. As culture is set at the top, **recruiting the CEO in line with values** and ensuring **board-level decisions and dynamics reflect the desired culture** is paramount.

The **Chair's role** in facilitating good and equitable discussion, communicating clear decisions, checking in with other members and developing a strong working relationship with the CEO supports good board culture. The board should also ensure **role clarity** (board charter), foster an environment where **management can report both positive and negative** information and strive for **continuous improvement**.

Each board member's level of emotional intelligence, critical thinking approach and value-alignment **contributes to the collective board culture**, which leads to a **culture of governance that influences** the broader organisational culture.

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