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AUSTRALIA + NEW ZEALAND

# Culture- governance tool



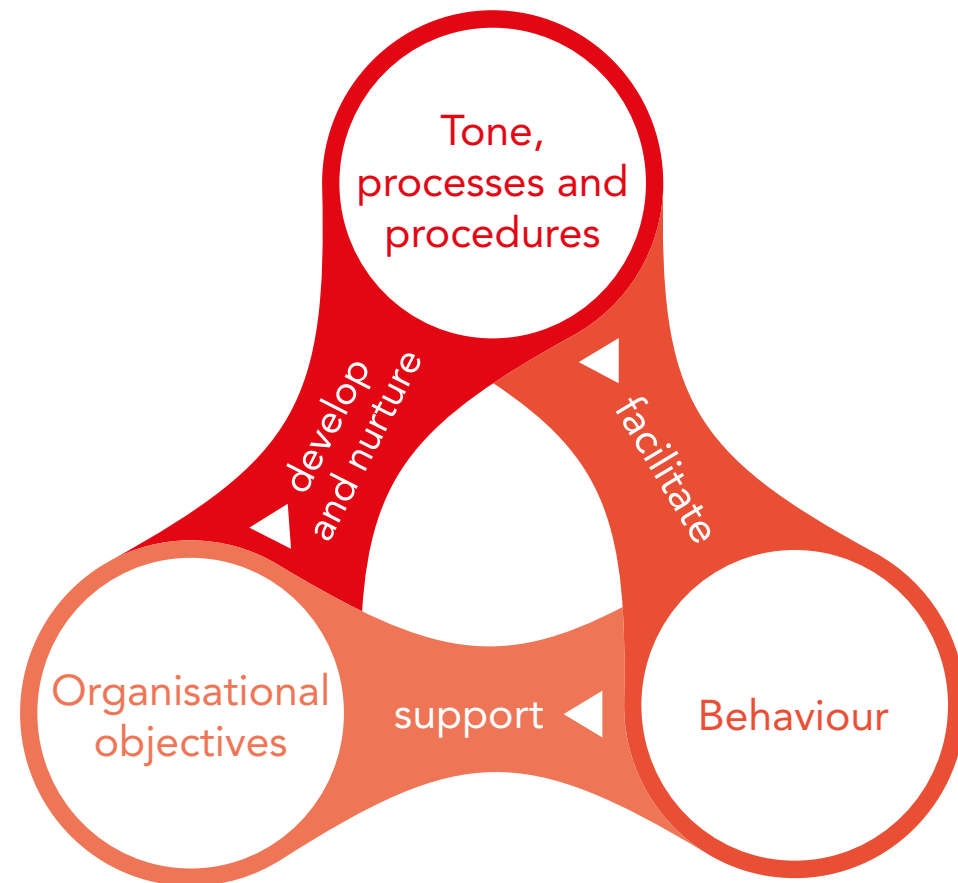
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# Why culture?

Corporate culture encourages certain behaviours that support or impede the achievement of organisational objectives. The challenge is finding how to nurture a culture that promotes behaviours consistent with organisational objectives.

## Processes and procedures matter

Processes and procedures that people can see and experience in their professional lives need aligning with the objectives of organisations. Inconsistency between the two creates dysfunctional behaviour. This culture–governance tool has been developed to show the relationship between the two, and help an organisation to assess its culture and initiate a positive change.



- This circle contains the four tenets (tone at the top, mission, performance management, and communication) of responsibility for corporate leadership. These directly affect corporate culture.
- Corporate leadership comes from both the board and senior management. They are equally important in our discussion of corporate culture.



The circular form of the tool represents an organisation.

- Inner circle: corporate leadership
- Middle layer: governance lenses
- Outer circle: organisational processes and procedures

## How the tool works

- The layer in the middle is a set of governance lenses. These lenses can help in analysing and introducing changes to corporate culture.

- The outer circle shows organisational processes and procedures, many of which everyone in an organisation sees and experiences, and which collectively represent an organisational 'culture'.


## Governance diagram

You can return to this page by clicking on the 'Governance Diagram' tab in the contents bar.



**Click on any of the governance lenses to find out more.**

For example, clicking on the 'Organisational values' lense will reveal examples of processes and procedures that relate to organisational values. The examples are separated into two sets: one more closely associated with interconnections between people and the other with risk-taking and transparency.

Clicking on  on the page will take you to a further explanation of what organisational values mean for corporate leadership and for the rest of the organisation.

- Decision-making and handling of challenge/diversity
  - Collective sense-making and identity-building
    - Formal and informal norms/sub-cultures
      - Alignment with individual values
        - Peer pressure

## Organisational values

An organisation has its values, often linked to what it does as a business and how it does it. This includes its attitudes towards internal and external stakeholders.

Leadership can be a powerful source of organisational values.



# Organisational values

- Decision-making/handling of challenge/diversity
- Collective sense-making and identity-building
- Formal and informal norms/sub-cultures
- Alignment with individual values
- Organisational structure
- Performance measurement and time frame
- People management and talent retention
- Training/recruiting/sub-contracting
- Reward and remuneration
- Incentives and sanctions
- Risk appetite

## Corporate leadership

The mission, values and objectives of an organisation typically embody the organisation's values. The board is responsible for setting them, as well as abiding by them to set the tone for the organisation.

Corporate leadership is responsible for ensuring that the necessary resources are in place, whether for recruiting and developing people or rewarding performance.

Clearly communicated organisational values will enable the rest of the organisation to adhere to them consistently.

## Rest of the organisation

People experience organisational values in their everyday life at work. For example, an organisation recruits, trains and rewards people: HR practice sends out a direct and powerful message about what the organisation values about people and their achievement.

People are involved in making decisions, either alone or in a team. The criteria people use in decision-making originate in the organisational values cascaded-down or interpreted in their own context.

The hierarchy formalises such processes. It also embodies the trust bestowed on people taking initiatives.

The organisational values develop into norms and sub-culture over time. People may align their individual values, or may choose to reject the sub-culture.

An organisation expects the people within to have the balance of skills and knowledge necessary to carry out their tasks, including taking risks. People's risk-taking depends on the organisation's risk appetite and how individuals understand it. Transparency about the organisational risk appetite and associated controls enhances a consistent risk approach across the organisation.

**Risk-taking and transparency**



## Risk-taking and transparency

- Performance measurement and time frame
- People management and talent retention
- Training/recruiting/sub-contracting
- Reward and remuneration
- Incentives and sanctions
- Risk appetite
- Internal control and monitoring/  
relationship with auditors
- Consistency of behaviour and expected level of commitment
- Application of rules and procedures/  
flexibility and choices
- Visibility of accountability mechanisms
- Risk recognition and response
- Whistle-blowing arrangements
- Peer pressure

### Corporate leadership

The board is directly responsible for maintaining risk-management and internal control systems. It identifies principal risks and determines the organisation's approach, including the rewards and sanctions, at a high level.

Clear communication of these policies from corporate leadership helps the rest of the organisation to understand and practise a consistent risk approach and to introduce controls in day-to-day settings.

### Rest of the organisation

People understand how they should approach risk by seeing how the organisation responds to risk-taking. This includes incentives and control measures in place and rewards and sanctions in relation to the outcomes.

A transparent and consistent approach to risk helps people align their idea of what is acceptable risk-taking with that of the organisation. Watching how the theory turns into practice reinforces the idea.

Practical examples range from resource allocation, training and awareness-raising of risk, to implementation of rules and procedures, and speak-up arrangements.



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Accountability of an organisation and trust in the organisation go hand in hand. Where an organisation is accountable to its internal and external stakeholders for its decisions, conduct and outcomes, trust in the organisation increases.

**Accountability and trust**

- Visibility of accountability mechanisms
- Application of rules and procedures/flexibility and choices
- Consistency of behaviour and expected level of commitment
- Internal control and monitoring/relationship with auditors

# Accountability and trust

- Internal control and monitoring/  
relationship with external audit
- Consistency of behaviour and expected  
level of commitment
- Application of rules and procedures/  
flexibility and choices
- Visibility of accountability mechanisms
- Risk recognition and response
- Whistle-blowing policy
- Peer pressure
- Sensitivity to external and internal  
events
- Focus on performance versus reputation
- Feedback mechanisms

## Corporate leadership

The board identifies the internal and external stakeholders of the organisation to whom it is accountable. Typically, in the mission statement, the board communicates:

- what the organisation sets out to do
- how this may affect the stakeholders, and
- how it intends to account for the outcomes.

This becomes the basis of quantitative and qualitative measurement of performance. Rules, procedures and their implementation are often built around the benefits for the stakeholders.

## Rest of the organisation

A clear indicator of how people perceive accountability is the way in which they relate to each other and to the organisation.

Where people treat each other with respect, they will interact in an open and direct manner. This supports professional behaviour at work.

An organisation in which professional behaviour prevails is likely to be more resilient against threats to itself (eg fraud) and to engage external stakeholders in a consistent manner.

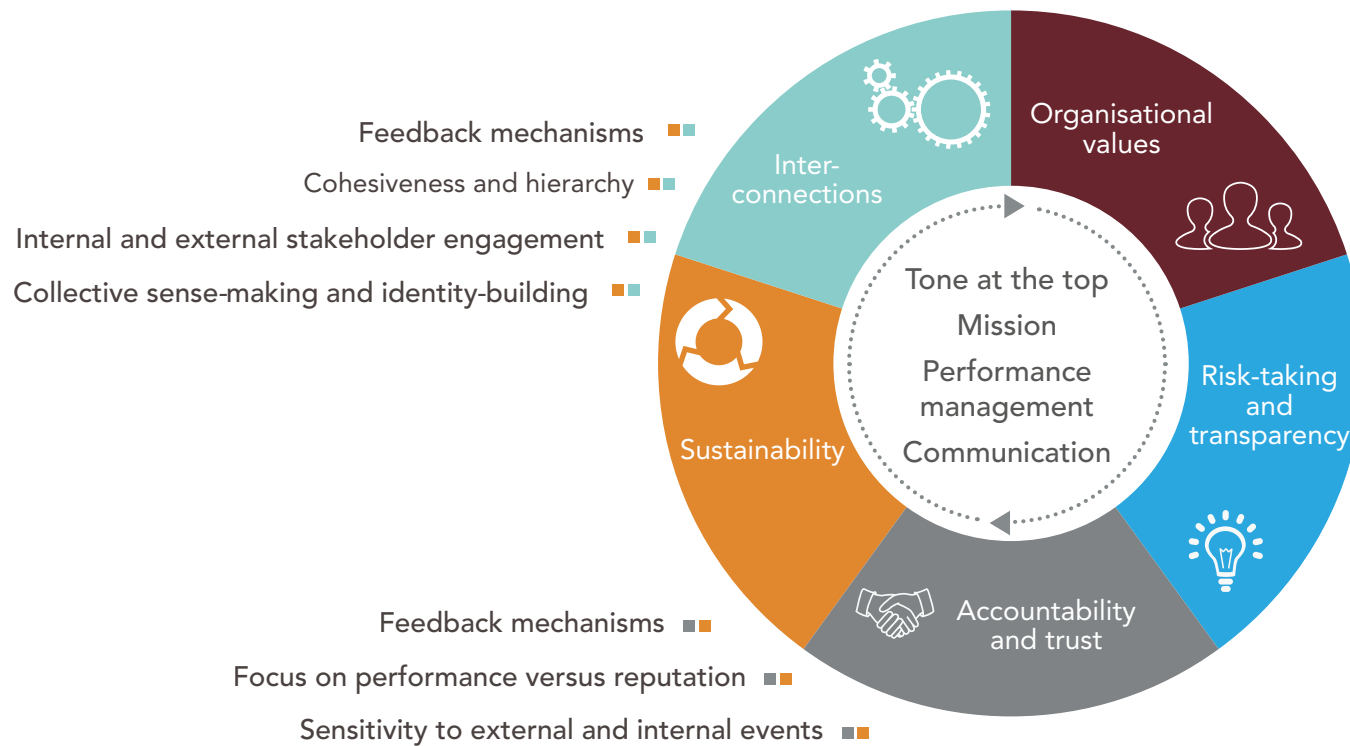
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Timescale that the organisation envisages for its strategy, goals and growth.

**Sustainability**

# Sustainability

- Sensitivity to external and internal events
- Performance versus reputation
- Feedback mechanisms
- Collective sense-making and identity-building
- Internal and external stakeholder engagement
- Cohesiveness and hierarchy
- Feedback mechanisms

## Corporate leadership

In setting the organisational mission and objectives, the board must consider how long the timescale should be. This becomes the reference point for signposts and sets the pace for achieving them within the organisational life cycle.

A clear and visible organisational life cycle provides the people with a reference point against which they can measure their performance.

## Rest of the organisation

People hope to align their professional (and sometimes personal) objectives with those of the organisation. This is because most people work for their organisation with a view to staying there for a period of time.

The life cycle of the organisation affects how people:

- build their professional identity, and
- manage and develop their careers within a certain time frame, among other things.



Inter-connections

This is about how people are connected to their organisation and each other. This also affects how the organisation relates to external stakeholders. The organisational structure, its visibility and its effectiveness determine how the organisation and its people are connected.

## Inter-connections

- Collective sense-making and identity-building
- Cohesiveness and hierarchy
- Stakeholder engagement
- Feedback mechanisms
- Decision-making and involving of challenge/Diversity
- Formal and informal norms/sub-cultures
- Alignment with individual values
- Organisational structure

### Corporate leadership

The way board members interact with each other, with senior management and with the organisation sets the tone for the rest of the organisation, as these relationships are often replicated.

How the board ensures boardroom diversity and engages with stakeholders can set a pattern that is often repeated within the organisation.

### Rest of the organisation

Each organisation has its own way of connecting people and connecting with them. Depending on factors such as the size, geographical spread and business model, an organisation defines its internal structure (eg hierarchy and decision-making processes) and external relationships (eg stakeholder engagement).

This creates 'how it feels' within an organisation, such as degrees of friendliness, peer pressure, formality/ informality and other subtle aspects of organisational characteristics.

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## How do we start?

This tool helps you design your own organisation's culture change, based on what you set out to do, and how you bring together people within and outside along the journey. Reviewing the organisational culture in light of its objectives and making appropriate changes can be the first step, or the catalyst towards building a culture that supports the organisation in achieving its goals.

The tool assists you with various points of action and culture change. It can:

- provide examples of the processes and procedures that typically reflect corporate culture
- help you to understand alignment between organisational objectives and corporate culture and identify where inconsistencies exist so as to:
  - identify governance lenses where inconsistencies are particularly significant
  - plan actions to change inconsistent processes and procedures or review organisational objectives
- help you to review periodically the alignment between organisational objectives and processes and procedures to maintain a healthy organisational culture.

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# About

The ACCA culture-governance tool aides organisations to review culture and determine the course of change.

ACCA developed this tool on the basis of research conducted since 2012 under a global initiative called *Culture and channelling corporate behaviour*. Under this initiative, ACCA has held a series of international roundtables in London, New York, Dubai and Bengaluru. A survey of ACCA's global membership was conducted, to which close to 2,000 members responded.

While the findings showed different attitudes to the intrinsic value of rules and procedures, there was an overarching agreement that corporate culture is decisive in determining whether an organisation will do the right thing. They highlighted that culture is often driven from the top – corporate leadership has the responsibility for ensuring that organisational values are lived and breathed throughout the organisation. The findings also highlight the importance of interaction within the organisation. Everyone, including senior leadership, experiences peer pressure, formal and informal norms and mirroring of behaviour. The tool captures both aspects of culture.

It is, however, fundamental to recognise that organisations can trigger change. This is particularly relevant for those who are responsible for governance of the organisation. The board and senior leadership have governance responsibilities in driving corporate culture. They set the organisational direction, making key internal and external decisions, and set behavioural examples. These collectively set the overall tone of the organisation. Some of these involve giving direction to the processes and procedures of the organisation, which affect both employees and external stakeholders.

Formal and informal organisational processes and procedures, in turn, define how people, including corporate leadership, interact with the organisation as well as with each other in their day-to-day lives. Through these interactions, people come across visible clues to the culture that prevails within the organisation.



# Contact

Find out more on ACCA's work on corporate culture at: [accaglobal.com/culture](http://accaglobal.com/culture)

Explore ACCA's technical resources at: [accaglobal.com](http://accaglobal.com) or go directly to the technical resources page.

This interactive PDF is based on the findings that emerged from the joint project between ACCA and the UK's Economic and Social Research Council (ESRC), looking into how people view corporate culture and how their perception can lead to dysfunctional behaviour.

Four publications published between 2014 and 2016 are:

- Summary of findings (2014)
- Appendix 1: Review of the academic literature on organisational culture (2014)
- Appendix 2: Findings from the ACCA-ESRC roundtable discussions (2014)
- Appendix 3: Results from the ACCA member survey (2015)

An area identified as of particular interest from this project is the whistle-blowing practice in organisations. ACCA-ESRC further commissioned academic research to look at interactions between the organisational culture and individuals' behaviour. Effective speak-up arrangements for whistle-blowers demonstrate a complex yet dynamic relationship between the two, as can be seen from case studies drawn from public and private sectors.

Effective speak-up arrangements for whistle-blowers (2016)

To find out more or tell us what you think, write to us at: [insights@accaglobal.com](mailto:insights@accaglobal.com)