Boards still struggle with understanding the culture of their organisations

Thursday 1 March, 2018

More attention needs to be paid to customer satisfaction and the supply chain when assessing corporate culture, reveals new report by Institute of Business Ethics

> "What companies report on culture will carry little weight if it is not seen to be authentic," says Peter Montagnon

1st March 2018: A new Board Briefing published today by the Institute of Business Ethics (IBE) reveals the results of a survey into the information boards currently receive, how they consider it and how they report on culture to the outside world.

In *Culture Indicators: understanding corporate behaviour*, Peter Montagnon - IBE's Associate Director and author of the report - analyses the survey data and draws on interviews with directors and those that advise them to provide practical and tangible assistance for boards in how to understand the corporate culture of their organisations.

A positive finding is that boards do discuss culture and receive a lot of relevant information – 82% of respondents to the IBE survey said their boards monitored data related to culture.

Yet the survey also suggests that boards appear to pay relatively little attention to some issues that might provide important insights on culture, including customer complaints, supply chain data (including payment terms and grievances), social media records and exit interviews.

Two fifths of boards do not receive information on customer satisfaction, while only 20% receive data on the supply chain relationship.

Some of the headline conclusions are:

- Boards should select critical indicators based on the expectations of key stakeholders to create a dashboard of information relevant to their company and their corporate culture. *"Boards are rightly worried about being drowned in information,"* says Montagnon.
- Boards need a variety of sources of information when considering culture and draw their data from a variety of sources – including HR, internal audit and compliance.
- The best indicators are forward looking ones – leading rather than lagging indicators which will sharpen boards' understanding of risk.
  "For example, when they consider health and safety, boards need to be sure they look not just at accidents that have happened but at 'near misses'. Even if no harm was done, they are an indicator of future risk," suggests Montagnon.
- Boards need to get out and about within the company to test how culture is being embedded within the organisation.

"It is important to join up the dots. A company whose staff, suppliers and customers are all broadly happy is likely to have a robust culture. But if even if only one of these groups is unhappy, the risk of ethical problems is high," concludes Montagnon.

Philippa Foster Back CBE, IBE's Director said: *"What companies report on culture will carry little weight if it is not seen to be authentic. This Board Briefing gives boards the tools so they can ensure that they are not only getting the right data they need to assess culture, but are asking the right questions so they can interpret it and report on it with confidence."*

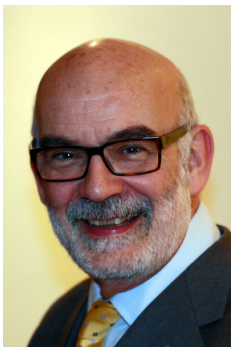
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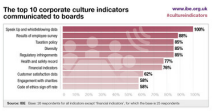
To obtain an advanced press copy of the report, or to organise interviews with Peter Montagnon or Philippa Foster Back, please contact:

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EDITORS' NOTES

Culture Indicators: understanding corporate behaviour

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Launch date and information

The report will be launched on Thursday 1st March 2018 at 8am at Grant Thornton, 30 Finsbury Square, London EC2

The author, Peter Montagnon will present the report with a response by Stephen Haddrill, Chief Executive of the Financial Reporting Council. This will be followed by a panel discussion including Ben Matthews, Group Company Secretary of HSBC, Deborah Gilshan, Governance and Stewardship Director of Aberdeen Standard Investments, and Simon Lowe, Partner of Grant Thornton.

Please email events@ibe.org.uk if you would like to attend.

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We help organisations to strengthen their ethics culture through the sharing of knowledge and good practice. www.ibe.org.uk

The author: Peter Montagnon

Peter Montagnon joined the IBE as an Associate Director in September 2013. Previously he was Senior Investment Adviser at the Financial Reporting Council, which he joined after almost ten years as Director of Investment Affairs of the Association of British Insurers.

For two decades from 1980 Peter was a senior journalist on the Financial Times (FT), including spells as Head of the Lex Column and in charge of coverage of the international capital markets. His last assignment, from 1994 to 2000, was as Asia Editor, responsible for the FT's coverage of a region stretching from Pakistan to New Zealand.

Peter served on the European Commission's Corporate Governance Forum from 2005 - 2011. He is past Chairman of the Board of the International Corporate Governance Network and is also a visiting Professor in Corporate Governance at the Cass Business School of the City University, London, a member of the Board of the Hawkamah Institute for Corporate Governance, Dubai, and a former member of the Corporate Governance Advisory Board of the Norges Bank Investment Management.

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