



Changing culture is not something that happens quickly

The Role of the Board in Corporate Culture

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Board Governance and Corporate Culture are hot topics in Australia at the moment; just as Executive Remuneration and Incentive Structures, particularly in Financial Services, have been for many years in the UK*.

Numerous reviews, inquiries and reports into concerns around corporate governance as it related to banks, director remuneration and more broadly, the corporate governance system in the UK, have been conducted over time. Resulting streams of regulatory activity via the Financial Services Authority (FSA) (Financial Conduct Authority), The Financial Stability Board, European directives, the Committee of European Banking Supervisors, the G20, and the

UK government through Companies Act proposals appear not to have resolved the issues.

What is Culture?

Many definitions exist, and the term is often used as a catch all for things that are intangible, or an 'alibi' for us to avoid actively leading and evaluating. Culture, however, can be defined on a very practical level - below are some indicators of culture in operation:

BOUNDARIES:

- Who is member of organisation?
- Agency staff? Casual? Temps? Customers?
- Departed staff?
- Permanent staff only?
- Redundant staff? Retired staff?

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CHANGE:

- Perceived as continuous?
- Sense of stability

DRESS CODE:

- Formal or informal?
- How rigidly enforced?
- What differentiators - How many types? e.g.
- Uniforms for security
- Casual for operations
- Suits for middle managers

FIXTURES AND FITTINGS:

- Office furniture
- Differences due to status or function?
- Do managers have chairs with arms and high backs?
- Are some areas carpeted? Why?
- Decor - Bright? Dowdy?
- Level of maintenance and decorative order

EMPLOYMENT CONDITIONS:

- How diverse is the workforce?
- What is the policy towards domestic crises?
- How are domestic crises actually dealt with? More flexible than policy?

MEETINGS:

- How are new members (employees) assimilated
- How often?
- Setting
- Shape of table
- Who attends
- Who sits where
- Who speaks

REWARDS AND RECOGNITION:

- Basis of reward
- Individual-based
- Team-based
- organisation-based
- Indicators of status - grade or salary?
- Private bonus system
- Public reward? e.g. Salesperson of month

How do boards influence culture?

Strategy, Direction & Achievement

Firstly, they set the strategy and direction, and define

achievement; they make choices and act as gatekeepers:

- In commercial operations - Which markets do you enter? Do you operate in countries whose regimes support war crimes? Do you employ local staff? Do you provide a community or a place of work with FIFO? Do you provide a safe place of work?
- In not for profit - Do you accept lottery funding? Do you tele market or otherwise pester vulnerable people? Do you sell customer data? Do you pay your staff properly or do you trade on their goodwill to you as a charity?

Policy, Processes and Codes

Next, they uphold policy, processes, and codes. Among other things, these define the organisation's transparency, accountability, ethics, values, conduct, employment practices, remuneration structures and diversity approaches.

- Do you allow relationships at work? Between manager and subordinates? How do you manage inappropriate sexual behaviours? From your highest earner?
- Do you hold yourselves and others accountable... consistently?
- Do you have whistleblowing procedures? Do you 'stop the line' if services are poor or present a danger to employees or customers?
- Do you approve HR policies that have been written for the very few who wish you harm, or for the workforce of committed talent? Do you allow staff to work flexibly? Or exit people from the business with dignity? Do you promote diversity? - To be politically correct? Or because you recognise the value that diversity brings?

Financial Performance

Boards oversee financial performance by approving a budget, receiving reports, and ensuring a prudential base of operations.

- Do you pay suppliers on time? Do you support local businesses?
- Do you let the executive choose suppliers who don't pay their staff or otherwise exploit their workforce?
- When you outsource services - do you outsource your responsibility? Abrogation? Cheapest supplier? Exploiting their workforce? Are you confident and assured that your supply chain values match your own?
- Do you tender for work from financially illiterate clients to make 'good money'?

Governance and Risk

Boards provide governance to meet legal and ethical standards, and ensure compliance and identify risk by monitoring and overseeing internal control systems

- Does regulation work? Are you aware of your regulatory responsibilities?
- Do you make efforts beyond the legislative minimum?

Chief Executive Officer

Boards are responsible for the appointment, performance, remuneration and removal of the CEO.

- What type of person do you appoint?
- What behaviours do you incentivise? Do they need to sell products to dead people to meet performance targets? Are the right metrics driving the right behaviour?
- What is the pay gap between the CEO and workforce?
- Do you have an orderly transition from one CEO to the next?

- What do you fire the CEO for?

Board Conduct and Stakeholder Engagement

Boards are responsible for their own conduct, incorporating board capability, succession, operations and stakeholder engagement.

- What are your board meetings like? Are you a critical friend or assassin to the executive? Are your comments vilifying, straight, or 'nice'?
- Is your board truly capable, and honest about its performance?
- Who does the board talk with? Who attends / who is invited? Where does it meet?
- Is the use of time respectful and efficient? How are decisions made?
- Do you know enough about the business to make informed choices?
- Is there a code of conduct? E.g. UK Nolan principles - Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, and Leadership

Changing Culture

Changing culture is not something that happens quickly, but requires courage, leadership, determination, and action to rebase and reset values and mindsets. As seen from the UK experience, changing inappropriate or unethical practice requires much more than legislative or regulatory change. ■