

# Organisational culture? It's how we do things around here

By Andrew Fiddy

Organisational culture has emerged as an important consideration for boards and senior leadership, due to its influence on governance, accountability, and performance. While many organisations have acknowledged the benefits of fostering cultures that model positive behaviour to enhance long-term individual and organisational performance, many are playing catch up.

## *What is organisational culture?*

As Harvard Business Review reported in 2013, “If you want to provoke a vigorous debate, start a conversation on organizational culture.” While culture is notoriously difficult to define (and even more difficult to change) key themes that permeate through the many different definitions of organisational culture include reference to shared beliefs, values, attitudes and norms to create a context of expected behaviours from employees. Put colloquially, many understand organisational culture to be “the way we do things around here” and as such has consequences that echo at all levels of the organisation.

## *Why care?*

While in times of economic challenge and uncertainty many organisations are, and perhaps rightly so, cautious about how they spend their money. Understanding the impact of how organisational culture can affect business outcomes, is therefore imperative. Healthy cultures can lead to increased motivation, productivity, performance and well-being. Toxic cultures can do the opposite while increasing grievances and turnover. Going further the culture of the organisation often extends beyond workplaces becoming important parts of business brands thereby potentially influencing talent attraction and customer perceptions.

Tellingly, regulators are increasingly encouraging organisations within their purview to focus on their operating cultures. As Pricewaterhouse Coopers reminds us, “at the heart of many [corporate failures] is a failure of culture.” The Financial Conduct Authority (FCA), the regulator for UK financial service organisations, now assess organisational culture as part of its oversight. The FCA unequivocally states that “culture underpins everything you do, setting the tone for the behaviours you promote and reward.” The FCA reminds us that having a culture that encourages the empowerment of employees to voice concerns and act in a way that is expected is not just simply a ‘nice to have’. All in all, it is dangerous to dismiss the direct and indirect impact of culture on an organisation enabled or blocked by formal or informal policies, systems, and rules.

## *How can CEDR help?*

As XPLANE founder Dave Gray suggests, a company’s culture is like a garden. “You can design culture but nature will still be a force. You can’t control everything about your culture but you can intentionally take it into your own hands. Culture will emerge through constant care and nurturing” (Harvard Business Review). While there is no right or wrong way to drive cultural change, there are a number of steps that need to be considered:

1. **Diagnostics:** In order to assess the present situation a needs analysis should be undertaken. This assessment should be used to explore [root cause of issues](#) and collect data in order to begin the definition of the outcomes and benefits that you want your culture to achieve.
2. **Stakeholder buy-in:** Changing culture requires the involvement and engagement of employees. While conversations should be had with stakeholders throughout the entire organisation, achieving buy-in from the senior leadership team, in addition to trade unions / work councils, is critical to the future success of the initiative. Important to consider, however, if the change process is not externally facilitated is how change champions conduct and manage dialogue. Critical is how [difficult conversations](#) are had.

3. Awareness and Promotion: Culture change will most effectively occur if employees are bought-in and encouraged to comment and ideas listened to. Holding awareness sessions or workshops can be an effective and efficient way to communicate and listen to employees. They are also helpful as a means to overcome blockers and to enable behavioural change.
4. Role model: While everyone has a role in changing the culture of an organisation, as the adage goes, “the culture of any organisation is shaped by the worst behaviour the leader is willing to tolerate.” Research tells us that senior leadership set the expectations and tone of the organisation. As Ernest and Young aptly summarise, “the way the Board challenges management and handles discussion and dissent should reflect the company’s desired values and behaviours”. The behaviours of senior leadership (both executive and non-executive) set the tone for the desired culture of the company which diffuses over time to senior managers and teams. How colleagues communicate with one another, from the [Board Room to the Post Room](#), is critical to encouraging a healthy culture that contributes to ensuring accountability, well-being, and resilience.
5. Talent, reward and performance: As the FCA reinforce, incentives and sanctions underpin required behaviours that are the most obvious manifestation of culture. Incorporating effective communication skills in these processes can improve their understanding. Sanctions that lead to education; rewards that are recognized and understood; performance reviews that give opportunity for dialogue, support and assistance will not only improve the unity of the company’s culture, but also reinforce the role employees have as actors of their environment.
6. Organisational design: As organisational and sub-organisational cultures are typically influenced by business models and reinforced through shared systems, any culture change initiative should be aligned with organisational strategy. [CEDR’s research](#) and experience shows that one of the keys to organisational efficiency is to ensure that dialogue is managed on a strategic and systemic basis.
7. Education: If an organisation is introducing mediation into their organisation, either through a formal mediation scheme or through empowering employees with the skills of mediation, it should be efficiently accompanied with an education of conflict management for it to become part of the company’s culture. Whether it is training the sales team in collaborative negotiation; the staff in difficult conversation skills; or the board and management in [Mediation Skills for Leaders](#); through proper education the values and skills of mediation may become an integral part of “The way we do things around here”.