Resiliency

Keeping Culture Top of Mind in the Boardroom

By Carey Oven

COVID-19 and the challenges of managing a displaced workforce are highlighting the importance of board oversight of corporate culture. Despite the competing demands for directors' attention, the importance of governing culture has not diminished. If anything, it is more important than ever. A strong corporate culture provides the foundation for business resiliency, allowing a company to better respond to disruption and support its employees in a time of uncertainty. It also provides a framework for protecting critical assets, including reputation, intellectual property, and talent, so that the organization can rebound more quickly.

Because culture underpins resiliency, it should not be forgotten in the boardroom. It is likely more difficult, however, for boards to arrive at an enduring approach to overseeing culture risk both during and after the current crisis. To keep the topic of culture front and center amid competing demands, directors may want to ask the following:

■ **Do we understand what culture is and why it is important?** "Culture" can be defined in many ways. In the corporate context, culture is a system of values, beliefs, and behaviors that shape how real work gets done. When organizational culture is aligned to business strategy, the workforce will act in ways that support the achievement of business goals, and can even lead to competitive advantage.

■ **Do we agree that the cultural tone is set from the top?** A common misperception is that culture is an exercise for the human resources (HR) department. Although HR is often charged with employing techniques to gauge culture, such as employee engagement surveys or culture assessments, it is ultimately not responsible for setting the cultural tone of the organization. The executive team sets the ethical tenor for the company. It is their duty to model desired behaviors and to uphold the values and beliefs of the organization's culture through their actions and decisions. Accordingly, boards should have a means of evaluating their executive team, particularly the CEO, on culture, perhaps linking it to compensation or making it a part of the succession process for executive leadership. Boards should also consider their own role in setting an appropriate cultural tone.

■ **How do we know if our organization has a culture problem?** Directors cannot observe the company's culture firsthand, especially in a remote work environment, but they do have the ability to perform due diligence on management's assertions about culture by asking questions and seeking validation through data. For instance, they could inquire about management's view concerning the nature of the company's culture, and validate that view by examining the output of traditional tools, such as employee engagement surveys, ethics and compliance data, and internal audit results. They could also ask if their organization is embracing emerging techniques to help assess culture, such as insider-threat programs, risk-sensing technology, and behavior analytic tools. In addition, directors can gain valuable insight into how employees and other stakeholders view the company and its culture simply by using a search engine or following the company on social media platforms.

■ **Have we made culture a regular item on our board and committee agendas?** Culture risk is an important component of a company's risk profile. Accordingly, boards should address culture risk systematically as part of its general risk oversight process. Responsibility for overseeing culture risk may be assigned to the full board or to committees, or a combination thereof. There is no one-size-fits-all solution. What's important is to move away from thinking of culture as a once-and-done exercise.

Culture has always been important, but today that importance is magnified because of the Internet and social media. Cultural news is promulgated widely and almost instantaneously, thus amplifying both the impacts of a negative, toxic culture, and the benefits of a positive, healthy one. Annual or point-in-time assessments are likely no longer sufficient to govern culture as a component of strategy, performance, and risk. This puts the onus on directors to engage management around culture regularly as part of their inherent oversight responsibilities.

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