



## Unlocking performance potential

### Reputation and your organization's culture

Organizations are run by people who make decisions and take actions each day that sustain an organization's culture. And an organization's culture plays a major role in business performance and marketplace reputation.

While organizational culture is shaped by leaders' actions and decisions, it's a reflection of all employees. A strong culture aligned to the business strategy drives the organization's ability to execute, both operationally and strategically.

Executives agree. Eighty-two percent of more than 7,000 human resources and business leaders surveyed in Deloitte Touche Tohmatsu Limited's [Global Human Capital Trends Report](#) say that an organization's culture is a potential competitive advantage. Only 12 percent believe they're driving the "right culture." More than 50 percent are attempting to change their organization's culture in response to scrutiny by regulators, shifting talent markets, and other challenges.

The spotlight often shines on culture risk issues only after an organizational crisis or incident, resulting from leader(s) actions or employee(s) behaviors that were misaligned with the organization's values and beliefs. But a growing number of leaders are shifting to a proactive approach.

Deloitte assists clients with defining and cultivating an organizational culture and the associated behaviors aligned to their core values. This helps to protect and preserve an organization's brand and reputation and unlock the potential for an organization's culture to enhance performance.

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## Shifting the paradigm

An honest look at the organization's culture begins to shed light on whether it's fueling business momentum or creating risks.

Macro business issues—cost and regulatory pressures, digital disruption, cyber threats, talent shortages, and others—have clear cultural implications. Corrosive cultures can pose significant challenges, making the organization more vulnerable to a wide range of potential risks. These can include high employee turnover, mishandling or theft of sensitive information, poor execution on high-visibility initiatives, or low customer loyalty.

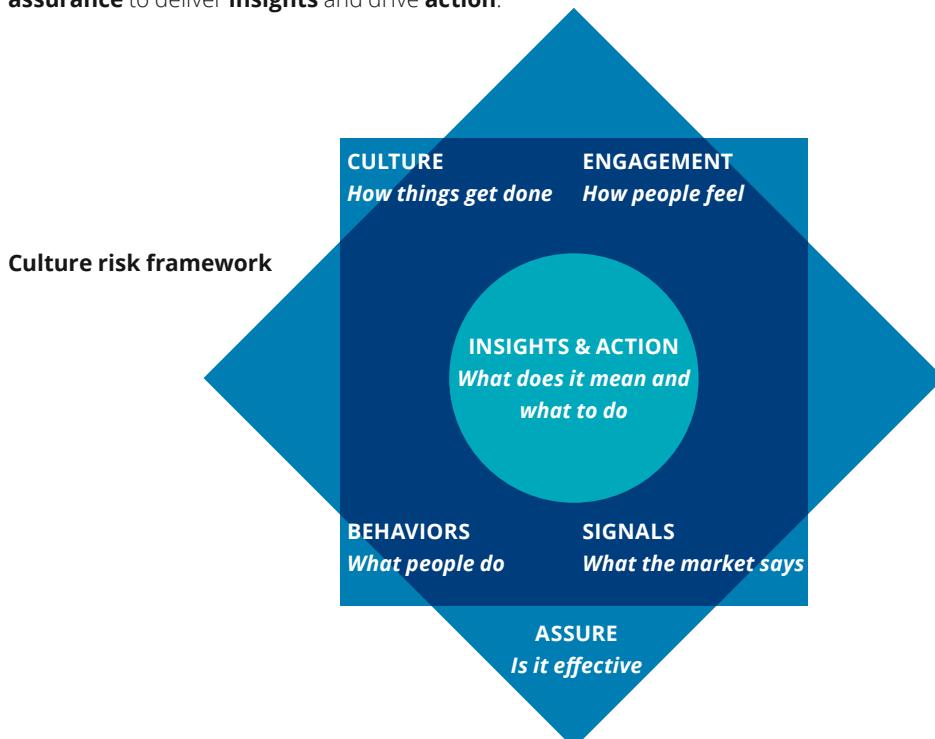
Leaders who purposefully align values, beliefs, and actions with macro-level activity and messaging within their organization tend to be more effective in executing business strategies. It starts by identifying desired cultural attributes. Then they are institutionalized through purpose-built mechanisms that encourage expected behaviors and discourage actions that produce suboptimal outcomes. Leaders who also monitor and measure culture can use those indicators as guideposts for ongoing improvements.

Done well, a proactive culture risk management program can increase positive, expected behaviors and outcomes that help protect the organization's reputation.

## Deloitte's framework

We help our clients establish enterprise-wide culture risk management programs to gain greater insight into their culture, employee engagement, employee behaviors, and market signals. Collectively, these insights can inform actions to proactively manage risk and foster a culture where employees embrace an organization's shared core values and demonstrate behaviors that protect, preserve, and enhance an organization's brand and reputation.

The foundation of such a program is an established governance structure and reporting cadence with executive leadership and the board. Program design, implementation, and ongoing execution activities focus on **culture, engagement, behavior, signals, and assurance** to deliver **insights** and drive **action**.



## What is culture and culture risk?

**Culture** is a system of values, beliefs, and behaviors that shapes how things get done within an organization.



Culture aligns with and supports **business strategy**



Culture is shaped by **leaders' actions** and **decisions**



Culture is sustained by **employee behaviors**



Culture is reinforced by **business** and **organizational systems**

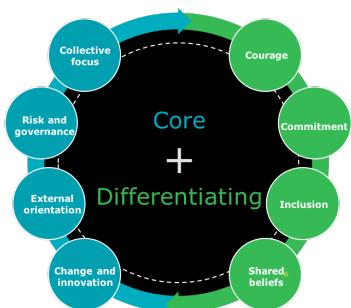
**Culture risk** is created when there's misalignment between an organization's values and leader actions, employee behaviors, or organizational systems.

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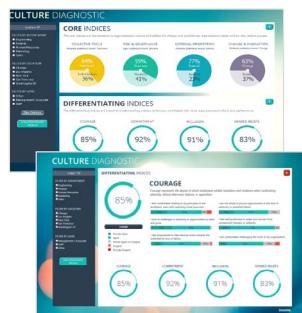
**Assessing organizational culture** provides an understanding of *how things get done*—a starting point for a program. Diagnostic survey tools, such as Deloitte's [CulturePath™](#), can provide actionable visibility into organizational culture and the data needed to diagnose strengths and gaps. The diagnostic assesses culture against indices that represent foundational cultural elements (core indices) and elements connected to organizational performance (differentiating indices).

**Measuring employee engagement** provides an understanding of *how people feel*. Diagnostic survey tools, such as Deloitte's [EngagePath™](#), help reimagine employee engagement to provide actionable insights with a focus on strategic priorities for greater business impact. This model uses powerful analytics and a business-driven approach to assess and transform engagement at both the organizational and local level.

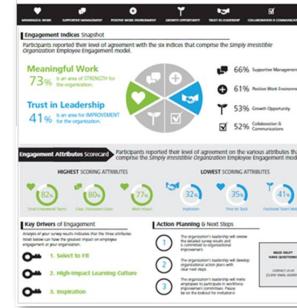
### CulturePath™ indices



### CulturePath™ output



### EngagePath™ output



## Monitoring employee behaviors

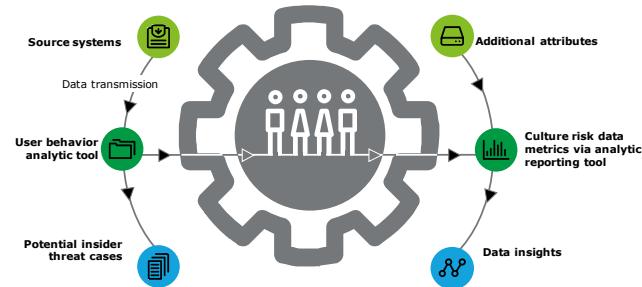
Provides an understanding of *what people do*—individually and collectively. Designing and establishing risk-based behavior monitoring—enabled by behavioral science, cognitive technologies (e.g., user behavior analytics), and data analytics—provides an understanding of insider threats and conduct risk.

Tailored behavior monitoring programs engage stakeholders across the organization to identify and prioritize the organization's critical assets and potential risk indicators (PRIs)—behaviors, actions, events, or conditions that may precede an employee action that's inconsistent with expected behaviors and, in worse-case scenarios, when an employee attempts to exploit critical assets. A user behavior analytics tool is then used to collect, correlate, and score the agreed-upon indicators, identifying individuals with elevated risk scores. This escalates further investigation to preempt and mitigate potential risk to the organization and its reputation.

Beyond individual persons of interest, additional data can be collected and correlated—applying robust data analytics, modeling, and reporting—to identify patterns of conduct (i.e., subcultures) that pose risk to an organization's reputation.

**Identifying market signals** provides an understanding of *what the market says*. External risk and reputation sensing, augmenting human intelligence through cognitive technologies and advanced analytics provides an outside-in view of perceptions about the organization.

### Illustrative behavior monitoring process



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**Proactively managing culture risk** turns insights—*what does it mean*—into action—*what to do*. Within robust governance and management processes, output from *culture, engagement, behavior, and signal* activities provide *data-driven insights* to inform proactive culture risk management *actions*. Example areas to take action may include:

- Governance processes and leadership reporting to proactively identify risks and inform action plans
- Leadership communications and actions that promote desired culture
- Training that builds awareness and incentives to reinforce expected behaviors
- Policies to guide expected behaviors and controls to prevent unintended behaviors and enforce policy
- Escalation criteria and response capabilities to actively mitigate threats

In addition, culture is managed from across the organization with multiple lines of defense:

### First line of defense

- The *board, chief executive, and management* create the vision and aspirational culture and define expected behaviors, which are reinforced by *human resources* to drive employee engagement and measure performance.

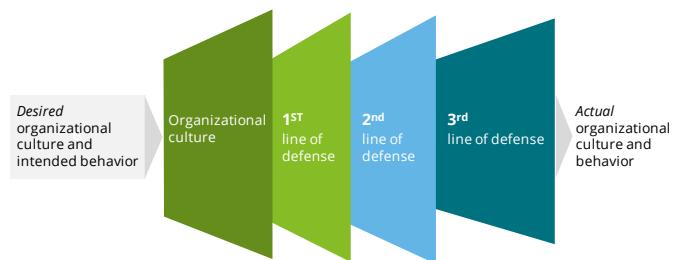
### Second line of defense

- *Risk, ethics and compliance, internal controls, finance, legal, etc.* manage, monitor, and mitigate risk and report to the executive team on risks, set policies, and provide governance.

### Third line of defense

- *Internal audit* provides assurance and advises on culture as appropriate and validates mitigation activities.

## Manage culture with multiple lines of defense



**Providing assurance on culture** offers an understanding of *whether the program is effective*. As the third line of defense, Internal Audit plays a vital role assuring that fundamental financial, operational, and compliance internal controls are operating effectively and validating the effectiveness of culture risk management activities.

It's often said that people are an organization's most valuable asset. An aligned organizational culture is a strategic lever for helping people, together, make their strongest contributions to the organization's reputation and performance.

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## Why choose Deloitte

**Gain objectivity.** Culture is a soft asset, subject to biased interpretation. We help you measure your current state, gain leadership consensus on your target culture vision, and translate that vision into indicators that can be measured and understood.

**Find culture risk "needles in the haystack."** Combining deep specialty in human capital with behavioral science and data analytics, we provide the ability to monitor across large organizations for culture risk indicators that could otherwise be difficult to detect.

### Align to your broader risk management framework.

Deloitte understands the macro business innovation and risk trends impacting your industry. Bringing global leadership across each area of risk management, we help you establish culture risk management capabilities that support and enhance your larger risk management programs and objectives.

**Drive outcome-based decisions.** We help clients create a broad and ongoing culture risk management program that continuously assesses, mitigates, and adjusts strategies to deal with potential gaps in addressing culture risk. Such a program also regularly reports to the board and executive leadership for more informed strategic, reputational, and risk management decisions.

## Take action today!

Request a briefing or visit us at  
[www.deloitte.com/us/culturerisk](http://www.deloitte.com/us/culturerisk)

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