

money **cab**

Board of Directors:
Corporate culture
becomes a top
priority

by
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Culture is the foundation of every company, board members agree on that. However, if they lack the necessary cultural competence, this can only be developed together with the CEO and the executive suite. The Leadership Alliance thus becomes the fundamental prerequisite for a positive corporate culture.

Today, board members are constantly dealing with new issues and have to adapt strategies in ever shorter time intervals. In the process, the conscious cultivation of corporate culture quickly falls by the wayside. This is all the more delicate because it plays an increasingly important role. Up to four generations of employees (baby boomers, Generation X, Y and Z) must now be reflected in a company's culture, and employee diversity continues to increase. Cultural aspects can also determine success or failure in acquisitions or mergers. Digital transformation in particular is unthinkable without taking them into account.

Corporate culture as a competitive advantage

Most board members in Switzerland agree on the importance of corporate culture. As a study showed, for around two-thirds of the board members surveyed, it is a significant competitive advantage and a component of the company's success. Moreover, most of them are aware that they can shape and influence corporate values by consistently living by them.

Nevertheless, some BoD members seem to view corporate culture as something static or even simply ignore it. For example, about one-third of respondents said they do not touch culture when it comes to strategic realignments. Even when implementing strategic initiatives, cultural aspects are not taken into account at all by one in five companies. (Survey swissVR Monitor, I/2019)

"Toxic" corporate cultures lead to the abyss

A look into practice confirms these findings. What a secondary role corporate culture plays in reality for some boards of directors is demonstrated not least by the numerous financial and corporate scandals of recent times. Supervisory authorities and governance bodies are blaming "toxic" corporate cultures for the misdeeds and are increasingly taking the board of directors in particular, as the top management body, to task. Now, at the latest, the company's culture is becoming one of its top priorities.

But why do some board members have such a hard time with this topic in practice? Unlike strategy, which is based on key figures, corporate culture is primarily reflected in the behavior of managers and employees. It is characterized by values, convictions and attitudes that, in contrast to strategic management, can hardly be outlined, let alone measured. Whether a corporate culture is toxic often only comes to light after a certain time lag (e.g., through increased layoffs). Personal responsibility for this can also usually only be identified imprecisely.

Another reason for the lack of focus on corporate culture is that it does not fall within the traditional remit of the BoD. Because the CEO and the executive management set the cultural standards of a company, he is seen as the main driver of culture. Most board members see themselves only secondarily as (jointly) responsible. In addition, the board of directors is sometimes not close enough to the day-to-day business. The majority of its members have no or too infrequent contact with employees to be able to recognize cultural problems in time and get to the bottom of them.

Cultural competence: challenge and opportunity at the same time

In many places, however, one of the main reasons for the low prioritization of corporate culture is the lack of competence of the BoD. In their previous roles as CFO, CTO, etc., most board members were measured primarily by their expertise. The topic of corporate culture played at best a subordinate role during their careers. The cultural responsibility that has now been assigned, however, presents board members with a new challenge. Not only do they have to perform the supervisory function over one or more companies, but at the same time they have to open themselves up to something new and acquire additional competencies.

Corporate culture as a link between the BoD and the Leadership Team

But how can board members with multiple mandates in different companies authentically and convincingly help shape and exemplify the respective culture? Even if they have a purely strategic task: Board members are part of the company and form a unit together with the CEO and management. Strategy and operational business must go hand in hand, and the best possible alignment between the board of directors and the CEO offers great opportunities, especially for corporate culture. As different as the roles of the BoD and the Leadership Team are: Both must work together on the corporate culture. In fact, it is the crucial link between strategic and operational leadership. Agreement on the cultural values that are practiced not only has a strong impact on the entire company. It also significantly reduces the potential for conflict within the company's management and thus paves the way for a successful leadership alliance.

"The smaller the company, the greater the impact of the BoD on the culture. In larger organizations, it is primarily the CEO who shapes the corporate culture. A lot of potential is wasted through the passivity of the BoD. Most powerful is a strong alliance between the BoD and management in the sense of the Leadership Alliance - this applies in many areas, of course, but especially when it comes to corporate culture." Nicole Heimann

In our Leadership Alliance Culture programs, we work with our clients on the journey from good to great at the top management level. We do this with the involvement of all stakeholders, including board members. The goal of our programs is to create a leadership culture aligned around a shared purpose, a consciously chosen alliance mindset, a compelling vision that enables constructive and empowering ways of working together based on agreed values and behaviors. The Leadership Alliance culture not only ensures that the entire management team works together successfully, but also has a significant and lasting influence on the corporate culture through its formative role model function and the ripple out effect.

