Governance culture toolkit: open-source framework

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1. Introduction

The project identified that corporate governance in the financial services sector has a significant cultural dimension. While the Board retains formal responsibilities and obligations, the cultural aspects of governance in fact pervade the whole business in its daily behaviour. Therefore, financial services businesses need to understand and manage their governance culture holistically and continuously, not as a discrete activity to be pigeonholed away from the rest of the business.

2. Definition

Culture is a slippery concept often characterised in one-dimensional or simplistic terms. For a working definition, the research team adopted the following:

“Culture is a pattern of shared tacit assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to these problems.”

Edgar Schein, ‘Organisational Culture and Leadership’
(Jossey Bass 2004)

3. Rationale

The project found an assumption in the financial services sector that strong governance culture correlates to business success. Businesses therefore need to ensure that they can cultivate a strong governance culture. This may necessitate active culture change - a complex business requiring the understanding and commitment of leaders and the ownership of followers.

4. How to Change your Governance Culture

The work presented here is a directional aid for those interested in building a governance culture. We know that culture and change come about as a result of leadership and participation. Toolkit frameworks can help, but tools are only servants and can never substitute for what people can and really do achieve through leadership and management.
5. Towards a Governance Culture

We have used Mindmaps\(^1\) to present an overview of the Governance Beyond Boardroom Toolkit Framework. These Mindmaps do not contain a detailed inventory of specific tools and techniques but offer a potential route which can be populated by existing or specially developed tools. Thus they can enhance but never substitute for person-to-person actions and intervention.

This toolkit framework is offered as open-source material. It consists of 4 Mindmaps:

- Map A. Toolkit Framework
- Map B. Scope
- Map C. Diagnostics
- Map D. Implementation

These are posted at a level of detail conducive to unsupported accessibility. Many of the themes require more detailed work in order to operationalise them. For further information about the research that underpins the toolkit framework, see

http://www.business.bbk.ac.uk/news-and-events/governance-beyond-the-boardroom

\(^1\) Mindmaps are useful, interactive thinking and planning tools. However, the Mindmaps we have posted to illustrate the Governance Toolkit Framework appear as simple, unchangeable images in this summary. If you wish to be able to manipulate them, you may download a 7-day free trial of the software via www.thinkbuzan.com.
Map A. Governance Beyond the Boardroom Toolkit Framework

This Mindmap presents an overview of the major strands in developing a governance culture strategy. The blue cloud represents the context both externally and internally in which to plan and execute an initiative. It is vital to develop this in a way which is conceptually sound and also grounded in reality.

A word about leadership: Change is dependent on the insights, actions and behaviours of leaders. The Board has special accountability and responsibility for effective governance. However, if governance is to be owned beyond the boardroom, it is important to identify and encourage many others to act as leaders throughout the firm.
Map B. Scope

In building or improving a governance culture, it is essential first to determine the scope of governance for your business. This is more complex than it might at first seem.

Externally, there are laws, regulations, codes, industry norms, geographical and sector cultures, and political and economical contexts to be taken into consideration. It is important to plot these for all jurisdictions in which the business operates.

Internally, a clear strategy is crucial. It drives the business model and the policies, procedures and processes that deliver it.

The expectations, roles, conduct, treatment and development of the business’s people lie at the heart of delivering a governance culture. Internal and external rules applying to these factors must therefore be included in the scope of governance.
Map C. Diagnostics

Any business wishing to grow its capability needs a focussed understanding of its needs. Some of these may be self-evident, but apparent needs and goals tend to dominate an initial statement. These must be examined, and either confirmed or differentiated from real needs and goals. It is essential therefore to conduct a thorough diagnostic exercise. This is particularly important for governance because there has been a tendency to focus on its formal systems. Although diagnostic methodology aims for objectivity, much data will have a ‘perceived’ status and it is possible that perceptions of the issues will develop during the diagnostic phase itself.

It is essential to secure a buy-in preferably from leaders who can champion and exemplify the process.

- Establish the composition of the internal data-gathering team and any partnerships with external parties.

- Remember that the process takes you both to and from the boardroom. Therefore think through the language used in addressing a multi-layered business.

- Plan confidentiality – the data and the process itself will be sensitive.

The Diagnostics Mindmap offers a framework for data-gathering and needs analysis. The blue cloud contains a contextual reminder – broad categories of internal and external ‘domains’ which need to be borne in mind. The Scope Mindmap (above) provides an indicative source for the kind of data that needs to be considered. However, users are the ultimate source of knowledge and folklore so the data-gathering focus needs to be flexed accordingly.

Data gathering
The left-hand side of the map offers a range of methodology. The elements are not mutually exclusive nor do they all necessarily have to be used. However, in order to corroborate findings and to develop a rich texture, it is advisable to adopt several methods. Reliance on one tends to lead to a mechanistic ‘tick-box’ approach which may provide useful but limited data. Where culture is concerned, it is important to elicit stories and examples, especially in businesses with a strong heritage, and to develop some insight into behaviours.

Needs analysis
The right-hand side of the map indicates the parameters within which needs can be identified and an agenda formulated. These allow for specific and formal needs as well as those which reflect culture as an all-pervasive phenomenon, encapsulating the unspoken as well as its more explicit manifestations.

It is vital to explore needs from a multi-stakeholder perspective and to think of knowledge as deriving from and inhabiting both formal and informal systems.
If a strategic wedge of the business is to be involved and several styles of intervention pursued, thorough and perceptive planning is essential. Initiatives must be understood, championed and exemplified by leaders.
Map D. Implementation

This Mindmap offers a steer on translating the agenda into action. Execution will ultimately depend on the commitment of directors and employees and the quality of their delivery. A good starting point is to consider and agree outcomes based on the aspirational gaps observed in diagnostics.

Priorities
The central thrust of strategy and operations are core to any business. The research has identified further key drivers from a governance point of view. These need to be prioritised according to the needs of the business. They help to provide a focus for effort. They can themselves be clustered – for example, as ‘governance identity’.

Refer to PowerPoint slide entitled ‘Drivers’ for the ten key drivers for this sector revealed by the research, which can be clustered in a number of ways.

Approaches
Organisation Development experience suggests that a menu or amalgam of approaches supersedes a ‘one size fits all’ philosophy. The approaches suggested are not mutually exclusive. They can be viewed as occupying a continuum with an emphasis on a consulting approach at one end and a completely self-managed approach at the other. The middle ground tends towards team and business unit facilitation and coaching for which a strong partnership is recommended. A remote approach explores the possibility of using IT and multimedia so that users can take on primary delivery while being supported through telecoms and online.

Learning
Building a governance culture inevitably involves learning individually and organisationally. Not all learning is delivered through manuals and training programmes although these play a part. The framework suggests ways of thinking about domains and forums. For example, Diagnostics may have revealed that governance management is not considered a core competency but the regulatory environment suggests it should be. An adjustment would therefore need to be made to core competencies and appropriate training and appraisal adopted.

Much learning takes place on the hoof, and in order to promote the translation of a governance culture from aspiration to action, leaders need to spell it out and, just as importantly, act it out as a priority.

It is important in global and ethnically diverse businesses to take into account the cross-cultural dimension when touching on assumptions, attitudes and behaviours.

Evaluation
There is an adage that “you tend to get what you can measure.” Evaluation needs to be appropriate for the outcomes sought and the approaches used and so will differ with each intervention. Therefore a combination of qualitative and quantitative methods will be required here.
6. What Next?

We believe this toolkit framework could be taken forward in a number of directions and look forward to seeing how it will be developed by interested parties in the future. We hope people will consider joining the Beyond the Boardroom Network and continue to share ideas and experiences. To join the Network, see http://governancebeyondboardroom.blogspot.com/

Please contact us if you are interested in working with us to develop a strong governance culture for a specific business.

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