

# Building blocks of corporate culture

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Corporate culture is receiving increased regulatory attention as a foundation of good governance. But what do we mean by ‘culture’? And how as a business community do we define corporate culture and the elements that create it? In our latest report, we outline some practical recommendations for boards to consider so they can play an even more effective role in fostering a successful culture - both today and in the future.

## Increasing regulation

As a result of increasing regulation, the issue of 'culture' has arguably never been as high up the business agenda as it is today. Increased regulatory expectations are leading to an increasing responsibility on boards and non-executives. This includes holding executive teams to account, to make sure they are taking the issue of culture seriously and fostering it in the right way. Examples of the shifting view on culture includes, but are not limited to:

**Australia** - the Australian Prudential Regulatory Authority (APRA) has mandated board responsibility for risk culture. The Australian Securities and Investments Commission (ASIC) has also called for greater civil penalties for executives responsible for poor culture.

**UK** - the Financial Reporting Council (FRC) is encouraging companies to focus on broader aspects of governance such as culture and strategy, while the Financial Conduct Authority (FCA) also encourages companies to make sure their culture supports a strong control environment.

**Japan** - in light of culture failings, its Financial Services Agency published a new code of governance for audit firms in March 2017 encouraging them to ‘develop an organisational culture of openness’.

**New Zealand** - The New Zealand Stock Exchange (NSX) is preparing a revised Corporate Governance Code. Its Financial Market Authority (FMA), in a report published this year, emphasised the importance of boards and senior teams leading company culture.

**India** - The Securities Exchange Board of India, in recent guidelines on board evaluation, has recommended that boards set a corporate culture and values which should be followed by the company.

**South Africa** - King IV governance codes released in 2016 set out the importance of an ethical culture as part of effective governance.

## How do I foster an authentic culture?

Regulatory pressure is not the only driver of greater attention on the issue of culture. Insights from our International Business Report (IBR) tell us boards are taking steps already to foster an authentic culture. 50% of businesses worldwide have culture as a standing item on their board agenda, while 71% have established internal controls that address culture and employee behaviour.

### Steps being taken by boards globally to drive corporate culture



Building a 'corporate culture', like many a construction project, needs building blocks. In this report we set out some practical recommendations for boards to consider when working with leadership teams in order to successfully develop a strong corporate culture.

## Effective and reliable governance

Organisations are held accountable for accuracy and integrity in their business operations and they must have effective and reliable governance and compliance procedures in place. Additionally, they must understand and manage risk and seek an appropriate balance between risk and opportunities.

Our research tells us that corporate culture should also exist to do more than just tick a box in a report. It should act as a guide to future growth and success. The role of the board is to weave

culture into their corporate governance responsibilities. Not just to make sure that culture complements and supports business strategy today, but to confirm that it will do so in the future.

Download 'Beyond compliance - [The building blocks of strong corporate culture](#)' [ 3863 kb ] for more insights and our recommendations for boards to help succeed in the culture challenge.

If you would like to discuss any of the points raised in this report or discuss corporate culture further, please contact your local Grant Thornton adviser or one of the contacts listed in the report.

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