

# OPINION

## Boards must ensure business culture is a force for good

Recent cases show the damage a failed culture can cause to colleagues and a business. The benefits of investing in a thriving workplace culture can't be underestimated, writes **Sally Elliott**

**F**ollowing a series of high-profile departures at leading retail businesses, the spotlight has fallen on corporate culture – and not a moment too soon.

We have seen a number of examples recently where a bad culture has derailed performance, enabling unacceptable behaviour or fraudulent accounting practices.

Culture has become the board's business, to such an extent that the 2018 UK Corporate Governance Code now says the board should “assess and monitor culture” and that directors have a responsibility to “act with integrity, lead by example and promote the desired culture”. So, what does this mean in practice?

While the board is not in a position to drive cultural change throughout the business – that is the job of the chief executive and senior management team – it has to have a strong handle on what the current organisational culture is and what kind of culture will be necessary to meet the company's strategic goals.

Success or failure often depends on a company's ability to bridge the gap between the two.

### Defining culture

Both strategy and culture are vitally important levers in the quest for high performance. You can't address one without the other. Ignore the cultural challenge and your strategy won't gain traction.

Unlike strategy, which is easy enough to articulate, culture is a trickier, more elusive concept. Thankfully, sophisticated frameworks are now available to help companies understand the nature of their culture and help them bring it into line with their strategy.

At Spencer Stuart, we view culture as the shared assumptions that drive thinking, behaviour and action within an organisation. The two critical dimensions to watch out for are how

the organisation responds to change and how its people interact and work together. Both are fundamental to the success of any retailer.

Boards increasingly recognise that culture and leadership are inextricably linked. Their job is to hold management to account for creating and maintaining a healthy culture.

Some boards have started to factor this into their chief executive succession planning, taking a close look at each candidate's track record of shaping culture and fostering diversity before making an appointment.

### Leading by example

Chief executives are the ultimate custodians of company culture. The best leaders shape the culture by taking deliberate, thoughtful actions and through the example they set.

Julian Richer, who earlier this month received the Outstanding Contribution prize at the Retail Week Awards for his “revolutionary, staff-centric approach”, is a case in point.

There are many other examples of



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retail chief executives who have had a profound and positive impact on the culture of their organisations. These highly effective leaders are aware of the subtly different cultures that exist within their businesses, can sense when change is required and deftly influence the culture in the desired direction.

Boards and chief executives should continually ask whether the culture of the company is a force for good or holding the business back in some way. They should be able to describe the ideal culture, put in place organisational structures that support it and understand the ‘individual style profile’ of senior executives to assess how they align with that culture. They can consider how best to shift senior leadership behaviour and create financial incentives to reinforce culture-enhancing behaviours.

The right culture can be a major source of competitive advantage for retailers – a key ingredient in attracting and retaining both customers and employees.

Culture is the glue that binds people together with a sense of mission and purpose. It gives employees a feeling of responsibility and makes them loyal and accountable to each other too.

Boards take note: the damage done by a failed culture can be devastating, but the benefits of investing in a healthy one are immense. **RW**