



INSTITUTE OF DIRECTORS
IN IRELAND

IRELAND'S CORPORATE CULTURE

2018



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FOREWORD



**Maura Quinn, Chief Executive,
Institute of Directors in Ireland**

The Institute of Directors (IoD) in Ireland is pleased to present our Corporate Culture (2018) report, together with Amárach Research, which conveys the views of IoD members – Ireland's directors and senior executives – on the prevailing culture in boards in Ireland. We would like to acknowledge and thank those who participated.

As the leading voice in the debate on improving corporate governance standards, the IoD is dedicated to enhancing the effectiveness and performance of directors and boards throughout Ireland. We recognise the key importance of culture and the role it plays in setting the tone for the leadership of the business, and that culture provides a means of ensuring that the values of the board and leadership are appropriately adhered to. Indeed, this report presents the findings of a research project, which had the central purpose of measuring the meaning and prominence of culture from the board's point of view.

Corporate culture has rarely before been under such intense focus, both in Ireland and elsewhere.

- In spring 2018, the Central Bank of Ireland announced its collaboration with the Dutch Central Bank to undertake behaviour and culture assessments of each of the five main lenders in Ireland.
- In July 2018, the Financial Reporting Council (FRC) published a revised UK Corporate Governance Code, which, according to the FRC, builds on the findings of their report entitled; "Corporate Culture and the Role of Boards" (July 2016).

It is increasingly recognised by many boards in Ireland that company culture is so important that it requires focus on, and discussion by boards. It is also acknowledged that culture can enhance and influence a range of governance decisions pertaining to company performance, strategy and risk, employee retention, corporate reputation, and many other areas that are imperative to competitive success. However, despite this understanding, some boards do not yet treat culture with the same rigour as they do with strategy or risk, for example.

Therefore, more boards need to honestly assess whether their recognition of importance of culture, and the requirement to monitor and evaluate culture are sufficiently structured and subject to independent scrutiny to meet their current and future needs. An important starting point is to ensure that culture remains a board standing item and that it is regularly tested and verified. Once this is done, there is a framework in place to ensure that culture plays a central function within the board's oversight role.

I hope you enjoy reading this report, and that it is helpful to you in your leadership role.

Date published: September 2018

INTRODUCTION

What is corporate culture? Unlike accounting or taxation, there is no internationally agreed norm or standard that defines culture in a business or corporate context. And yet, it is a topic that concerns many business leaders and their investors. The Institute of Directors (IoD) in Ireland commissioned Amárach Research to undertake an ambitious research study in 2018 to take an objective and comprehensive look at corporate culture in Ireland and its implications. This report sets out the findings from the study and their implications for directors and senior executives.

DEFINING CULTURE

A recent report¹ by the UK's Financial Reporting Council (FRC) provides one definition of culture as: *"... a combination of the values, attitudes and behaviours manifested by a company in its operations and relations with its stakeholders"*. We have used this definition in the study to ground discussions about a topic that can otherwise be rather vague and amorphous.

SUSTAINING THE LONG-TERM

An overarching theme emerging from our study is that culture shapes long-term thinking and behaviours in organisations and, therefore, drives sustainable business practices into the future. Indeed, awareness of corporate culture – and attention to its implications – can inoculate organisations against an excessive focus on short-term decision-making and results that can be detrimental in the long run.

RATIONALE

The Institute of Directors in Ireland commissioned the research project to analyse culture trends in relation to corporate boards in Ireland. The research covered both the wider corporate culture on boards, as well as corporate culture in sectoral terms (e.g. culture in financial services, not-for-profit, SMEs).

With an understanding that corporate leadership has a critical role to play in setting organisational culture ('tone from the top'), **the main purpose of this research was to measure the meaning and prominence of culture from the board's point of view.** Additional objectives included:

1. To get a barometer of directors' views on culture and whether they believe that there is a link between culture and conduct.
2. To find out whether directors' perception of their board culture matches the reality in practice. In other words, to determine whether there is a mismatch between the board's words and practices when it comes to board culture in respect of, for example, accountability, short-termism, communication and proper conduct.
3. To investigate if directors solely focus on whether decisions are legal, with too little consideration as to whether those decisions are morally correct, and/or in the interests of the stakeholders.

¹ <https://www.frc.org.uk/directors/the-culture-project>

INTRODUCTION

AIM

The primary aim of this research project was to collect and report our members' views and current practices in respect of corporate culture on Ireland's boards. Our report explores this theme in four parts:

- **Section 1: Defining Culture**

- looks at the place of corporate culture in board level priorities and day-to-day decision-making at a senior management level.

- **Section 2: Organisation Culture**

- examines current practices and performance in relation to culture in organisations.

- **Section 3: Board Culture**

- looks at the future contribution of corporate culture to sustainable business success.

- **Section 4: Board Decision-Making**

- looks at changes directors would like to see in corporate culture in the future.

Our sincere thanks to our members who undertook this survey.

METHODOLOGY

To support the study, Amárach Research conducted a survey of IoD members' views in June 2018. A total of 197 completed responses were received. Respondents were also asked if they would be willing to participate in a short, anonymous follow-up interview by telephone, and subsequently 12 of those who agreed to be contacted were interviewed in late June 2018. This report presents the key findings* from the survey as well as verbatim quotations from the interviews woven into appropriate points in the main text.

*Throughout the report, percentages may be rounded up / down for illustrative purposes and in some tables responses such as 'other' or 'don't know' may have been left out.

INTRODUCTION

DEMOGRAPHICS

GENDER

Of the 197 respondents to this survey, **69% were male, 28% were female and 3% would prefer not to say.**



CHIEF EXECUTIVES AND MANAGING DIRECTORS

Chief executives and managing directors are the highest represented cohort of respondents at 26%, with non-executive directors accounting for 24% and executive directors making up 19% of those surveyed. Chairpersons made up 17% of respondents, while senior managers and company secretaries comprised 12%, and sole trader or consultant and retired were each 1%.

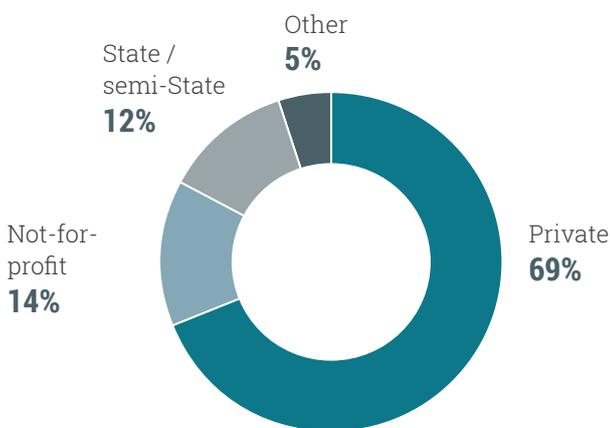
FIRM SIZE

In terms of firm size, **medium-sized firms made up 37% (50-249 employees)**, small firms (under 50 employees) made up a further 33% of respondents. The balance were large firms with 250 or more employees making 30% of respondents. SMEs are typically defined as those firms employing fewer than 250 people².

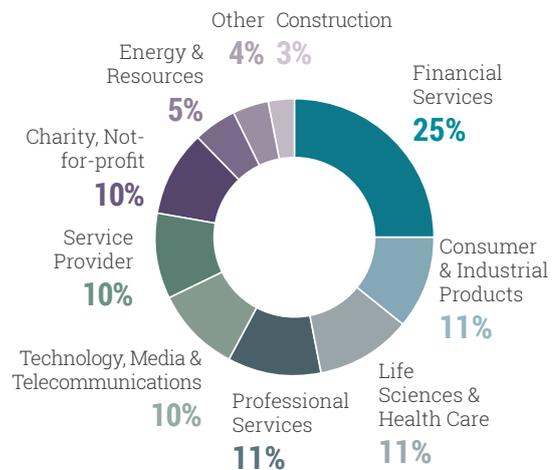
SECTORS

The **private sector had the highest level of representation at 69%**. 12% were from the State or semi-State sector and 14% were from the not-for-profit sector, comprised largely of charities, healthcare providers and education institutions. Micro companies or sole traders and 'Other' comprised the final 5%.

SECTOR



INDUSTRY SECTOR



² <https://www.cso.ie/en/releasesandpublications/er/bd/businessdemography2016/>

INTRODUCTION

EXECUTIVE FINDINGS

DEFINING CULTURE

37%

37% of respondents consider transparency and openness to be the most important contributing factor to a healthy board culture.

- Culture is the second most important issue for boards (28%) after strategy and oversight (50%).
- 59% of respondents say that their board's focus on culture has increased in the past five years.

28% | 59%

While only 28% of respondents say that their board has a clearly defined culture, 59% of respondents say that their board's culture is inferred or informal rather than defined.

ORGANISATION CULTURE

- 82% of organisations have formally communicated their company values.
- Integrity and ethical behaviour are the dominant values for 52% of respondents.
- 31% of respondents say their organisations are clear about the alignment between culture and strategy.
- 50% say the whole board is responsible for setting corporate culture, but 40% say the CEO is responsible for the success of corporate culture.

BOARD CULTURE

- 62% agree strongly that a key role for the board is to set the 'tone from the top'.

21%

Only 21% of respondents rate their boards as excellent in terms of setting the 'tone from the top'.

62%

62% of respondents say their board's own culture is respectful, 12% say their culture is one of group-think.

- 68% agree strongly that the relationship between their board chairperson and CEO is a positive one.
- Only 34% agree strongly that incentives and remuneration policies are aligned with organisational values.

24% | 32%

Respondents spend 24% of their time on boards discussing strategy but would like to spend 32% of their time on strategy.



- 50% of respondents say their board has a formalised means for holding itself accountable to its own code of conduct.

BOARD DECISION-MAKING

83%

83% say that the long-term interests of the business are taken into account in their strategic decisions.

34%

Only 34% agree that the long-term interests of the business are the main drivers of their board's strategic decisions.

- 23% of respondents say the main drivers of their board's strategic decision-making are the same now as they were five to six years ago during the financial crisis.

73%

73% of respondents cannot identify, or would prefer not to say, one single change they would influence in their board culture at present.

SECTION 1

DEFINING CULTURE

Boards are more aware than ever before that reputation and culture are integral to the success of their organisations. Therefore, the boards of all large organisations (and many small and medium-sized ones) are paying greater attention to the values, attitudes and behaviours that contribute to the culture in their organisations. In this section, we look at the changing importance of corporate culture from the viewpoint of board directors in Ireland.

Q1 What, in your opinion, contributes to a successful and healthy culture within the boardroom? *Open-ended*

A	All respondents
Transparency or openness	37%
Trust or honesty	24%
Diversity of goals or stakeholders or expertise	24%
Leadership or good chairperson	23%
Independence or able to challenge opinions	23%
Respect or good relationships	18%
Communication or listening to all stakeholders	17%
Clear vision or goals	17%
Buy-in from board members or stakeholders	12%
Governance	4%
Fairness	2%

KEY OBSERVATIONS

- 43% of respondents from small organisations (under 50 employees) see transparency or openness as the most important contributor to a successful and healthy boardroom culture, while medium and large organisations are more likely to cite diversity and leadership as more important.
- 35% of respondents from State and semi-State bodies place leadership and independence at the top of their list of important contributors, while private sector companies (Plc or SME) put transparency and openness at the top.
- 40% of female respondents view diversity of goals or stakeholders as the most important contributor vs 18% of males – the latter considers transparency to be most important.

FINDINGS

Despite some differences in priorities, there is a high degree of consensus among respondents in terms of the more important drivers of a healthy board culture, and those which are less important.

“ What is essential is that the board must not only subscribe to the highest standards of ethical conduct and compliance, but that it must also live and demonstrate it in the boardroom and drive it right down through the organisation. ”

SECTION 1 DEFINING CULTURE

Q2 Where would you place culture relative to other issues as an area of importance to your board?

A	All respondents
Strategy and oversight	50%
Culture	28%
Financial performance	11%
Risk management	5%
Performance of executive team	4%
Shareholder engagement	2%

KEY OBSERVATIONS

- **32%** of respondents from large organisations (over 250 employees) consider culture to be their number two priority after strategy, and oversight (at 47%). Small and medium organisations, place slightly more emphasis on strategy though culture is still their number two priority.
- **37%** of respondents from Plcs and multinationals consider culture to be their second most important board issue, higher than any other organisation type (though strategy and oversight is still first at 42%).

Q3 In your experience, within the last five years, has your board's focus on culture increased, decreased or remained the same?

A	All respondents	Small organisations	Medium organisations	Large organisations
Increased	59%	52%	58%	67%
Remained the same	34%	37%	36%	27%
Decreased	4%	2%	3%	7%

KEY OBSERVATIONS

- **70%** of respondents from State or semi-State organisations have seen an increase in their board's focus on culture.
- **54%** of respondents from charities/not-for-profits have seen an increase.

SECTION 1 DEFINING CULTURE

Q4

Please explain what has led to an increased focus on culture?

Open-ended

A

	All respondents
Driven by chairperson or other board members or internal stakeholders	24%
Training or workshops or improved awareness	18%
A general need to improve the organisation	15%
Driven by pressure from external stakeholders (e.g. financial regulator)	12%
Improve performance or growth	10%
Learnings from financial crisis	8%
Need to attract or retain staff	7%
Need to improve or maintain customer or staff trust or satisfaction	6%
Culture helps with strategy	6%
Happened naturally due to changing market	5%
Potential negative effects on company (e.g. reputation)	5%

FINDINGS

While strategy and oversight remain the number one priorities for most boards, it is clear that culture is becoming more important as an issue for most, with the board itself driving the increased focus.

SECTION 1 DEFINING CULTURE

Q5

Which of these statements best describes how your board's culture is currently defined?

A

	All respondents
Culture is clearly defined and articulated	28%
Culture is inferred/informal rather than defined	59%
Culture is neither inferred nor defined – culture is not on our agenda	12%

KEY OBSERVATIONS

- 37% of respondents from Plcs and multinationals say their culture is clearly defined and articulated.
- 71% of respondents from SMEs say their culture is inferred or informal.
- 18% of respondents from charities/not-for-profits say their culture is neither inferred nor defined.

FINDINGS

There are significantly fewer firms that have a clearly defined and articulated culture compared to those that rely on an inferred or informal culture. However, as boards currently take greater ownership of increasing the focus on culture within their organisations, the number of companies that will develop a clearly defined and articulated culture in the future, has the capacity to grow.

“ There needs to be a good relationship between the chairperson and the CEO; not a cosy relationship, but a robust relationship. The most important thing is having a shared vision and an open process for teasing out different views around the board table. ”

SECTION 1 DEFINING CULTURE

DEFINING CULTURE: CONCLUSION

As Ireland's economy continues to grow, the board's agenda is shifting increasingly towards securing longer-term success.

It appears that strategy and oversight is continuing to dominate board priorities; however, with 59% of respondents reporting an increased focus on corporate culture over the last five years, it is highly likely that this trend will persist as the importance of corporate culture becomes more widely recognised.

The main focus for now is in the boardroom itself, both in terms of ways of working around the boardroom table and relations between the board and the rest of the organisation. Culture must be cultivated at the top if it is to flourish at different levels of the business on a day-to-day basis.

While issues like financial performance and risk management will remain on the board agenda for the foreseeable future, continued growth will mean that longer-term issues – such as sustainability and stakeholder engagement – will become more important.

Culture is the DNA of the organisation. Its values and practices are bequeathed to future managers, employees, customers, service users and shareholders. In a sense, corporate culture speaks to the legacy that current board members and senior management will leave behind. A strong and pervasive culture can thus ensure consistency within an organisation into the long-term, and contribute to long-term success. A strong culture can continue beyond the contemporary board and organisation composition.

That said, findings show that there is a high degree of informality about corporate culture in most organisations. The practices of global organisations in our survey are harbingers of a more formal future for the definition, measurement and promotion of corporate culture than for those currently operating a less clearly defined model.

59%

.....
of respondents report an increased focus on corporate culture over the last five years.

DNA

.....
Culture is the DNA of the organisation, its values and practices are bequeathed to future managers, employees, customers, service users and shareholders.

SECTION 2

ORGANISATION CULTURE

Culture is not the only non-financial priority in organisations at present. Culture must compete with many other items on the agenda such as HR policies, customer charters and diversity. Yet despite these other demands on boards' time and attention, our research shows that many boards and organisations are enthusiastically working to develop and promote their corporate culture. In this section, we look at key roles and responsibilities in relation to culture within organisations.

Q1

Which of the following are formally communicated/available in your organisation?

A

	All respondents
HR policies (e.g. health & safety, training & development, grievance procedures)	95%
Company vision	85%
Mission statement	84%
Company strategy	84%
Company values	82%
Code of business conduct or ethics	78%
Remuneration policy	55%
Customer charter	52%
Diversity policy	47%

KEY OBSERVATIONS

- 91% of respondents from multinationals have codes of business conduct or ethics, falling to 52% of SMEs.
- 89% of female directors are in organisations with formally communicated company values vs 79% of male directors.
- 60% of larger organisations (>250 employees) have a formally communicated diversity policy, which falls to 40% for those with between 50 and 249 employees, and 43% for those with 49 or fewer employees.

“ Corporate culture is all down to individuals. You can have all the policies and procedures in place and review them at board level every month, but if the board doesn't believe in these policies and procedures then people below senior management will see that it's only 'corporate stuff'. ”

SECTION 2 ORGANISATION CULTURE

Q2

In the case of 'company values', specify the values which you believe are core to your organisation?

Open-ended

A

	All respondents
Integrity and ethical behaviour	52%
Respect and inclusiveness	48%
Innovation and ambition	36%
Honesty and accountability	33%
Performance and excellence	22%
Teamwork and empowerment	20%
Customer focus and empathy	19%
Fairness and equality	12%

KEY OBSERVATIONS

- 55% of State or semi-State respondents say that 'respect and inclusiveness' are core values in their organisations.
- 24% of respondents from charities/not-for-profits say 'fairness and equality' are among their core values.
- 29% of respondents from large organisations say 'performance and excellence' are core values in their organisations.

FINDINGS

Company values are the DNA of corporate culture, and our research shows that the vast majority of organisations have developed – or have begun to develop – clearly detailed statements on their values, alongside vision, mission and strategy, in recognition of their importance to future success.

SECTION 2 ORGANISATION CULTURE

Q3 Which of these statements best describes how well-aligned the organisation's culture is with the strategy of the business?

A

	All respondents	Small organisations	Medium organisations	Large organisations
We are very clear on our culture, purpose and long-term strategy and we actively ensure that all are well-aligned	31%	24%	35%	35%
We are clear on our purpose and strategy and these seem broadly consistent with our culture	41%	48%	43%	31%
There are some significant gaps between our strategy, purpose and our culture, and we are addressing them	18%	15%	15%	25%
We have not spent much time considering the alignment of our strategy, purpose and culture	9%	11%	7%	10%

KEY OBSERVATIONS

- 41% of respondents from Plcs/multinationals say they are clear about the alignment between culture, purpose and strategy, vs 24% of respondents from charities/not-for-profits.
- 25% of respondents from State or semi-State organisations believe there is a significant gap between strategy, purpose and culture.
- 38% of female respondents say they are clear about strategy, purpose and culture alignment in their organisations, vs 28% of male respondents.

SECTION 2 ORGANISATION CULTURE

Q3

Q4. Who do you believe has the greatest responsibility for;
 a) setting corporate culture; and
 b) the success or otherwise of the cultural aspirations of your organisation?

A

	All respondents	
	(a) Setting culture	(b) Success of culture
Board (as a whole)	50%	16%
CEO	23%	40%
Senior management team	11%	19%
Chairperson	7%	6%
All employees	5%	11%
All stakeholders (employees, customers, suppliers)	2%	6%

KEY OBSERVATIONS

- **65%** of respondents from State or semi-State organisations say their board is responsible for setting corporate culture, and **48%** say their CEO is responsible for the success of cultural aspirations.
- **30%** of respondents from multinational organisations say their CEO is responsible for setting corporate culture, falling to **14%** among charities/not-for-profit respondents. **44%** of multinational organisations and **46%** of charities/not-for-profits believe that the success of the cultural aspirations relies on the CEO.
- **55%** of female respondents say the board is responsible for setting culture (**48%** of males believe the board is responsible). **31%** of female respondents say the CEO is responsible for the success of culture (**42%** of males say so).

FINDINGS

It appears that directors and senior executives recognise the limits to their roles in organisations in respect of corporate culture. It is evident that there is a distinction between their responsibilities for specifying culture and values, and the responsibilities of others for implementing the board's ambitions. In other words, those that are setting the corporate culture are not those who are perceived to be responsible for the successful implementation.

“ The tone is set from the top and so the business can be damaged by a major senior management failure for which there are no consequences. ”

SECTION 2 ORGANISATION CULTURE

ORGANISATION CULTURE: CONCLUSIONS

Our survey has found widespread adoption of several key practices such as mission statements and codes of conduct that inform corporate culture in an informal sense.

Furthermore, the statement of company values and their communication is a critical step in setting the bar high in terms of expected behaviours.

That said, there is still a high degree of informality when it comes to values in general and corporate culture in particular. Such informality serves the purpose of being flexible and inviting engagement and commentary. But at a certain point – especially in larger organisations – it seems that more formality and clarity are essential in order to ensure alignment throughout the business.

Our findings show that directors and senior executives in Ireland now recognise the importance of non-financial priorities and their responsibilities in setting these priorities. But they also recognise that they 'can't do it all' and that the corporate culture of any organisation requires an alignment between the board and all levels of the organisation in order to become effective.

If anything, the engagement of the CEO and the senior management team in championing corporate culture is perhaps the key measure of true success as it ultimately leads others in the organisation to embrace the values and behaviours implicit in the culture.



There is still a high degree of informality when it comes to values in general and corporate culture in particular.

“ Probably what most adversely affects culture is the actual behaviour of the senior leadership team. Where you see behaviour that is inconsistent with the company's aspirations then that will feed its way down through the organisation. ”

SECTION 3

BOARD CULTURE

Membership of a board now carries much more onerous responsibilities than in the past. Not only are the legal requirements for board directors more demanding, the regulatory environment has also become more complex and challenging. In this section, we look at how boards balance their increasing responsibilities with their role as drivers of corporate culture.

Q1 Level of agreement with the (2016) UK Corporate Governance Code's statement (below) and its application to your board*:

One of the key roles for the board includes establishing the culture, values and ethics of the company. It is important that the board sets the correct 'tone from the top'. The directors should lead by example and ensure that good standards of behaviour permeate throughout all levels of the organisation. This will help prevent misconduct, unethical practices and support the delivery of long-term success.

A	All respondents	State or Semi-State bodies	Multinationals	SMEs	Charities/ Not-for-Profits
Agree strongly	62%	57%	72%	75%	54%
Agree	31%	39%	21%	25%	36%
Disagree	5%	4%	5%	0	4%
Disagree strongly	1%	0	2%	0	4%

*When this research was conducted, the 2016 UK Corporate Governance Code was in effect. In July 2018, an updated Code was published by the Financial Reporting Council, which applies to accounting periods beginning on or after 1 January 2019.

“ All board members have to believe in what they are signing up to, so it can't be a 'tick the box' exercise since the board collectively has to make decisions that are for the benefit of the whole organisation. ”

SECTION 3 BOARD CULTURE

Q2

How would you rate your board in terms of how well it sets the 'tone from the top' on a scale of 1 to 5, where 1 is excellent and 5 is poor?

A

All respondents				
Excellent	2	3	4	Poor
21%	49%	20%	4%	6%

KEY OBSERVATIONS

- **30%** of respondents from multinationals/Plcs say their board is excellent at setting the 'tone from the top'; 27% of female respondents rate their board as excellent at setting the 'tone from the top' vs 19% of males.
- **61%** of respondents from State or semi-State organisations rate their board at level 2 (very good) at setting the 'tone from the top'.
- **11%** of respondents from charities/not-for-profit organisations rate their board as poor when it comes to setting the 'tone from the top' (though twice as many say their board is excellent at setting the 'tone from the top').

FINDINGS

It appears that respondents embrace the responsibility of setting the 'tone from the top' in relation to values, ethics and corporate culture. However, most feel they still have some way to go in order to achieve the type of standards they want for themselves, or that they see elsewhere; this assertion is supported by interview responses on good examples of corporate culture for businesses and organisations.

SECTION 3 BOARD CULTURE

Q3 What terms best describe the culture of your board?

Selected from given list

A	All respondents	
	Respectful	62%
	Ethical	58%
	Analytical or considered	58%
	Challenging	55%
	Continually improving	53%
	Open or transparent	52%
	Diverse	30%
	Harmonious	19%
	Group-think	12%
	Secretive or guarded	8%

KEY OBSERVATIONS

- **74%** of respondents from multinationals/Plcs say their board culture is respectful, vs 58% of respondents from SMEs.
- **78%** of respondents from State or semi-State organisations say their board culture is ethical, vs 44% of SMEs.
- **70%** of respondents from multinational/Plcs say their board culture is open or transparent, vs 48% of State or semi-State respondents.
- **69%** of female respondents describe their board culture as respectful and 67% as ethical, vs 60% and 54% respectively for males.
- **38%** of female respondents describe their board culture as diverse, vs 27% of male respondents.
- **24%** of respondents from large companies say that their board culture is subject to group-think, vs 4% of State or semi-State respondents.

FINDINGS

Respondents are generally very positive about their experiences of board culture, with the vast majority identifying very positive traits in terms of board practice. This bodes well in turn for executive management to engage in driving corporate culture throughout the organisation.

“ Corporate culture can be damaged by a CEO or senior board director if they're in the space of 'do as I say, not as I do'. **”**

SECTION 3 BOARD CULTURE

Q4 What can cause a board to fail at setting the 'tone from the top'?

Open-ended

Based: Respondents scoring their board low in setting 'tone from the top'.

A		Poor performers
	Culture isn't prioritised enough	37%
	Failure of certain board members or the CEO (e.g. autocratic or controlling members unwilling to allow discussion)	26%
	Failure to live up to values (e.g. board does not demonstrate the organisation's values themselves)	16%
	Board does not consider all stakeholders or long-term consequences	11%

Q5 What can cause a board to succeed at setting the 'tone from the top'?

Open-ended

Based: Respondents scoring their board high in setting 'tone from the top'.

A		Poor performers
	Lead by example	26%
	Open communication and challenging the status quo	21%
	Accountability or transparency	12%
	Ensuring policies consistent with culture, values and mission	10%
	Values encouraged by the board	9%
	Inclusion of non-board members in discussions	8%
	Constant reinforcement	6%
	Regular reviews or monitoring	6%
	Clear vision or goals	4%

KEY OBSERVATIONS

- 60% of female respondents in *poor performers* say a failure to prioritise culture is a key source of poor performance when it comes to setting the 'tone from the top', vs 23% of males.
- 40% of female respondents in *good performers* cite 'leading by example' as a source of success, vs 22% of males.
- 28% of respondents from multinationals/Plcs say open communication is a key source of success.

FINDINGS

As respondents aim to raise the bar in terms of values and behaviours that will sustain a positive corporate culture, they appear to understand the challenges of setting the 'tone from the top' that are facing their organisations.

“ An organisation's real values emerge when the board has to make a difficult call which might be the right thing to do but could lose the business money, then you see if beliefs and behaviours are truly consistent. **”**

SECTION 3 BOARD CULTURE

Q6 How often does your board formally meet and how frequently is culture discussed by your board?

A	All respondents	
	Formal meetings	Culture discussions
Every month or more often	29%	7%
Every two months	35%	9%
Every quarter	31%	21%
Every six months	1%	14%
Annually	2%	21%
Never	-	11%

KEY OBSERVATIONS

- **42%** of respondents from large organisations (employing 250 or more) have board meetings at least once a month, which is over twice the frequency than for small firms.
- **65%** of respondents from State and semi-State meet every month or more often, vs 21% of respondents from charity/not-for-profit organisations.
- **26%** of respondents from State and semi-State organisations discuss culture every two months or more often, considerably more often than respondents from other organisation types (though 21% of respondents from multinationals have a similar frequency).
- **20%** of female respondents discuss culture at their board every two months or more often, vs 13% of male respondents.
- **14%** of respondents from charity/not-for-profit organisations never discuss culture at their board, vs 5% of respondents from large organisations.

“ They first of all need to determine as a board what is the proper tone and, having decided what this is, they need to have an implementation programme to ensure company practices correspond with the view that they have formed. ”

SECTION 3 BOARD CULTURE

Q7

Approximately what proportion of the board's time is spent on each of the following, and what proportion would you prefer to spend?

A

% of board time spent on:	All respondents	
	Time spent	Preferred time to spend
Financial performance management	32%	24%
Strategy	24%	32%
Risk management	18%	19%
All other matters	25%	25%

KEY OBSERVATIONS

- 19% of State and semi-State respondents' time is spent on financial performance management, vs 36% of SME respondents' time.
- 29% of State and semi-State respondents' time is spent on strategy, vs 24% of charity/not-for-profit respondents' time.
- Respondents from charity/not-for-profits would like to spend 10% less time on financial performance and 8% more time on strategy.
- Respondents from SMEs would like to spend 9% less time on financial performance and 4% more time on strategy.

FINDINGS

Findings suggest that, at board level, there is a degree of frustration among respondents in terms of the how board time is spent. Most express a preference for spending less time on financial performance management (which is generally a priority for senior management on a daily basis) and more time on strategy (which provides a platform for a more relevant conversation about corporate culture).

“ Getting down below the senior management level is important because we assume that the senior management have got the message and are driving the right culture, but you really need to dig down a little into the organisation to make sure it's working. ”

SECTION 3 BOARD CULTURE

Q8

Agreement with statements about your board and behaviour:

A

	All respondents			
	Agree strongly	Agree slightly	Disagree slightly	Disagree strongly
The board acts in the best interests of the company	77%	16%	6%	1%
As a board we lead by example	54%	31%	7%	6%
The board considers the impact on culture in all decisions it takes	22%	40%	25%	11%
We discuss culture in sufficient depth at board meetings	15%	36%	31%	14%

KEY OBSERVATIONS

- **66%** of respondents who are non-board members agree with the statement “as a board we lead by example”, compared to 95% of board members.
- **70%** of respondents from State and semi-State organisations agree that their boards consider the impact of its decisions on culture, compared to 54% of respondents from charity/not-for-profit organisations.
- **60%** of respondents from multinationals agree that their board discusses culture in sufficient depth, compared to 39% of charity/not-for-profit respondents.

SECTION 3 BOARD CULTURE

Q9 Agreement with statements about your board and management:

A	All respondents			
	Agree strongly	Agree slightly	Disagree slightly	Disagree strongly
The relationship between the CEO and chairperson is a positive one	68%	20%	4%	3%
All individual directors act in the best interests of the company	62%	24%	10%	3%
We hold executive management to account	61%	26%	8%	3%
We are clear about the values and behaviours we expect from executive management and board members	57%	29%	9%	4%
Incentive and remuneration policies are aligned with organisational values	34%	43%	12%	5%

KEY OBSERVATIONS

- **61%** of respondents from State and semi-State organisations agree that incentives and remuneration policies are aligned with organisational values, vs **88%** of those from small companies.
- **70%** of respondents who are non-board members agree executive management is held to account, compared to **95%** of board members. Additionally, **82%** of female respondents agree executive management is held to account, vs **89%** of male respondents.
- **93%** of board member respondents agree with the statement “we are clear about the values and behaviours we expect from executive management and board members”. This is reduced to **75%** of non-board members.

“ I worry about bad leadership, which is probably the most important factor, because a bad leader can cause a lot of damage to the culture of an organisation. ”

SECTION 3 BOARD CULTURE

Q10 Agreement with statements about your board and communications:

A	All respondents			
	Agree strongly	Agree slightly	Disagree slightly	Disagree strongly
There is clarity around what constitutes ethical behaviour and unethical behaviour	68%	26%	4%	3%
The organisation openly communicates its values	53%	32%	8%	6%
The organisation openly communicates its culture	36%	39%	17%	6%

KEY OBSERVATIONS

- **95%** of male respondents agree there is clarity around ethical behaviour in their organisations, vs 89% of females.
- **77%** of respondents from SME agree their organisations openly communicate their values, vs 100% of State and semi-State respondents.
- **68%** of charity/not-for-profit respondents agree that their organisations openly communicate their culture, vs 79% of SMEs.
- **61%** of non-board members agree that the organisation openly communicates its culture, and 70% agree that it openly communicates its values, compared to 82% and 93% respectively of board members.

FINDINGS

Overall, respondents are generally positive about the current performance of their boards in terms of their behaviour, holding senior management to account and communicating values and culture throughout their organisations. However, they clearly see room for improvement, particularly in terms of integrating cultural considerations into their own decision-making and into the remuneration of the management team.

SECTION 3 BOARD CULTURE

Q11 Holding the board to account – which of the following applies to your board:

A	All respondents		
	Yes	No	Unsure
My board has the confidence of key stakeholders	81%	6%	12%
The chairperson of my board has the confidence of all board members	78%	7%	12%
There is a formal policy relating to the declaration and handling of conflicts of interest	77%	18%	4%
The chairperson of my board proactively leads board culture and ensures the active engagement of all directors	73%	15%	8%
My board has developed a code of conduct and agreed a set of values and behaviours to guide board members	67%	24%	6%
There is a formal policy relating to any breach of ethics	66%	24%	9%
My board has a formalised means of holding itself accountable for compliance with relevant ethical standards	56%	37%	6%
My board has a formalised means of holding itself accountable to its own code of conduct	50%	36%	13%

KEY OBSERVATIONS

- **96%** of respondents from State and semi-State organisations say that their board has developed and agreed a set of values and behaviours to guide board members, vs 42% of those from SMEs.
- **81%** of respondents from multinational organisations say their board has a formalised means of holding itself accountable in terms of ethical standards, vs 25% of those from SMEs.
- **77%** of respondents from multinational organisations say their board has a formalised means of holding itself accountable to its own code of conduct, vs 29% of those from SMEs.
- **83%** of State or semi-State respondents say that their chairperson proactively leads board culture and ensures the active engagement of all directors, vs 65% of those from large Irish companies.
- **100%** of respondents from State or semi-State say there is a formal policy relating to the declaration and handling of conflicts of interest.
- **82%** of female respondents say there is a formal policy relating to the declaration and handling of conflicts of interest (74% of male respondents).
- **87%** of board members claim their board has the confidence of key stakeholders, vs 67% of non-board members.
- **56%** of respondents who are non-board members, claim the chairperson of their board proactively leads board culture and ensures the active engagement of all directors, vs 80% of board members.

FINDINGS

Directors and senior executives tend to see their boards in a positive light in terms of confidence, proactivity and conflicts of interest. There is more of a gap between the aspiration and reality when it comes to the formalisation of cultural practices, especially relating to accountability.

SECTION 3 BOARD CULTURE



There is an apparent disconnect when considering the opinions of non-board members.

36% vs 24%

More than a third (36%) of respondents state that their board has no formalised means of holding itself accountable to its own code of conduct, and almost one quarter (24%) state that their board has no code of conduct to guide board members and no formal policy relating to any breach of ethics.



There may be some work ahead for Irish SMEs and charities/not-for-profits in terms of their board practices and roles regarding culture, but there will likely always be some gaps reflecting different economic priorities and practical realities.

BOARD CULTURE: CONCLUSIONS

In regard to corporate culture, the day-to-day experiences and practices of board directors and senior executives in Ireland are generally aligned with the best practice. Certainly, our study suggests that corporate culture – as experienced around the boardroom table – is positive, collegial and ethical. However, there is an apparent disconnect when considering the opinions of non-board members. While still remaining positive overall, there is significant reduction in that overall positivity from the perspective of those outside the boardroom.

Additionally, while it is the case that formalised internal auditing frameworks help to keep the board accountable to it's own rules, and are vital in developing trust within the organisation, our findings show there is still work to do in this area. More than a third (36%) of respondents state that their board has no formalised means of holding itself accountable to its own code of conduct, and almost one quarter (24%) state that their board has no code of conduct to guide board members and no formal policy relating to any breach of ethics.

Clearly, there are gaps and frustrations, especially in relation to the priority given – or not given – to strategy and culture at board level. In a context of economic growth and optimistic trade outlooks (barring adverse international developments), board directors do expect to be more involved in the longer-term thinking of their organisations rather than operational matters.

Nevertheless, there are issues of scale: respondents from large, state-owned or foreign-owned organisations tend to be more official in terms of their consideration of cultural and ethical issues and their enforcement than smaller organisations.

There may be some work ahead for Irish SMEs and charities/not-for-profits in terms of their board practices and roles regarding culture, but there will likely always be some gaps reflecting different economic priorities and practical realities.

“ The most negative impacts for corporate culture come from low standards in high places when leadership strays away from high corporate standards under the pressure of short-term performance. ”

SECTION 4

BOARD DECISION-MAKING

In this final section, we look in more detail at board practices with a view to how board members would like them to change in future. The role of boards as custodians of the long-term future for organisations comes through very strongly in our study. Not only must an organisation's values and behaviours be aligned at all levels internally, they also have to be aligned with future requirements in order to serve their role in sustaining long-term success.

Q1

When the board makes strategic decisions;

(a) which of the following features are taken into account?

(b) which is the main driver behind your board's strategic decision-making?

A

	All respondents	Main driver
Financial performance	90%	27%
Long-term interests of the business	83%	34%
Legal responsibilities	80%	5%
Impact on stakeholders (e.g. employees, customers and suppliers)	79%	12%
Interests of shareholders	75%	9%
Ethical responsibilities	66%	3%
Company culture	56%	3%
Short-term interests of the business	50%	1%

KEY OBSERVATIONS

- 29% of charity/not-for-profit respondents say that 'impact on stakeholders' is the main driver of their board's decision-making, compared to 2% of respondents from multinational organisations.
- 43% of multinational respondents say that the 'long-term interests of the business' are the main consideration in decision-making, vs 31% of those from SMEs.
- 22% of State or semi-State respondents say that 'legal responsibilities' are the main drivers of their board's strategic decisions.
- 38% of respondents from large companies say 'financial performance' is the main driver, vs 12% of respondents from small companies (employing fewer than 10 people).
- 68% of All respondents say they are comfortable with the main driver of their board's strategic decisions in their organisations, however, 31% would like to see changes.

FINDINGS

Given the links between corporate culture and long-term business sustainability, it is reassuring to find that the long-term interest of the organisation is the major (though not the only) influence on board decision-making, creating a positive environment for corporate culture to play a full and positive role. However, there is clear improvement needed. It is found that only 34% agree that the long-term interests of the business are the main drivers of their board's strategic decisions, and improvement is needed in respect of taking ethical responsibilities and company culture into account while making strategic decisions.

“ It's all about walking the walk and not just talking the talk by demonstrating real personal engagement and aspirations and making sure the organisation lives up to them, but everyone has to play their part in it. ”

SECTION 4 BOARD DECISION-MAKING

Q2 What was the main driver of your board's strategic decisions five to six years ago, in the midst of the financial crash?

A

	All respondents
	Five to six years ago
Financial performance	24%
Same as it is now	23%
Short-term interests of the business	9%
Impact on stakeholders (e.g. employees, customers & suppliers)	7%
Long-term interests of the business	6%
Interests of shareholders	5%
Legal responsibilities	3%
Ethical responsibilities	2%
Company culture	1%

KEY OBSERVATIONS

- **43%** of respondents from State and semi-State organisations say their main board decision-making driver is the same as it was five to six years ago (14% of respondents from multinational/Plcs say it is the same).
- **29%** of respondents from charities/not-for-profits say that 'financial performance' was their main decision-making driver five to six years ago, vs 9% of respondents from State and semi-State organisations.
- **23%** of small firm respondents say 'financial performance' was their main decision-making driver five to six years ago, vs 14% currently.

SECTION 4 BOARD DECISION-MAKING

Q3 If you could influence one single change in board culture within your board, what would this be?

A	All respondents
None	38%
Prefer not to say	35%
More discussions about improving culture	12%
More longer-term or strategic focus	8%
Consideration of the wider environment and all stakeholders	7%
Formal guidelines and measurement tied to rewards	7%
More diversity	5%
Transparency or accountability	5%

KEY OBSERVATIONS

- 49% of respondents from multinational organisations are happy with current board culture and do not see the need for change, vs 26% of State or semi-State respondents.
- 17% of State or semi-State respondents would like to see more discussions about improving culture at their boards.
- 12% of large firm respondents would like to see more discussion on the long-term, strategic direction of the organisation.
- 9% of State or semi-State respondents would like to see more diversity on their boards.

“ Talk to people about ethics, and about culture and make yourself available and accessible in order to make people aware that issues have been dealt with transparently. ”

SECTION 4 BOARD DECISION-MAKING

REFOCUS 

Our research indicates that the current positive business environment means that boards can refocus on providing the guidance and direction that busy senior management needs.

73%

When asked if they could influence one single change in board culture on their board, 73% of respondents stated that they would not make any changes, or that they would prefer not to say.

BOARD DECISION-MAKING: CONCLUSIONS

Boards are taking ownership of the long-term agenda in their organisations. However, memories of the recent economic and financial crisis make it clear that boards must work harder to ensure survival during difficult times.

That said, our research indicates that the current positive business environment means boards can refocus on providing the guidance and direction that busy senior management needs. But they cannot lose sight of economic reality; financial performance arising from boards' decisions remains a critically important driver of their contribution to their organisations' success.

However, it is important that boards guard against complacency. When asked if they could influence one single change in board culture on their board, 73% of respondents stated that they would not make any changes, or that they would prefer not to say. This may signal a lack of recognition of the current problems facing the board and its culture, or a lack of motivation to change or improve board culture. This complacency is not limited to board members, but may also be prevalent amongst the senior management teams they supervise. While most are satisfied with their current ways of working and overall contribution, board directors still need to champion and defend corporate culture, deepening it so that when tougher economic times return, the work of embedding shared values and behaviours will prove resilient to shorter-term considerations.

CONCLUSION

RECOVERING PRIORITIES

The recovery and economic growth have facilitated a shift in priorities in boards in Ireland – even a return to older priorities. Change is happening in the boardroom itself, around the board table and between the board, senior management and the rest of the organisation.

Boards cannot lose sight of financial performance, nor would they want to, but continued growth will mean that longer-term issues – including sustainability – will grow in importance. These longer-term issues have potential to outlive the contemporary board and senior management teams. We refer to culture as the DNA of the organisation, which is bequeathed to the future. Indeed, during the research, directors talked about corporate culture in terms of the legacy that current board members and senior management will leave behind. This ingrained culture will enable the organisation to pursue those longer-term issues in a consistent, unified manner.



Continued growth will mean that longer-term issues – including sustainability – will grow in importance.

FORMALISING THE LONG-TERM

The research found a high degree of informality about corporate culture in most organisations. Looking at the practices of global organisations who boast a much higher rate of formally documented materials, a more formal future is on the horizon when it comes to the definition, measurement and promotion of corporate culture.

We have found that most organisations demonstrate widespread adoption of key documents such as mission statements and codes of conduct that can, and do, inform corporate culture. Elements such as company values and their communication help to set the bar high in terms of expected behaviours and practices, which comprise culture.

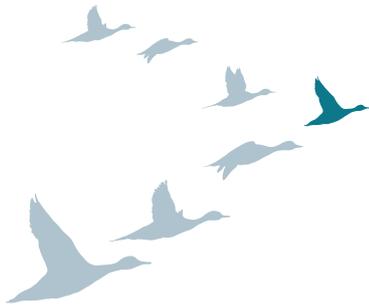
However, it remains that the majority of respondents reported that their corporate culture has not been formalised or defined, instead being more informal or inferred.

Appropriate formality and clarity are essential in order to ensure alignment throughout the business or department. If boards are truly to own the long-term agenda in their organisations, then formalising corporate culture alongside financial planning will be a critical part of future success.



Appropriate formality and clarity are essential in order to ensure alignment throughout the business or department.

CONCLUSION



.....
 There appears to be an awareness that board directors have to lead as well as practice corporate culture, the culture will not thrive unless the tone is 'set from the top'.

PRACTICE AND ASPIRATION

It was found in the study that the day-to-day practices of Irish board directors and senior executives are generally aligned with the best of practices adopted by larger, global organisations. This is reflected in the positive, collegial and ethical pattern of behaviour and communications evident in boardrooms at present. In addition, there appears to be an awareness that board directors have to lead as well as practice corporate culture, the culture will not thrive unless the tone is set from the top.

Of course, there are gaps and frustrations, especially in relation to the priority given – or not given – to strategy and culture at board level. Board directors and senior executives do expect to be more involved in the longer-term thinking of their organisations against a benign economic background.

No doubt, Irish SMEs and charities have some work ahead of them in terms of their board practices and roles, though again, our findings suggest an honesty about these gaps – and a desire to close them – among directors of smaller firms and organisations.

MORE WORK TO DO

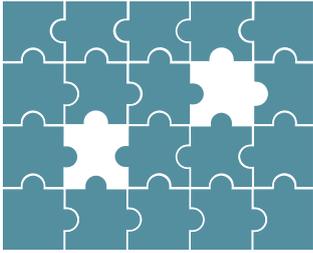
There are many positive conclusions that can be gleaned from the results of this survey. However, this should not lead to complacency as it is also evident that there is more work to be done by boards in terms of establishing and embedding good culture. Indeed, complacency itself poses a significant threat to establishing and maintaining good culture – 73% of respondents could not or would prefer not to state anything that they would change about their current board culture. Encouragement to engage with and influence board culture is a key part of maintaining a robust corporate culture and serves to help corporate culture to thrive.

To instil good corporate culture, leadership is required. In this study, approximately three in five respondents strongly agreed that a key role for board members was to set the 'tone from the top', however just one in five rated their board as excellent in terms of this. For culture to thrive, leadership and ownership are required – and it is clear from the results that this responsibility is perceived to lie with board members. Key components of leadership are oversight and responsibility. As mentioned earlier in the report, a minority of companies have formalised and defined their corporate culture. Additionally, a minority of organisations have a formalised means of holding themselves accountable. This lack of formal process undermines developing culture at the boardroom; and does nothing to build trust and ensure culture is embraced throughout the organisation.



.....
 There is more work to do for boards in terms of establishing and embedding good culture.

CONCLUSION



.....
 The perceived gap between the boards' words and deeds needs to be addressed.

GAP BETWEEN BOARDS' WORDS AND DEEDS

Throughout the research, there was a consistent disparity in answers from respondents who were board members, and those that were not. For example, board members almost unanimously agree (95%) with the statement that "as a board we lead by example". However, non-board members are not as universal in their assessment of the board leading by example (66%).

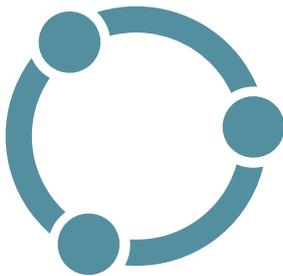
This, and additional findings relating to such disparity, should be of concern to those setting corporate culture. The perceived gap between the boards' words and deeds needs to be addressed. It highlights a lack of communication and understanding between the board and stakeholders. While 95% of board members agree that executive management is held to account, this is undermined by a comparative stakeholder of 70%.

Apart from the need for more open communication, and a shared vocabulary with those outside the boardroom, this gap between boards' words and the perception of them also suggests that there is a need for a fuller understanding by the board of its key role in generating the right combination of values, attitudes and behaviours manifested by the organisation.

Boards should honestly reflect on whether their own culture is correct and consistent. It is the board's responsibility to set the 'tone from the top' in line with the company's purpose and values; to ensure that this culture is consistent and cohesive, filtering from the board through to the organisation (and driven by executive management); and to regularly monitor and assess this culture.

However, the board should also hold itself accountable. It is accountable for the way board members behave individually and collectively, as well as how it affirms positive endorsement and sanctions behaviour which undermines culture.

Boards should ensure that culture remains a board standing item and that it is regularly tested and verified. When the robust scaffolding for a consistent and cohesive corporate culture is in place, culture-appropriate actions and decisions will almost certainly follow.



.....
 Boards should ensure that culture remains a board standing item and that it is regularly tested and verified.



INSTITUTE OF DIRECTORS
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The Institute of Directors (IoD) in Ireland is the representative body for over 2,800 directors and senior executives within the private and public sectors. As the leading voice in the debate on improving corporate governance standards, IoD Ireland is dedicated to developing and improving the effectiveness and performance of directors and boards throughout Ireland.

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