

Its time Boards pay attention to Organizational Culture

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Should culture be on the agenda of corporate boards? Although not so visible, performance of an organization is largely determined not just by how sound is its strategy but also by how close is the alignment between strategy and culture. Ultimately, culture is all about the quality of strategy execution.

Think of automotive companies around the world facing threat of electric vehicles, which needs almost complete makeover of not only physical infrastructure but the whole range of strategic issues. Or, consider a rapidly deteriorating performance scenario in an organization. The most experienced leaders know that culture is often the underlying issue in such scenarios, as in case of IBM or HP in the recent memory. What if everything is on an upswing? In that case, the issue is that future may not be same as the present or past. Consider electronic hardware industry where present success has little correlation with what can happen over time frames as short as three to five years.

Overall, whether it is a shift in technology or downslide in performance or hedging against the uncertain future, culture remains an important pillar of an organization's relevance and success. Paying attention to culture at board level can help steer the ship in the right direction.

Board's cultural agenda

I believe board should know following:

- What is the mission? What are the core values that define the organization?
- Having chosen a strategy, what are the contours of present culture and does it need any changes to ensure smooth execution of the strategy.
- Is the CEO and his/her top team doing enough to nurture the culture that will give chosen strategy the best chance to succeed?
- If it's a case of cultural transformation, what is the process, timelines, and expected outcomes?

Of all the points, the first one is the very foundation of culture: knowing the mission and core values.

Mission and core values

Central to the idea of culture is an organization's mission—an inspiring, worthwhile idea at the core that intrinsically motivated the founder to shape his nascent venture against odds.

Consider Disney. It was founded on creativity, inventive storytelling, and great animation—call it the central or the core idea or the mission¹. After roaring initial success, when Disney's CEO, Robert Iger, and the board were confronted with the disheartening downward trajectory of Disney animation in 2005, the divided board finally decided to back the

attempt to acquire Pixar, a risky alternative. In other words, without the core there would be no Disney. This remarkably reflected a deep understanding of culture by the board.

Next, the founder believes in some core values or a set of principles that drive key behaviors in an organization. Consider Bharti Airtel, a global telecom company (turnover \$13 billion; operations in 18 countries; headquartered in India), founded in 1995. Founder Sunil Bharti Mittal believed that “speed” was the core principle that would make his enterprise successful—meaning growing fast and scaling quickly. While the strategic core was sharply defined, what really set apart Airtel was superior execution. Board actively participated and backed several key moves, such as, outsourcing operation of the entire telecom network to Ericsson, Nokia, and Siemens. Similarly, outsourcing the entire IT infrastructure to IBM. Company seized on the topline growth (assumption being that it will drive bottom line) and board accepted risks that came with speed. It is not difficult to imagine a typical board meeting at Airtel where the core value of speed distilled alternative paths to any major strategic destination.

Mission and the core values pretty much give an initial firm grip on understanding culture.

The process board can follow

It is a good idea to start all the board meetings by briefly going through the mission and the core values. CEO can present it and explain any significant events in the light of these cultural tenets. If there are major strategy issues ahead on the agenda, the board leader can come back to these underpinnings and steer discussion on strategy-culture alignment. Let this exercise not be prescriptive but a reflective one.

Once a year, the board should invite the CHRO to present a more detailed picture of culture, preferably backed up by a systematic study. And let the focus shift to key behaviors—what they are like in reality-- and what does the CEO and his/her team plan to do to mold them towards the desired outcomes? Again, let it be a reflective exercise to seek board’s wisdom.

Lastly, whenever there is a major strategy exercise/ change including mergers/acquisitions, let the board deliberately initiate a discussion on mission, core values, and key behaviors. This will ensure company does not fall into the trap of ignoring culture and projecting a future that may never materialize.

Putting culture on the board’s radar will be an important step forward in the evolving role of board, which is likely to add tremendous value for all the stakeholders.

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1. Formal mission statement of Walt Disney: “The mission of The Walt Disney Company is to entertain, inform and inspire people around the globe through the power of unparalleled storytelling, reflecting the iconic brands, creative minds and innovative technologies that make ours the world’s premier entertainment company.”