

Governors' briefing notes

27. Governing bodies and culture

Introduction and aim

This Note explores why and how governors should pay attention to the culture of the higher education provider for which they are responsible, as well as the culture in the boardroom.

Topics covered

- What is culture?
- The role of culture
- Sub-cultures
- The tone at the top
- Changing culture
- Is there a 'fit'?
- Performance management and reward
- Overseeing the culture?
- What should governing bodies do?
- Looking to the longer term
- Strategy and culture
- Monitoring outcomes
- Assessing culture
- Understanding the culture
- How can boards shape culture?
- Boardroom discussion
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1. What is culture?

A simple definition of culture is "the way we do things around here."¹ Alternatively, the "pattern of assumptions, invented, discovered or developed by a given group."² Culture describes the core values and beliefs of a group. These are manifested by organisational symbols and stories, rituals, power relationships, organisational structures and control and reward systems.³ "Corporate culture does not emerge overnight,"⁴ and is typically slow and difficult to change.

2. The role of culture

Culture is about people and the way in which they behave and respond to events as employees. Culture is rarely written down but instead encapsulated by informal rules and conventions. Lacking a detailed rule book, employees acquire tacit knowledge about how the organisation works. "Culture is much more about people than it is about rules."⁵

3. Sub-cultures

In a large, multi-faculty or multi-site higher education provider there will be different sub-cultures. Sub-cultures relate to a specific area of activity or group within the organisation. Typically, sub-cultures are commonly found in academic faculties, departments or teams and professional support services. A consideration is the extent of cultural differences within the provider. For example, how do the cultures in different academic departments vary? What is the culture of professional service units? Do the differences lead to 'two tribes'? Can the different parts act as a cohesive whole? Equally, institutions may deliberately create a separate unit to the existing structure to house activities requiring a different culture, such as a commercial unit.

4. The tone at the top

The tone set by the senior leadership team, and the examples they offer by their actions and behaviours, will influence others in the organisation. For example, how visible are the senior leaders; how do they spend their time; what are their priorities; how do they engage with, and relate to, staff generally? The answers will send signals to others about their values and beliefs. This will be as important as formal communications from the senior leadership team. Faculty/department/professional support service leaders will influence culture within their area of responsibility.

5. Changing culture

The many elements that make up and embed an organisation's culture explain why fundamental, as opposed to incremental, culture change is typically a challenging task. Even if ultimately successful, the process of change generally requires time and persistence. Successful culture change requires careful thought, preparation and skilled implementation. There is no guarantee of success.

6. Is there a 'fit'?

Key to the organisation's success is whether there is a good 'fit' between its culture and strategic priorities. If the 'fit' between the strategic priorities and the culture is poor, it is unlikely that the organisation's aspirations will be achieved. The link between strategic priorities and culture places the latter at the core of a provider's long-term success. The need for culture change may result from dramatic changes in a provider's operating environment and a need to reposition itself.

7. Performance management and reward

Performance management, reward and promotion should be used to encourage behaviours that are sought after, while discouraging unhelpful behaviours. Aligning systems of reward and promotion with the desired behaviours can play an important role in developing and reinforcing cultural norms.

8. Overseeing the culture

The UK Corporate Code is explicit about to who is responsible for the organisation's culture: "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'." ⁶ [The Higher Education Code of Governance or the Scottish Code of Good Higher Education Governance](#) implicitly place culture within the remit of governing bodies. Governing bodies are expected to "demonstrate leadership and stewardship of the institution,"⁷ and 'to protect its reputation and values.'⁸ Both Codes emphasise the role of the governing body in approving and monitoring the institution's strategic plan. For institutions that are higher education corporations, the governing body is responsible for "determining the education character" of the institution.⁹

9. What should governing bodies do?

Without giving attention to culture, governing bodies will find it difficult to discharge their responsibilities effectively. For example, in agreeing an institution's strategic priorities, governing bodies should seek assurance that there is an appropriate cultural fit, or that actions are planned to allow a 'fit' to be achieved. The governing body's responsibilities also extend to safeguarding the institution's reputation and seeking assurance across a wide range of activities (eg health and safety). As a consequence, changing regulatory requirements may necessitate changes to the culture.¹⁰ Should the governing body be remiss in not exercising sufficient oversight of the culture, it may be open to a charge that it was 'negligently ignorant' or 'complicit in' supporting

an inappropriate culture. The point is that governors need to hear about issues, being mindful that if corrective action is required this is normally actioned by the executive.

10. Looking to the longer-term

Governors are trustees, who are responsible for demonstrating stewardship of the organisation. They should balance immediate needs, with longer-term sustainability.¹¹

11. Strategy and culture

The governing body with the management team should consider:

- The organisation's aspirations: its strategic priorities and outcomes?
- The culture: the core values and beliefs of the organisation?
- The cultural fit: is there an alignment with the strategic priorities; or do the culture or outcomes need to change?
- Changing the culture: Is a change of culture required; is it achievable?
- Implementing and monitoring: how to make it happen (including, if appropriate, the process of changing culture) and monitoring the outcomes

Governing bodies should, in particular, be deeply involved in the agreeing the strategic priorities and monitoring the outcomes to an agreed strategy.

12. Monitoring outcomes

In a large organisation cultures are rarely uniform. A governing body should be mindful that culture will differ within the organisation, and potentially impact on outcomes. Monitoring should not just look at the organisation in aggregate.

13. Assessing culture

Understanding a culture frequently demands different of methods of assessment. Indications of the culture may be obtained directly from those who embody or have experienced the culture, including staff and students. Diagnosing culture may involve staff surveys, meetings with students and staff or analysing the results of formal feedback (eg National Student Survey). Governors can also 'use their eyes' and look for indicators of the culture, such as when meeting staff, walking around the organisation. In reaching an assessment it is generally advisable to triangulate different sources of information both for completeness and to increase levels of confidence in the findings.

14. Understanding the culture

Assessing the culture enables the current values and beliefs to be understood and provides an opportunity to identify aspects which might need attention (eg is there a cultural bias in admissions?). Equally, the organisation may want to test whether any actions it has previously instigated to change an aspect of the culture is having any impact, ie are the values and beliefs of those targeted changing? More generally, the governing body is likely to want to seek assurances from management on different matters with a cultural dimension. For example:

- Do staff feel valued?
- What are the expectations placed on staff? Are these reasonable?
- How do staff value the importance of teaching and research?
- Do students feel that the institution places sufficient emphasis on teaching?
- Do students feel supported with financial or mental health issues?

15. How can boards shape culture?

A governing body periodically appoints (generally with input from others, such as the senate) a new head of institution. This allows consideration to be given to the 'values and beliefs' sought from a new appointment, and how these might translate into a style of management. Similarly, the governing body has the power to remove the head of institution. In addition, the culture of the boardroom matters. What items, how are they discussed and the decisions made, all send important messages to the executive.

16. Boardroom discussion

Given the asymmetry of information available to the executive and the governors, the extent to which the head of institution, encouraged or prompted by the chair, shares information and encourages an open and transparent discussion of key matters will make a difference. The nexus between the head of institution and chair of the governing body is also important. The relationship between the pair will influence the agenda and the way matters are discussed at the board or committee meetings.

17. The nature of any discussion

To be confident about successfully discharging their responsibilities governors need to remain vigilant at all times. To ensure the 'board remains honest', careful and insightful questioning by governors of any proposals placed before the governing body is critical. It is important to consider what items – and at what stage of development – are brought to the board for discussion or approval? Are items normally only shared when they are fully developed to be 'noddled through' for approval? Or are proposals brought at a formative stage of development?

18. The risk of group think

The behaviours and thinking of governors will reflect, and contribute to, the culture of the boardroom. Do the governors offer different viewpoints, or effectively act as a group? 'Group think' arises when individuals think and act as a collective: they do not offer effective challenge to a prevailing perspective. It is a "flaw in collective decision-making."¹² As a consequence, governors may be 'blind' or ignore the likelihood of an adverse event occurring. They may exhibit confirmation bias.¹³

19. Avoiding group think

Can group think be avoided? Firstly, how are new governors recruited and is there sufficient diversity among the membership of the governing body? If all governors are recruited from similar backgrounds there is a high probability that they will have common values and beliefs. Secondly, impartial leadership of the board is required. If a chair starts the meeting by declaring what they expect to achieve, it is unlikely that others will speak against the item, even if they fundamentally disagree.¹⁴

20. Managing a diverse board

A diverse board needs careful management. Without a culture where challenge and debate are the norm and care exhibited in how a challenge is made, proposers of an item can quickly feel offended. In such instances, rather than a constructive debate, the discussion is defensive. This is unhelpful to all.

21. Creating space for discussion

If debate is to happen, it requires time. Most governing bodies and their committees meet infrequently. Creating sufficient time to allow detailed debate about key matters requires careful planning. This might require setting sufficient time aside at each board meeting to have a detailed debate on a particular item or by having more frequent 'strategy days'. For example, meeting twice a year rather than a single annual event.

22. Concluding remarks

Culture is at the core of how organisations work. Yet it is a subject that does not always receive sufficient attention by governing bodies. Given its central importance this is unfortunate. Equally, if culture is to be discussed, this is more likely if there is a boardroom culture where the norm is to discuss key strategic items in an open and transparent way. Achieving such a discussion at the board meeting and allowing healthy debate may be a challenge.

Questions for review

- Does the governing body discuss the culture of the organisation?
- Are there strong sub-cultures within the organisation?
- Does the organisation need to change its culture?
- Are the strategic priorities and the culture aligned?
- Has the governing body considered its own culture?

End notes and further reading

- 1 Deal, T.E. and Kennedy, A.A. (1982) *Corporate Cultures: The Rites and Rituals of Corporate Life* (Reading: Addison-Wesley).
 - 2 Schein, E.H. (1991) *Organizational Culture and Leadership* (San Francisco: Jossey Bass).
 - 3 This list is based on the idea of a cultural web, ie factors which reflect the core values of the organisation. The idea of a web was developed to explain how culture, once embedded, is difficult to change. See Johnson G, (1987), *Strategic Change and the Management Process*, (Oxford: Basil Blackwell), p.223.
 - 4 Business, Industrial and Enterprise and Work and Pensions Committees (2018) Carillion, *House of Commons* 769, p.45.
 - 5 Financial Reporting Council (2016) *Corporate culture and the role of boards: report of observations*, July, p.12.
 - 6 Financial Reporting Council (2016) *The UK Corporate Governance Code*, April, p.2.
 - 7 Committee of University Chairs (2014) *The Higher Education Code of Governance*, December, p.5.
 - 8 *Scottish Code of Code of Good Higher Education Governance* (2017) p.10.
 - 9 This requirement is detailed in Articles of Government for higher education corporations established under section 125 of the Education Reform Act, 1988.
 - 10 These judgements were applied to the culture found at Carillion and the 'chronic lack of accountability and professionalism' in the company's corporate governance. See, Business, Industrial and Enterprise and Work and Pensions Committees (2018) HC 769, p.27.
 - 11 A trustee is not an owner. This raises the question of for whom do they hold the institution in trust? Collini suggests universities provide access to "a complex intellectual and cultural inheritance", which has been developed over successive generations by the world's community of scholars. Consequently, a university is "not the property of a one individual or group or institution or even generation." Rather a given generation "are only trustees of a complex that we did not create, and which it is not ours to allow to be destroyed." Collini offers a powerful reminder of the need for governors, as trustees, to act as stewards who are should be concerned with the longer-term survival and success of an institution. See Collini S (2017) *Speaking of Universities* (London: Verso), pp.238-244.
 - 12 Hill A, Why Group Think Never Went Away, *Financial Times*, May 7, 2018. Available at <https://www.ft.com/content/297ffe7c-4ee4-11e8-9471-a083af05aea7>
 - 13 Confirmation bias describes the tendency for people to search for confirming evidence rather than evidence that questions their beliefs or theories.
 - 14 See Hill A, Why Group Think Never Went Away, *Financial Times*, May 7, 2018. Hill discusses the importance of the chair providing impartial leadership and the bigger challenge of successfully managing a more diverse board. His overall assessment is that there is no easy way of avoiding group think.
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