Corporate Culture and the Board

Andy Green, Chairman at IG Group, gives **Dawn Murden** his verdict on the board's responsibility in understanding the values and behaviours within a business

Does corporate culture start with the board?

Most companies, particularly large ones, have built a de facto culture over many years which didn't start with the board; it started with the history and background of the company, and with years of management.

But the board absolutely needs to define the desired culture and support the executives in plotting a course towards it.

Do you have any advice on how the board should tackle this?

You have to be prepared to have a proper, honest conversation. Both the executives and non-executives must know where they are going and what they're prepared to do to drive shareholder value, as well as what they are not prepared to do.

Very few boards say: 'Let's go bribe our way into a contract,' but if you put enough pressure on the bottom line and are ambiguous about the rules, people further down the chain may make those types of bad judgements.

The board needs to get out, read the customer reports and get anecdotal stories, for example on Glassdoor. Get a sense of what is actually going on and how big the gap is between that and the desired culture. >

What questions do you expect non-executive directors to ask executives?

They should ask what the business means by 'culture' and what the executives think about it. What are they really concerned about? What do they feel we've got to get right in order to be a sustainable, successful organisation?

It's really important this is a business conversation. A strong culture that promotes good behaviour is crucial to create a successful business and return great value to shareholders in the long run.

As Chairman, what approach do you take on your boards?

When I joined IG the values were on the face of the annual reports and accounts. People were really clear about how to create a sustainable business create good client outcomes and deal fairly with clients in difficult situations, as well as managing regulation constructively and purposefully. I wouldn't have joined had that not been there.

Culturally, what I've done is to build on that and say: 'Lets get back to the great innovation that built the business and make sure that regulation doesn't take us away from that.'

If you've got the culture right in the first place then a lot of these things are a little shift – five degrees here or there.

What if you're trying to change the business?

There are two aspects to this. Both are discussed in the Financial Reporting Council (FRC) report, Corporate Culture and the Role of Boards.

> **" Setting up incentives that drive people to do the wrong thing is a grave error "**

One is being clear with the board about what you're trying to achieve and ensuring that the current values are understood. The other is to get into the business. You have to help the executive team, who are primarily responsible for driving the company, understand what the de facto culture is and what people are doing and saying on a daily basis.

You can do that in all sorts of ways – by understanding what customers are saying, from internal surveys and so on. But board members should get out and experience some of that for themselves.

How important is it to align values with incentives?

Setting up incentives that drive people to do the wrong thing is a grave error. Take financial services where too often people followed incentive schemes over common sense.

In many situations, incentive schemes are also overridden by other elements. It's something we definitely need to keep an eye on.

The board need to ask questions around targets and what behaviours they drive, the way processes run, and how much

freedom people have to take action. They must also examine how to educate people on ethics, bribery and corruption.

Do you think boards are rising to the challenge of assessing corporate culture?

In my experience they have been good at asking about things like innovation, costs and profitability. However, little time was spent discussing the attitude to bribery, or the way in which staff were driving outcomes for customers.

Boards are beginning to get better. I've seen more concentration on understanding all aspects of culture and how to manage that. For example, they're getting better at talking about acquisitions and people risks. ∎

Andy Green is a speaker at our Non-executive Director Retreat, in association with Santander. Find out more here

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Andy Green holds a number of chairman, NED and advisory roles, linked by his passion for how technology transforms business and our daily lives.

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