

# Culture Club

Providing assurance on organisational culture is frequently seen as a complex activity, best left to external experts. However, as Ben Rawal explains, in-house internal audit teams can offer such assurance through understanding both the 'hard' and 'soft' aspects of assessing organisational culture.

*Ben Rawal, Lead Consultant at Aspire Consulting Solutions.*

The topic of cultural assurance and review has continued to increase in significance during recent years, as organisations continue to develop their awareness of how important the 'right' culture can be.

Despite this, there still appears to be uncertainty on how to provide assurance in this area, and whether internal audit has a role to play. This is particularly pertinent given the complexity of corporate culture and potential sensitivities around individual behaviours.

## 'Hard' Culture

Some of the challenges facing internal auditors when reviewing culture include specifically what should be covered as part of the scope, and where to start the audit. This can appear overwhelming given that culture arguably covers every aspect of an organisation's activities and behaviours.

A potential starting point is to understand how your organisation *articulates* the culture it wants, an aspect I refer to as 'hard' culture. This information is commonly found in business plans and annual reports, together with other documents outlining organisational vision, mission, goals, values and behaviours. If this information is missing or incomplete, this could offer the assurance function an opportunity to highlight these omissions before further work is undertaken.

Another important element of 'hard' culture are the key processes, policies and procedures that support the desired organisational culture. Examples include:

- The recruitment and induction processes, and how these align to organisational values and expected behaviours;
- The maturity of appraisal systems, and how behaviours are considered as part of this process; and
- How key organisational information and changes are communicated to individuals. Does this approach align with the organisation's overall strategy and values?

## The behavioural challenge

Although the 'hard' aspects outlined above can provide assurance teams with a useful perspective on matters, it is the 'soft' (behavioural) elements that truly highlight an organisation's culture.

The 'hard' v 'soft' debate is an important area, as I frequently work with companies that have 'ticked the boxes' from a policy and procedural viewpoint, but consistently fail to live by their values or display the desired behaviours. This issue is largely due to the complexities of behavioural and habitual change, and present assurance functions with a key challenge – whether to enter the 'world' of behavioural and cultural assurance.

To achieve this, assurance teams need to develop their understanding of individual and team behaviours. I.e. what these behaviours look like, key behavioural 'indicators' that could be observed, and the depth of recommendations that can be made as a result. Although this approach may appear daunting to some, the potential value that assurance functions can add through behavioural and cultural assurance is immense. Such audits would provide a more rounded perspective on whether objectives can truly be achieved – does the culture and its underlying behaviours support the organisation's vision and goals, or is there a clear mismatch?

## Upskilling the assurance function

Ensuring that the assurance function has the right skills to deliver such audits, and consistently add value, is one of the reasons why behavioural audits are not routinely included within the internal audit programme. For those teams that *do* cover this area, they are often limited on their ability to offer assurance on organisational vision and culture.

However, overcoming these challenges is achievable and depends largely on the assurance team's willingness to develop their *own* behavioural skills. More specifically, this includes the ability to self-reflect, the degree of auditor self-awareness, and the recognition of unconscious bias when interacting with others. By understanding and improving our own behaviours, we increase our

awareness of others' emotions and actions.

A reasonably 'safe' approach to achieving a basic understanding of behaviours and culture is to initially examine the assurance function itself:

- What are the underlying behaviours displayed by **individual** members of the assurance team, and how do these align to the wider organisational vision, values and goals?
- Does the assurance function review its effectiveness as a **team** and how it capitalises on the benefits of positive team dynamics?
- How do individual and team **habits** ensure that your assurance activities are successful?
- Is your assurance function **emotionally aware**? Does it use the benefits of emotional intelligence to successfully engage with business leaders and build rapport?
- How does the assurance function **measure, monitor and report** on its behaviours and sub-culture? Is this an area that interests your Audit Committee?

Whatever approach you choose to take to reviewing behaviours and culture within your organisation, remaining credible as an assurance function is clearly a top priority. The 'Top Tips' section provides some useful ideas on how to commence the behavioural and cultural journey.

**Top tips for joining the 'Culture Club':**

1. *Ensure your organisation's Board is **clear on the culture it wants**, and has a method for articulating this. The use of a **Cultural Vision Statement** could support these communications, together with clear **values and behaviours**.*

2. *Be realistic on how much your assurance function can cover through a 'Cultural Review'. The area of culture is vast, and incorporates every aspect of your organisation. **Break your culture into manageable 'chunks'** that can be reviewed separately.*
3. *How does the organisation support the pursuit of its culture through its **recruitment, induction and appraisal activities**? Do these support or hinder the desired culture?*
4. *The **behaviours** displayed by individuals and teams should align to organisational values – A deep and thorough understanding of your organisation's desired behaviours, can help you assess whether these support organisational values and your cultural vision statement.*
5. *Be prepared to challenge how cultural success is **measured**. Ideally, these measurements will include a variety of 'hard' (technical) and 'soft' (behavioural) indicators. The introduction of Key Behavioural Indicators (KBIs) although complex, represent a positive step towards assessing culture.*