Companies must rethink culture to drive profits

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BOARDROOMS need to focus their efforts on instilling the right culture to protect their business interests and boost their bottom lines, a report out today argues.

Based on discussions with chairmen, chief executives, investors and stakeholders, the research from the Financial Reporting Council (FRC) made several key observations which needed to be acknowledged to improve corporate culture.

Among the observations was the need for leaders to personally embody company culture, for values and incentives to be aligned to culture and for better evaluation in organisations.

"A healthy culture both protects and generates value," commented Sir Winfried Bischoff, chairman of the FRC, in his foreword to the report. "It is therefore important to have a continuous focus on culture, rather than wait for a crisis."

Welcoming the report's findings, Peter Swabey, policy and research director at the Institute of Chartered Secretaries and Administrators (ICSA), said: "Given the unprecedented level of mistrust in business that we have seen in recent years it is essential that companies recognise that stakeholders are looking for openness and integrity and that a strong, accountable culture can produce genuine business benefits. Governance is vital to this."

Previous research from ICSA had found the proportion of companies actively addressing culture in the boardroom has increased recently, going from less than two-thirds (64 per cent) of those it surveyed last summer to four in five (82 per cent) this summer.

However, a report by Independent Audit launched in conjunction with the FRC's work found more than half (53 per cent) of chairman thought their boards could be doing more to consider their role on culture.

Hywel Ball, EY's managing partner of assurance for the UK and Ireland, called company culture an "intangible asset" which is "increasingly part of how businesses are valued by investors".

Ball said: "Shareholders are hungry for new and greater insights on a wider range of non-financial matters and are factoring organisational culture into their investment decisions."