



HENRY REED

2020 CULTURE RESEARCH STUDY

2020 has been a challenging year and we know, from providing support to our clients, that many issues have been exposed because organisations have not been able to operate as usual.

This Culture Research Study has been undertaken to formally identify key culture risks and impacts and show the correlation between who is responsible for culture, the strategic focus and culture risks.

These insights provide a clear roadmap for implementing change to drive optimal results.

About Us

“ Culture ...

the collective behaviours driven by a set of norms and values that impact results, risks and competitive advantage ”

At HENRY REED, we add value to our clients by optimising organisational effectiveness through culture and leadership.

We are specialist business consultants who focus on delivering optimal results and a significant return on investment across all projects we deliver.

We support boards, CEOs, Executives and HR Leaders to drive results, mitigate risks and create competitive advantage.

Find out more at www.henryreed.com.au or call us to arrange a confidential and complimentary initial consultation on 1300 266 995.



Culture Research Study
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Georgia Henry, Director

Executive Summary

The information and insights from HENRY REED's 2020 Culture Research Study have been invaluable in identifying the risks and rewards to be gained from proactive management of culture. It supports the benefits of using culture to drive change, growth and sustainability in times of disruption.

The decision to gain insights through this study was driven by a desire to understand the impact of the pandemic on culture and an organisation's ability to deliver results, change and adapt as required and remain sustainable for the future.

The data has reinforced the importance of culture and leadership on the achievement of both financial and non-financial results, the mitigation of risks and the creation of competitive advantage.

Thanks must be given to the organisations and individuals who contributed to the survey.

HENRY REED look forward to conducting this research annually and providing further analysis on a yearly basis around culture change and response to the external impacts on our work environments.

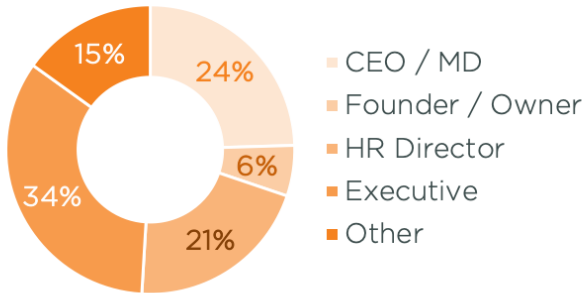
KEY INSIGHTS

- The owner and decision maker of culture within an organisation, influences the effectiveness of culture impact and risk focus.
- Leadership capability and behaviour have the most significant impact on the organisation's ability to achieve results.
- Clarity of information and communication is an essential element for organisational effectiveness.
- During the last 6 months organisation culture and the behaviour of leaders have had a significant impact on employee engagement, wellbeing and mental health, and acceptance of change.
- Many organisations don't have clarity around their culture which is derived from accurate quantitative data and qualitative insights to effectively drive a culture advantage.
- Investing in culture optimisation will mitigate financial and other risks and provide a return on investment.

Survey Participants

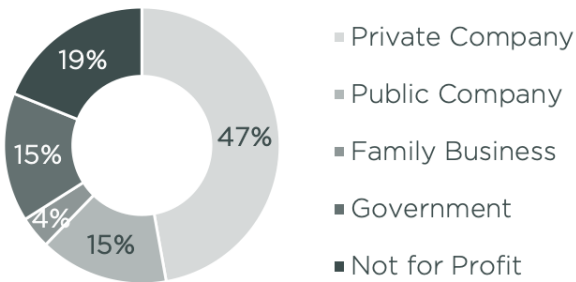
Graph 1

My role is best described as:



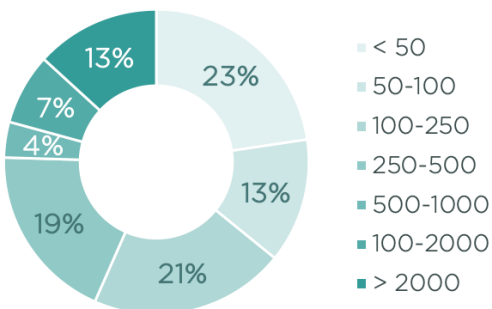
Graph 2

My organisation is best described as:



Graph 3

Total number of employees:



The survey was distributed through HENRY REED's network to Directors, CEOs, Executives and HR Leaders.

Responses were received across industries and sectors, from organisations varying from less than 50 employees to over 2,000 employees.

The greatest representation is from Private Companies and the smallest from Family Business.

More than 50% of respondent organisations have less than 250 employees and 77% have less than 500 employees.

The 'other' category shown in the graph "My role is best described as:" includes Directors and Advisors.

Culture Responsibility

The ownership and responsibility of culture within an organisation has a significant impact of an organisation's ability to use culture to its greatest advantage.

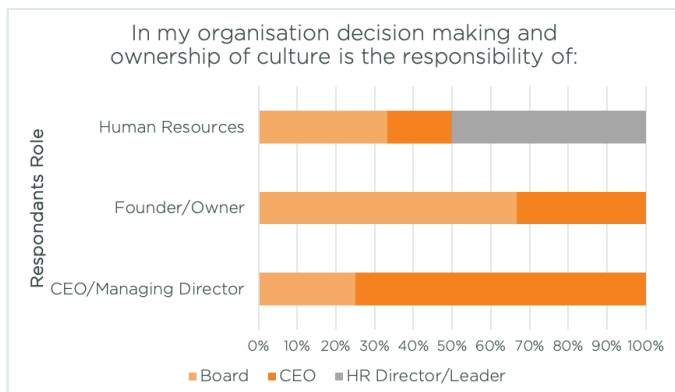
Culture enables the way people behave, react, make decisions and contribute. It has a direct impact on employee engagement, alignment with delivering outcomes and accountability.

An organisation's ability to manage risk is impacted by their culture as most risk is generated from choices and behaviours of leaders and employees. When organisations view their culture as a management tool that enables delivery of strategy and management of risk, the ownership of culture becomes the highest priority.

The Australian Institute of Company Directors, in their report "Governing Organisation Culture", state that *"despite inherent complexity, good culture is critical to sustainable performance. and furthermore, cultural change must be driven by, supported by and modelled by the leadership of the organisation, and integrated within the board's overall governance role."*

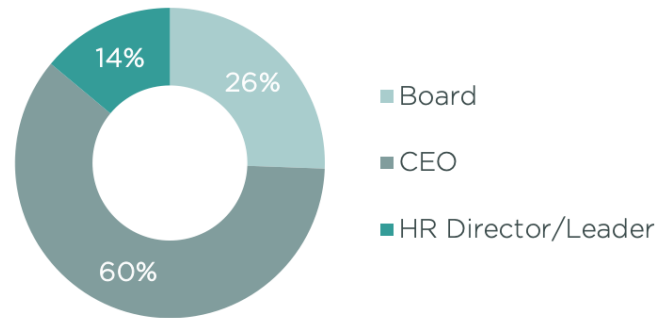
60% of organisations responded that culture is owned by the CEO rather than the board and most concerningly 14% of organisations give this responsibility to the HR function.

Graph 5



Graph 4

Decision making and ownership of culture in my organisation is the responsibility of:



With such a strong governance and regulatory focus from APRA and ASIC on culture and culture impact, it is surprising to see more than 50% of Public Companies, responding to this study, reported that the responsibility for culture decisions and ownership is with the HR function.

The impact of culture ownership on risks and results is discussed in more detail on page 6. It is interesting to note how the decision-making and ownership of culture is influenced by the respondent's role as seen in Graph 5.

Approximately one quarter of survey comments relating to culture ownership also indicated that while decision making and ownership of culture sits with a particular function, is also supported by executives.

Graph 6



The *ability* to deliver results

Respondents were asked to identify the most significant impact on their organisation's ability to achieve desired results over the last 6 months. The results are in Table 1.

This provides understanding of how effectively organisations have responded to the changes forced upon them by restrictions, changed ways of doing business, and the need to engage employees who may be working remotely.

The most significant impact identified was Leadership Capability Gap. This supports the anecdotal evidence from our clients who have struggled adapting to leading remote teams and continuing to engage employees to deliver results and maintain the required level of productivity.

Leadership capability gap is exposed when there is a requirement to work differently or implement change rapidly.

Unsurprisingly the data in Graph 7, shows that these results were primarily due to the impact of external factors, including the forced changes relating to the COVID-19 pandemic.

The other significant factors impacting an organisation's ability to deliver results are the behaviours demonstrated by leaders and

Table 1

Most Significant Impact	
Leadership capability gap	28.30%
Ability to manage identified risks	20.75%
Employee engagement	15.09%
Employee wellbeing and mental health	15.09%
Resistance to change	13.21%
Preparedness for growth	7.55%

a lack of clarity and/or communication of expectations.

Global research by Gallup, shows that employee engagement is driven by positive leadership behaviours and influence aligned to strategic priorities. When the perception of leadership is negative or disconnected to purpose, vision and strategy it becomes almost impossible to engage employees to deliver results.

In this situation, the organisation is more vulnerable to risk based on the behaviours, decisions and actions of leaders.

The lack of clarity and communication enhances the inability to deliver results; and the inability manage change effectively.

At times of extreme disruption, as we have recently experienced, it is more important than ever to have strong demonstration of leadership capability.

These are a result of:

Graph 7



The risks of culture

Financial risks were by far the most significant risks recognised through the survey data. The other risks also have a financial impact.

When examined from the perspective of ownership of culture, (Graph 9), the survey data presents an interesting risk focus.

Organisations indicating that culture responsibility lies with the board, placed a higher risk focus on sustainability, market share/competitive advantage.

When decision making and ownership of culture sits with CEO the focus shifts to reputation and employee retention as the risks following financial as the highest priority for the organisation.

For those organisations that delegate responsibility of culture to HR the risk focus is on employee retention over financial and all others.

The ability to harness culture to focus leadership and employee behaviours on delivering results and mitigating risks is lost when ownership of culture is not held at a board or CEO level.

Graph 8



It is a common misconception that culture is all about 'beers, beanbags and pool tables'.

Boards and CEOs have an opportunity to use culture as a management tool to drive results, mitigate risks and deliver a competitive advantage.

Employee retention is still important and contributes significantly to the organisation's ability to innovate, respond to change and deliver financial results.

However, greater advantage is gained when your unique culture is understood, created by design and maintained to support strategic objectives, organisation-wide success and sustainability.

Graph 9

Risk by Culture Responsibility



Preparedness for *Culture* Optimisation

Comparing the priority for addressing culture issues against the organisation's internal ability and resources to design and implement sustainable culture change, as well as whether the organisation has accurate quantitative and qualitative insight on culture issues, identifies gaps that will create challenges for culture change and optimisation.

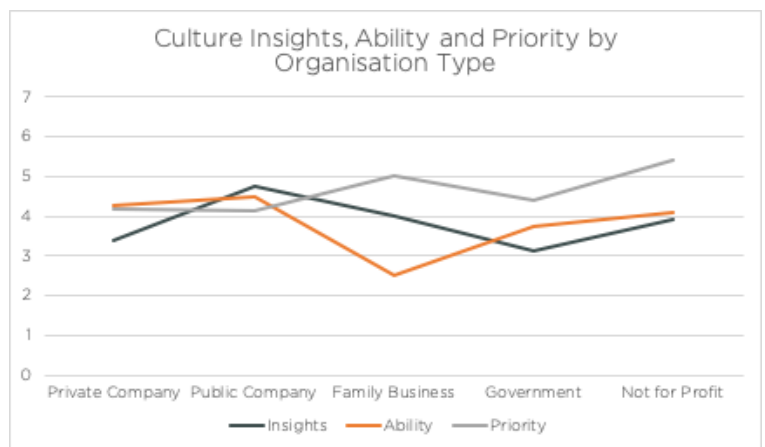
Not for Profit, Family Business & Government organisations have identified addressing culture issues as a higher priority than private and public companies.

These three sectors also demonstrate the largest gap between internal ability to address change and having accurate data and insights for optimisation.

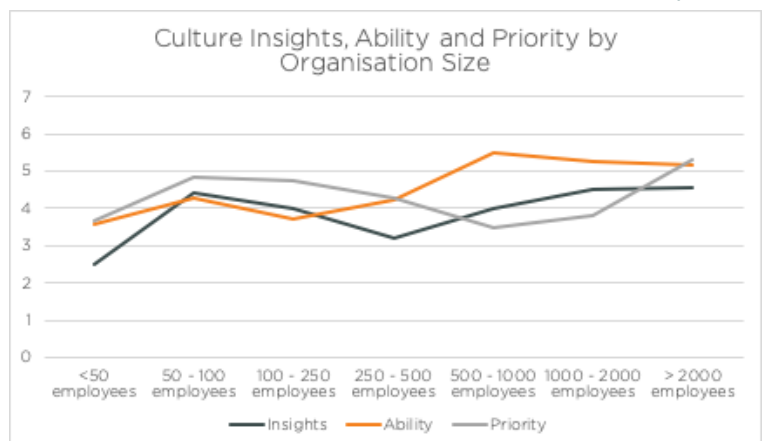
When this is viewed by company size it becomes apparent that the larger organisations have an increased internal capability and insights to drive culture change. With the internal capability, a lower priority for addressing culture issues is shown and this may be due to a proactive and continual focus in this area.

Addressing culture issues is generally a higher priority for organisations with less than 500 employees. These organisations would benefit from additional data and insights and external support to bolster internal capability to deliver required results and to mitigate culture risk.

Graph 10



Graph 11



Insights - the extent to which your organisation has accurate quantitative data and qualitative insights on culture issues.

Ability - the extent to which your organisation has the internal ability and resources to design and implement sustainable culture change.

Priority - the extent to which addressing culture issues is a priority for your organisation.

Shifting Risk to Reward

Focusing on culture as a management tool to support the achievement of strategic objectives, to mitigate risks and to provide a competitive advantage should be a high priority for all organisations in this current uncertain and disruptive environment.

The Culture Research Study has highlighted the different areas of risk focused on by the owners of culture.

To maximise the benefit of culture, organisations must review culture ownership and decision making and reassign culture responsibility to ensure it delivers results and mitigates risks.

Culture should be included on board and executive meeting agendas and be monitored and measured through interpretation of key metrics aligned to delivering strategic objectives through your leaders and employees. These metrics could include some of those detailed below.

Culture insights should include quantitative data and qualitative feedback. A traditional survey-based approach is often not enough to uncover culture risks and the unwritten ground rules, challenges and roadblocks that hinder culture optimisation.

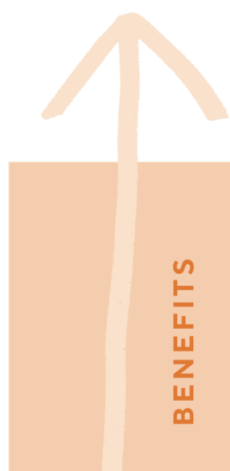
Culture is often described as ‘the way we do things around here’ or the collective behaviours and norms that influence decisions, actions and outcomes.

These culture elements are influenced by leaders and any culture change must be leader-led.

The frameworks of an organisation also impact the development and design of culture and this is often overlooked when an ‘employee engagement’ focus on culture is taken over a holistic organisational effectiveness approach.

Elevating culture ownership to the board, and decision making to the CEO will drive strategic objectives. Your internal HR/People & Culture specialists will guide culture development and assist with implementation.

To shift identified culture risks to results and provide a competitive advantage, independent and unbiased data and insights supported by external expertise may be required.



With improvements:

- Shareholder value
- Revenue \$ / full time employee
- Profit / labour dollar
- Employee engagement
- Customer net promoter score (NPS)
- Employee value proposition (EVP)
- Employee retention
- Productivity
- Brand equity
- Innovation



Comes cost reduction:

- Employee turnover (%)
- Average absenteeism days
- Number of lost time injuries
- Internal and external complaints
- Risk
- Claims cost
- Labour cost

Creating Culture

Creating and optimising culture requires a holistic approach to organisational effectiveness and an understanding of the impacts on engagement, alignment and accountability that are derived from the organisation's culture and frameworks.

HENRY REED's Model of Organisational Effectiveness aligns:

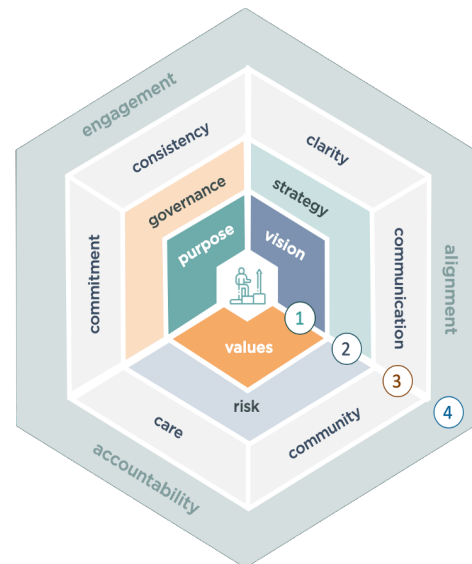
- 1 The Foundation of Identity
- 2 The Framework for Action
- 3 The Environment for Success
- 4 The Impact of Culture

and provides a roadmap for culture design.

Every organisation has a culture whether it is created by default or by design; and, every organisation achieves results through people.

Designing culture starts with defining organisation identity through purpose, vision and values. These must guide the development of strategy, governance including organisation structure, and the establishment of acceptable risk parameters.

These frameworks set the boundaries for acceptable and encouraged behaviours required to deliver results.



Often these elements are not aligned and makes the creation of the environment for success almost impossible. As we have seen in this research data, there is a significant negative impact based on lack of clarity and communication, and leadership capability.

Creating culture requires strong, emotionally intelligent leadership that influences and develops an environment where employees can thrive, innovate, and contribute effectively to deliver both financial and non-financial results.

Effective culture design delivers not only employee engagement, alignment and accountability but impacts this for customers, business partners, suppliers and all stakeholders; and the results are measurable

RESULTS

Results are only achieved through your people, and how your people behave, make decisions, respond and innovate depends on your culture and directly impacts financial and non-financial results.



RISKS

The majority of business risk comes from within and is associated with culture and behaviours. Identifying culture risk is essential for prioritising culture solutions.



COMPETITIVE ADVANTAGE

Your culture is your advantage when competing for customers, the best employees, attracting investment, or being able to innovate, disrupt and respond to change.



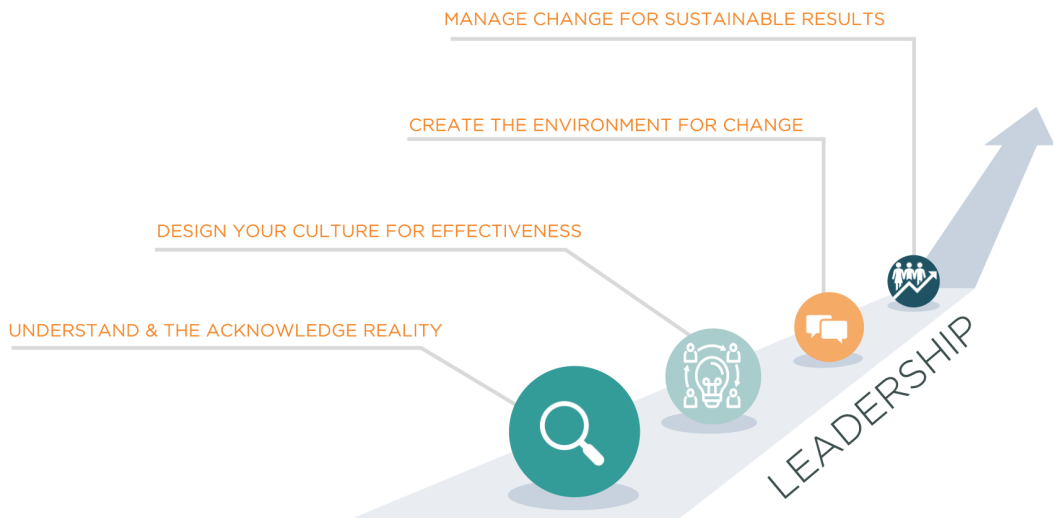
Our Expertise

“ At HENRY REED, we believe that an organisation’s success starts with culture ”

HENRY REED bring a holistic view to your organisation’s effectiveness to ensure your team is aligned, accountable and engaged.

We do this by embedding the essential elements of culture in strategy, governance and risk processes and designing the environment that will achieve success.

We focus on culture and change being leader-led and upskill leaders to understand the impact of their behaviours, decisions and actions. Our commitment is to add value to our clients so that they will achieve their desired results, mitigate risks and create competitive advantage.



CULTURE AUDIT

Independent & unbiased assessment of current state of culture & identification of issues

CULTURE DESIGN

To optimise organisational effectiveness and positively impact results, risks & competitive advantage

CULTURE CHANGE

Change management support for effective implementation to provide a return on investment

LEADERSHIP DEVELOPMENT

Executive Coaching
Emotional Intelligence
Leadership Workshops
Team Effectiveness

BUSINESS ADVISORY

Ongoing advisory support for business owners, boards, and executives

Contact HENRY REED on **1300 266 995** to discuss the results of the Culture Research Study, or to arrange a complimentary culture consultation.



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effectiveness through
culture and leadership.

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