

The Australian

Leaders turn to culture as new management tool

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 <p>Many companies are only just beginning to even discuss culture. It has got to become embedded in organisations. For that to happen, you need an understanding of how to make culture work for an organisation</p> <p>ELIZABETH BRYAN, VIRGIN AND CALTEX CHAIR</p>	 <p>Leadership from the CEO is absolutely fundamental. Leadership isn't just about presenting to the community and addressing the troops, it is actually the way in which the leader and the team work day to day</p> <p>DAVID CRAWFORD, LEND LEASE AND SOUTH32 CHAIR</p>	 <p>The board needs to understand what the culture of the company is and you can't understand that without getting out into the business</p> <p>TOM GORMAN, BRAMBLES CEO</p>
 <p>I believe for an organisation to achieve its potential you need high-quality people and you need an environment where those people work effectively together and have the best chance of achieving their individual potential</p> <p>BRIAN HARTZER, WESTPAC CEO</p>	 <p>I would put \$100 on this table that says you could walk into our head office, go on to the factory floor, and 90% of the people will know what the company's four strategic pillars are</p> <p>CHRISTINE HOLGATE, BLACKMORES CEO</p>	 <p>(There are what) I call cultural terrorists. You have to figure out who they are, allow enough time for the organisation to see they have been given every chance to recover, then if they can't get to where they need to be, they should go</p> <p>JAYNE HRDLICKA, JETSTAR CEO</p>
 <p>My view is that you can't regulate culture. Firms must be responsible for their own culture. ASIC cares about culture, because it is often a red flag that there may be conduct issues resulting from a poor culture</p> <p>GREG MEDCRAFT, ASIC CHAIR</p>	 <p>When a crisis occurs, it is often the shareholders, customers, and other stakeholders who suffer the consequences, and they are inclined to ask, quite rightly: What was the board doing?</p> <p>JOHN O'NEILL, STAR ENTERTAINMENT CHAIR</p>	 <p>I rebuilt my management team because we just weren't getting the ideas that we needed to beat our competitors</p> <p>SIMON ROTHERY, CEO GOLDMAN SACHS AUSTRALIA</p>

Some of the nation's most senior business leaders have nominated culture as critical to a company's DNA, essential for managing complex organisations.

The comments from chief executives and directors come as corporate culture is under the spotlight, particularly across the financial services industry.

In a report by executive recruitment firm Korn Ferry, chief executives and chairs including Westpac's Brian Hartzler, Virgin Airlines' Elizabeth Bryan, Blackmores' Christine Holgate, Jayne Hrdlicka of Jetstar and Moelis & Company's Andrew Pridham comment on the importance of corporate culture.

Incitec Pivot chairman Paul Brasher said in the report that "every director" worried about how they might "smell smoke coming under the door" within their company.

Mr Brasher said "one of the hardest things" for company leadership was the presence of a "subculture in a part of an organisation that has been incredibly successful", which was inconsistent with the official culture of the organisation.

"The temptation is to say: 'Just leave them alone, you don't want to upset them, they are doing all right.' But you can pay a big price for that," Mr Brasher said.

"They can become a law unto themselves if no one is prepared to break down the silos and challenge the cultural terrorists."

Virgin Australia chair Ms Bryan said the company's culture needed to be seen as a key issue for management and boards in a similar way that companies in dangerous goods industries had to learn to take safety seriously in the past.

"Company culture has to take the same journey," Ms Bryan said. "And we are way behind. Many companies are only just beginning to discuss culture."

Westpac chief Mr Hartzler told the report "the tone from the top is very important". However, he added that leadership was "less important when culture is built from the ground up".

Lend Lease chairman David Crawford, a former corporate receiver, noted he had found that many companies he dealt with that found themselves in financial trouble "had no decent culture or values".

Australian Securities & Investments Commission chairman Greg Medcraft told the report that poor corporate culture is a "red flag" that can prompt the corporate regulator to take a closer look at a company.

Mr Medcraft said ASIC often participated in "360-degree surveys" of companies, particularly the big banks, as a way of providing feedback to senior leadership.

"You have vehicles like 360-degree surveys, which tell you what your customers think of you," he said. "We participate in those, to the shock of some banks that have learned we view them very differently to how they view themselves."

He said ASIC met with the boards of the major banks once a year to "tell them what we are seeing from the front line".

"Almost without exception, they were businesses that were run for the benefit of the individuals at the top. There was no overarching culture of doing the right thing," he said.

Korn Ferry chief executive Katie Lahey said the issue of corporate culture was "the new number one topic in the boardroom" in Australia at the moment.

"If the reputation of a company is damaged, it can take a long time to rebuild it," Ms Lahey said. "As on the sporting field, things we may have tolerated in the past, we don't tolerate anymore. Bad behaviour can make or break a company. People are more aware of what is appropriate now."

Ms Lahey said some companies particularly struggled with situations where there was bad behaviour by staff members who "seemed to be generating good value for shareholders".

"People need to be penalised for poor behaviour," she said.

Blackmores chief executive Ms Holgate said it was Blackmores' culture that "separates our company from any other company in our space".

Moelis & Company chief executive Mr Pridham, who is also chairman of the Sydney Swans AFL team, said the Swans put a higher value on culture than some other clubs.

"There are times when players and coaches may want to come to the Swans, but for cultural reasons we won't take them," he said.

"At the Swans we put a huge emphasis on understanding the club's history. That doesn't happen enough in business."