

The true corporate culture becomes clear in times of crisis: five questions for Supervisory Board members

By Muel Kaptein, partner at KPMG and Professor of Business Administration

Companies have spent a lot of time and energy on culture in recent years. Culture isn't only be able to break a company (a risk factor), it can also make it (a success factor). Most companies have focused in recent years on their own purpose, core values and code of conduct, with the Management Board at the forefront, followed by employees, and as grand finale reporting about this in their annual report.

But that was when things were going well. Now things are not going well and for many companies times are extremely hard. The current crisis is putting companies under a huge amount of pressure. Pressure to survive or pressure to be able to meet increasing demands. While everything becomes fluid under pressure, the question remains what impact the crisis will have on the culture of companies. Will their corporate culture survive, wither or undergo a metamorphosis?

True corporate culture

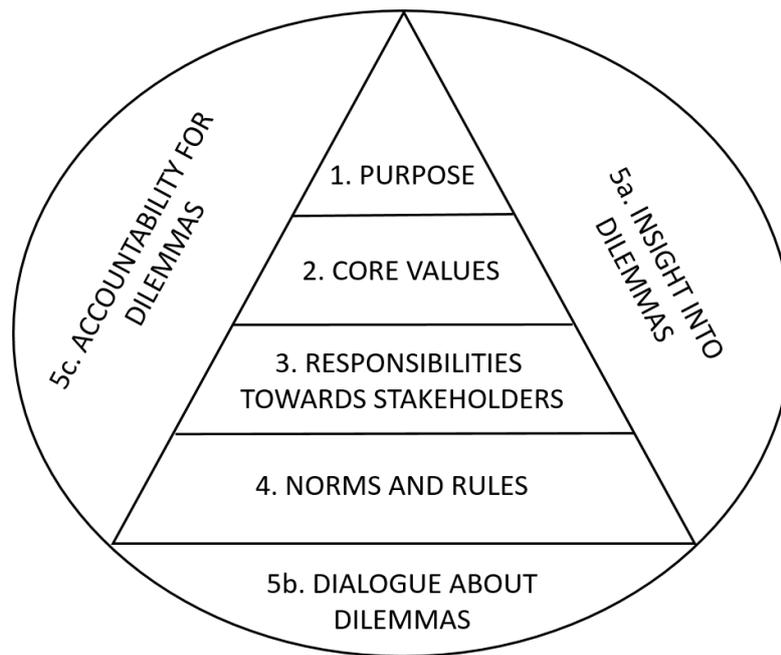
A company's true culture becomes clear in times of crisis. What is really important, what the company really stands for and what the company really believes in become clear when urgent choices need to be made in times of significant scarcity and uncertainty. This time of crisis is the perfect opportunity for Supervisory Board members to determine their company's true culture. Insight helps in making adjustments now or in learning lessons after the crisis.

Supervisory Board members can ask the Management Board to have the corporate culture monitored, for instance by the internal audit department or an external party. But Supervisory Board members can also be on the alert themselves. How a Management Board acts now speaks volumes.

Five questions

I have devised five questions that I hope will help Supervisory Board members in monitoring corporate culture in times of crisis. Each question covers a different layer of the corporate culture. I use a model for this, see the figure below, which I had developed previously and that we use at KPMG when assessing corporate cultures. We use this both when acting as accountant to assess soft controls, as well as when acting as adviser carrying out a culture audit on behalf of a company. The idea of the pyramid is that the higher the layer, the more fundamental this is (purpose is overarching) and the lower the layer, the more detailed it is (a company has one purpose and many rules).

Corporate culture pyramid model



1. Is the original purpose still the ultimate goal?

If the purpose of a company is the why and is the ultimate higher goal, then the situation in which a company finds itself should not matter. The idea of a purpose is that it transcends time. That is why it is relevant to ask whether a company does remain true to the purpose it chose prior to the crisis. Or has the purpose been lost or has it shifted? An important acid test is whether any new targets set by the management remain in line with the purpose.

2. Which values are dominant now?

Each company has core values and each company of a certain size has also made these explicit. But in times of crisis, these values weigh differently. For instance, health is more important to society right now than prosperity. The question is how the core values relate to each other in the current crisis. Does one core value carry more weight now than another core value, or are one or more core values even being lost? And from the decisions taken by the Management Board, are other core values now emerging? Because one or more core values lie behind every decision. This could be health, profitability, continuity or sustainability, to name but a few. Examining the decisions of the Management Board in such a way gives insight into their actual values.

3. In what sequence are stakeholders addressed?

What is unique in a crisis is that people focus first on what is precious to them. Compare the thought experiment in which you decide what you would do if your home were on fire and you have to be outside in one minute. On which stakeholders did the Management Board focus first when the crisis started? And in which sequence did the other stakeholders follow? It makes a big difference which they thought about first; their own bonus, employee health or support for society. And it also continues to be relevant after the start of the crisis to examine which stakeholders receive the most attention from the Management Board. For example, is it apparent from the Management Board agenda which stakeholders are given priority? And when speaking of offers, do one or more stakeholders always get the short end of the stick?

4. Which standards and regulations are discarded?

In times of crisis it is first and foremost about salvaging and helping what can be salvaged and helped. Logical. That's why compliance with standards and regulations is less important. For instance some national data protection authorities have indicated that it is not necessary to adhere strictly to privacy regulations in the current climate. At the same time, this means that companies run the risk that they start thinking that the ends justify the means, that now is no time for bureaucracy and that regulations can be discarded. But the more easily standards and regulations are side-lined now, the more that says about a company's consistency with respect to standards and regulations. The Supervisory Board members can review the conduct of Management Board from this perspective. Which standards and regulations do they discard first, and what follows? And particularly; why are they discarding these? And are the reasons justified or are they risky?

5. Is there openness about the current dilemmas?

What is unique about culture is that it is not harmonious. Tensions can occur between, for instance, two values or between a value and a rule. Such dilemmas are not weaknesses of a culture, but a sign that the culture is alive. And many dilemmas occur within companies, particularly in times of crisis. For instance, how does a company handle business partners that can no longer pay? It is therefore important that a Management Board has insight into the dilemmas (5a), discusses these (5b) and demonstrates accountability for these (5c). Whether and which dilemmas the Management Board presents to the Supervisory Board members says a lot about its openness and often also about the management layers beneath it. How proactive is the Management Board in sharing dilemmas, how much information does the Management Board provide on this and how receptive is the Management Board to Supervisory Board member recommendations? The level of openness demonstrated is revealing especially now, because in times of crisis there is a tendency among Boards of Management to demonstrate decisiveness and to act defensively in the face of criticism.

Corporate culture of the future

The true corporate culture is not only visible now. It also gives insight into the future corporate culture. The actions demonstrated by a company now will not be shaken off easily in the future. Employees and external stakeholders will not be quick to forget how the company acted in a time of crisis and what the company really considered important. Especially in times of crisis, it is time to shape the desired culture for the future. As already stated, under pressure everything becomes fluid. But diamonds are also formed under pressure. Companies that are able to sustain their desired culture now, lay the foundations for brilliant future. All the more reason for Supervisory Board members to keep a close eye on the corporate culture.

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