

Governing culture in a complex world

A snapshot of key principles for governance of organisational culture



Governance of organisational culture is a core board responsibility. However, translating this responsibility into consistent, practical oversight can be challenging.

This snapshot sets out five principles for governing organisational culture, along with key questions for boards, red flags, and a non-exhaustive list of sample metrics.

It draws on the full resource, [Governing culture in a complex world](#), which is grounded in director experience and contemporary governance practice and provides a principles-based framework to support boards to govern culture in a changing world.

Five principles for governing organisational culture



Principle 1: Leadership - Set the tone from the top

Set expectations from the top. Align leadership behaviour, incentives and board conduct with the desired culture.



Principle 2: Strategy - Integrate strategy and culture to drive performance

Integrate culture and strategy so that they are mutually reinforcing. Define the cultural attributes needed to deliver strategy and performance.



Principle 3: Risk - Embed culture into risk management processes

Embed culture into risk management. Support a speak-up mindset, constructive challenge and alignment with risk appetite.



Principle 4: Governance and oversight - Establish processes and structures to support oversight

Use structures, data and direct insight to actively monitor, test and triangulate culture across the organisation.



Principle 5: Accountability and transparency - Promote trust and confidence

Apply consistent consequences and take a principled approach to disclosure. Reinforce trust, credibility and standards.


PRINCIPLE 1: LEADERSHIP – SET THE TONE FROM THE TOP

	Key questions for boards	Red flags
Intention and clarity	Does the board have a shared, explicit view of desired culture (or an alternative common language to discuss how things are done), as well as the levers it will use to shape it?	<ul style="list-style-type: none"> • Culture discussed inconsistently or only in abstract terms • Culture treated as a management issue rather than a board responsibility
Senior leadership	Do the CEO and senior leaders consistently model the behaviours the board expects – especially under pressure?	<ul style="list-style-type: none"> • Poor behaviour excused because of performance or results • Cultural expectations fade during periods of stress or change
CEO succession	Is alignment with values and leadership style given real weight in CEO and senior executive appointment and succession decisions?	<ul style="list-style-type: none"> • Cultural leadership assessed superficially or late in the process • Over-reliance on track record from a different organisational context
Reward and recognition	Do remuneration and recognition practices clearly reinforce how results are achieved, not just what is achieved?	<ul style="list-style-type: none"> • Reward and recognition frameworks do not reflect values or culture considerations • Limited board visibility of incentive structures below executive level
Boardroom culture	Does the board model respectful challenge, accountability and openness, and hold itself to the same standards it expects?	<ul style="list-style-type: none"> • Behaviour in the boardroom misaligned with values or expected standards of behaviour • Superficial board reviews • Limited open debate, dominant chair and/ or excessive deference to perceived seniority of directors, intra-board factions or unresolved tensions
Board-management dynamic	Does the board strike the right balance between trust in management and ongoing testing and challenge?	<ul style="list-style-type: none"> • Too close a relationship between the board (especially the chair) and CEO, or conversely a relationship that has broken down • Management proposals are rarely rejected or materially reshaped • Management push-back framed as 'don't you trust us?'


PRINCIPLE 2: STRATEGY – INTEGRATE STRATEGY AND CULTURE TO DRIVE PERFORMANCE

	Key questions for boards	Red flags
Strategy alignment	<p>What cultural attributes are required to successfully formulate and execute on strategy now and into the future?</p> <p>Have sufficient resources been invested in change management?</p>	<ul style="list-style-type: none"> • Strategic plans developed in isolation from cultural considerations • Culture described vaguely, without connection to strategic priorities • Focus on just one aspect of culture (e.g. compliance or risk) while neglecting broader cultural attributes
Strategic decision-making	<p>Are cultural implications explicitly considered in major strategic initiatives and board proposals?</p>	<ul style="list-style-type: none"> • Strategy papers focus on financial and operational milestones only • Strategic initiatives repeatedly stall or fail due to lack of cultural alignment or buy-in
Work models	<p>Does the work model support the desired culture and strategy, and how is this being tested?</p>	<ul style="list-style-type: none"> • Management unable to articulate the cultural trade-offs of chosen work models • Fragmentation or disengagement evident but not addressed
Technology and AI	<p>Is sufficient attention being given to the human and cultural impacts of digital and AI transformation?</p>	<ul style="list-style-type: none"> • Focus on technology delivery with limited investment in or attention paid to capability, change or workforce impacts and/or integration
Structural transactions	<p>Is cultural due diligence and integration planning treated with the same rigour as financial and legal analysis?</p>	<ul style="list-style-type: none"> • Transactions pursued without structured cultural due diligence • No clear accountability for post transaction cultural integration



PRINCIPLE 3: RISK – EMBED CULTURE INTO RISK MANAGEMENT PROCESSES

	Key questions for boards	Red flags
Alignment on risk culture	Is the board aligned with management on the desired risk culture, and is constructive challenge genuinely encouraged?	<ul style="list-style-type: none"> • Risk treated as procedural or compliance-driven • Unclear roles and accountabilities for managing key risks • Limited challenge or escalation of uncomfortable issues
Risk appetite	Do material decisions clearly reference risk appetite – and explain where trade-offs are being made?	<ul style="list-style-type: none"> • Risk appetite referenced perfunctorily or not at all • Repeated ‘one-off’ exceptions without reflection
Speak-up culture	What evidence does the board have that individuals feel safe to raise concerns early?	<ul style="list-style-type: none"> • Very low levels of escalation or whistleblowing; defensive or dismissive management responses • Board visibility only after regulatory, media or external intervention
Periods of change	How does risk management adapt during leadership changes, restructures or rapid growth?	<ul style="list-style-type: none"> • Cultural risks not revisited during major change • Assumption that existing controls will ‘hold’



PRINCIPLE 4: GOVERNANCE AND OVERSIGHT – ESTABLISH PROCESSES AND STRUCTURES TO SUPPORT OVERSIGHT

	Key questions for boards	Red flags
Governance structures, policies and processes	Are responsibilities for culture oversight clearly allocated, understood and actively exercised?	<ul style="list-style-type: none"> • Overlapping or unclear committee mandates • Over-reliance on board committees • Attempts to narrow committee scope or access • Insufficient investment in operating systems and process
Information flows	Does the board receive timely, balanced and useful insight into cultural strengths and vulnerabilities?	<ul style="list-style-type: none"> • Bad news escalated late or not at all • Overly positive or filtered reporting
Metrics and reporting	Is the board clear on which culture metrics it tracks, why they matter, and how trends are interpreted?	<ul style="list-style-type: none"> • Long lists of metrics with little insight • Negative indicators minimised or explained away
Direct observation	How does the board triangulate formal reporting with direct exposure to the organisation and its stakeholders?	<ul style="list-style-type: none"> • Board interactions highly choreographed • Limited unfiltered employee or customer insight, or exposure to the organisation’s products and services
Stakeholder voice	How does stakeholder feedback compare with management reporting, and how are gaps addressed?	<ul style="list-style-type: none"> • Stakeholder concerns surprise the board • Follow through on issues is unclear or slow



PRINCIPLE 5: ACCOUNTABILITY AND TRANSPARENCY – PROMOTE TRUST AND CONFIDENCE

	Key questions for boards	Red flags
Behavioural standards	Are expected behaviours applied consistently, including for senior leaders and high performers?	<ul style="list-style-type: none"> • Perception of ‘different rules’ for executives • Cultural breaches tolerated if results are strong • Promotions to senior roles despite unresolved conduct issues
Accountability vs culpability	<p>Does the board have a broad view of accountability beyond culpability?</p> <p>Is the board able to ‘look in the mirror’ and assess whether it needs to share accountability of any cultural failures (including systemic risk and governance issues)?</p>	<ul style="list-style-type: none"> • Accountability framed narrowly around individual blame, with limited consideration of whether issues reflect systemic, cultural or governance weaknesses • Cultural or conduct issues treated as isolated incidents, rather than prompting questions about patterns, incentives, controls or tone from the top
Consequence management	<p>Are consequences for misconduct proportionate, timely and clearly linked to values and standards?</p> <p>Does the board have a clear sense of what mechanisms it has available to apply accountability (including legal and regulatory constraints)?</p>	<ul style="list-style-type: none"> • No clear principles in place to guide consequence management • Inconsistent or opaque outcomes • Remuneration framework and contractual settings do not provide sufficient discretion to facilitate consequence management
Transparency	Has the board agreed a principled approach to internal and external disclosure of culture and conduct?	<ul style="list-style-type: none"> • Culture disclosures limited to high-level statements • Selective or defensive transparency
Trust and confidence	What signals does the organisation’s disclosure (or silence) send to employees, and other stakeholders?	<ul style="list-style-type: none"> • Mismatch between stated values and observable outcomes • Reactive disclosures only after external pressure

How can boards gain visibility into organisational culture?

Direct observation

Many directors describe direct communication and observation as the most valuable cultural intelligence. Steps that boards can take include:

- Attending board meetings at different sites, creating opportunities to interact with employees, customers and other stakeholders.
- Undertaking purposeful site visits to understand operational circumstances first-hand, including through a rostered approach across directors.
- Engaging directly with employees (without management) to gain deeper insight into employee perspectives.
- Attending events and employee functions, demonstrating the value placed on employees while gaining insight into what drives engagement and pride.
- Listening to recorded customer or frontline calls to observe behaviours, values in practice, and cultural signals not visible in reports.
- Meeting with investors, customers, suppliers and other stakeholders to understand perspectives and external expectations on culture.

Sample board reporting metrics (lead and lag)

The following examples provide metrics that boards may use to support oversight of organisational culture. Metrics reported should be tailored for each organisation, having regard to its strategy and risk profile as well as its size and resources, and they should be capable of being captured and tracked.

For more information, access [Governing culture in a complex world](#) on the AICD website.

Sample of board reporting metrics (lead and lag)

Leadership and accountability

- Board evaluations
- 360° reviews of leadership positions
- Diversity in leadership pipelines
- Culture and people metrics included in performance and remuneration frameworks
- Consequence management outcomes
- Incident escalation (e.g. time taken for incidents to be reported to the board)
- Time taken to resolve/address board action items

People

- Workforce profile (e.g. gender, age, tenure, seniority and other diversity data where available, including data provided in accordance with Workplace Gender Equality (WGEA) requirements)
- Workforce metrics (employee turnover including regretted loss, internal promotion rates, service tenure, exit interview data, employee referrals, absenteeism, workplace avoidance and sick leave rates)
- 'Glassdoor' or employee review sites
- Employee grievances
- Resources allocated for training and development
- Industrial disputes
- Employee Net Promoter Score (eNPS)
- Engagement or culture scores

Customer and other external stakeholders

- Customer Net Promoter Score (NPS)
- Customer complaints (including raw data) and response times
- Feedback from consumer or other stakeholder advocacy bodies
- Number of referrals from satisfied customers or favourable online reviews, including on social media
- Supplier and partner feedback
- Community sentiment
- Social and other media monitoring
- Market data (e.g. Corporate Confidence Index, for listed organisations)

Safety

- WHS data (including near misses, injury frequency and severity, lost workdays, lost time injury frequency rate (LTIFR), medically treated injury frequency (MTIFR), total recordable injury frequency rate (TRIFR))
- Workplace health and safety incidents including harassment and bullying claims – organisational and contractors
- Employee mental health and wellbeing data and psychological safety scores
- Employee Assistance Program (EAP) usage trends
- Workers' compensation claims
- Safety audits and inspections
- Safety training completed
- Regulatory interactions

Sample of board reporting metrics (lead and lag) (cont)**Legal and compliance**

- Whistleblowing metrics (such as types of reports (e.g. breach of law, breach of internal policy or procedure, bullying or harassment, employee mental health and wellbeing, discrimination, leadership, WHS, HR process and pay etc); volume (e.g. by unit; quarterly/annual); anonymity rates, investigation timeliness (e.g. average time to appoint, duration); and substantiation rates)
- Breaches of internal codes of conduct or other employee misconduct (departmental reporting, not just organisation wide)
- Employee survey responses to a 'speak-up' question (e.g. 'We can raise risk issues or concerns without fear of reprisal')
- Compliance training completed
- Fraud incidents
- Internal audit reports
- Privacy and data breaches
- Average time to resolve reported incidents and investigations, the number of people who remained/ departed after raising a report and a summary of consequences for substantiated harmful behaviours
- Insurance premiums

Innovation

- Percentage of revenue devoted to research and development and comparison with industry and global standards
- Time to decision/time to market
- Percentage of revenue from products/services launched in the past 3–5 years
- Key performance indicators linking variable remuneration for executives to innovation metrics
- Employee psychological safety/'Safe to Challenge' Score (as part of engagement surveys)