

A Matter of Culture

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I often ask nonprofit and association¹ leaders a lot of questions...

Indeed, asking questions is one of the best things effective consultants do. Some of my questions have proved fairly easy to answer; some, much more difficult. In recent years, one of the most challenging questions for many nonprofit CEOs and board leaders has been: *“What type of organizational culture are you trying to foster at your nonprofit?”*

The difficulty in answering this question has led me to ask a second question, which has proved even more vexing: *“What type of leadership or governance culture are you trying to foster at your nonprofit?”*

I have tried to discover what makes it is such a challenge for leaders to answer to these fundamental questions. Perhaps the notion of organizational or leadership culture is something they haven’t had the chance to think a great deal about? Perhaps they have been focused on other matters—such as institutional relevance or survival, economic or demographic shifts, the impact of technology on their efforts and communications, critical operational issues or ever-present financial challenges? Maybe leadership culture is something that many nonprofit leaders simply accept as-is—or take for granted? Maybe the very notion of organizational culture – as applied to a nonprofit or its governance—is confusing and needs to be clarified? (It is a fairly new construct, dating back perhaps just a few decades.) Or maybe it is all of the above?

“The only thing of real importance that leaders do is to create and manage culture. If you do not manage culture, it manages you, and you may not even be aware of the extent to which this is happening.”

*-- Edgar Schein, professor
MIT Sloan School of
Management*

Uncovering why it is so difficult to answer the “governance culture question” has taken me on a recent quest to figure out what organizational culture is at a deeper level—and to try to better understand why many experts feel culture is so important to organizational success. For example, in 2010 organizational culture guru Edgar Schein warned that “cultural understanding is desirable for all of us, but it is essential to leaders if they are to lead.” Jim Dougherty suggested in a 2014 *Harvard Business Review* article that “company culture is part of your business model, “and that “culture ... is the single most important attribute to successful companies.”

¹ Unless otherwise noted, I will use the general term nonprofit to apply to the broad range of 501(c)(3) and 501(c)(6) charitable, educational and association entities that operate in the public interest.

If these experts are right—and culture is somehow central to success—then we should try to uncover the hurdles nonprofit leaders face in understanding, articulating and building the culture of their organizations. In particular, we should try to identify and overcome any leadership and governance culture challenges leaders may face.

What is ‘Organizational Culture?’

Every nonprofit has a culture. Just what that culture is can be hard for its leaders to describe—even if they have been with the organization for a long time. Although even longer-tenured board members often feel they understand their organizations well, they are frequently too close to it to really take a step back and identify the unconscious beliefs and assumptions that have been guiding their decision-making.

Examples of Key Questions and Assumptions

Each area below could have an article – or book – written about it. Nonetheless, here are some initial questions that may help to constructively challenge – or further validate – some of the core assumptions that nonprofit leaders make:

- **Vision & Mission:** Why are we all here? What are we collectively trying to achieve? What is our credit union’s purpose?
- **Strategic Goals:** What strategic goals do we set as part of trying to realize our vision and mission? What is the process for setting the goals? Who really does it?
- **Means to Achieve Goals (Structure, Systems & Processes):** How do we actually go about realizing our goals? Do we have systems and procedures in place at the management level? At the Board and committee levels?
- **Measuring Goals & Results:** How will we know if we achieve our goals? How do we identify and measure “success?” What results are we trying to achieve? What information should we gather and share about our results?
- **Failure:** What do we do if something does not go as planned? How do we interpret “failure?” If something does fail – do we have a plan? Do we just react to the circumstances? Do we genuinely learn from our failures – or do we simply try to put them behind us as quickly as possible?
- **Common Language & Information Architecture:** What are the common words and language we use to refer to things? What is the common framework of communication? What are all the ways we communicate with each other and receive information?
- **Individual & Group Boundaries:** How do we respect each other’s and the collective group’s boundaries? How do we know what those boundaries are? How do we know when someone has “gone too far?”
- **Accountability, Rewards & Punishments:** Do we hold each other accountable? How do we consciously or unconsciously reward desirable behavior and punish behavior deemed unacceptable?
- **Rules of Engagement:** What are the understandings or assumptions for how we interact with each other? With members? With those outside of the credit union?
- **Power, Authority & Status:** Who is responsible for what? What are the delegations of authority? How do we determine what gets done, how it gets done – and who has the authority to change the direction of things?

It is, as such, a real challenge for board leaders to really see their own organizational culture.

This can be the case concerning the nonprofit overall (where leaders do not always have the kind of institutional access to pick up key cultural cues) *and* at the governance level (where leaders may be too personally involved to identify the underlying assumptions with any degree of objectivity).

In his book *Organizational Culture and Leadership*, Edgar Schein formulates a formal definition of organizational culture, the essence of which is this: “what a group learns over a period of time as it solves its problems of survival in an external environment and its problems of internal integration.”

This leads us then to a new pair of questions you should yourself ask about your nonprofit: How much is your organizational culture simply an unconscious by-product of your founders' or key leaders' leadership style? And, on the other side of the coin: How much is your organizational culture the result of a conscious attempt to shape its values and assumptions? This last question brings us to look deeper into how nonprofit leaders can work together to improve their organizational and leadership culture.

How Do Leaders Create or Change Culture?

If you have been trying to make changes in how your organization works, you need to find out how the existing culture helps or hinders you. Accordingly, you need to determine what assumptions operate within the existing culture.

The Three Levels of Assumptions

Edgar Schein presents culture as a series of *assumptions* a person makes about the group in which they participate. "We tend to think we can separate strategy from culture, but we fail to notice that in most organizations strategic thinking is deeply colored by spoken and unspoken assumptions about who they are and what their mission is." Hence the famous phrase, "culture eats strategy for breakfast." He groups assumptions into three basic *levels*:

1. Artifacts
 - All of the things you would first see, hear or feel when you encounter an unfamiliar group
 - Observed behavior, routines (easy to see – hard to decipher their true meaning)
2. Stated Beliefs and Values
 - Ideals, goals, articulated values and stated aspirations
 - Ideologies
 - Rationalizations
3. Basic Underlying Assumptions
 - Unconscious, taken-for-granted beliefs and values

Can such assumptions be identified? Yes, he says. "If we combine insider knowledge with outsider questions, assumptions can be brought to the surface, but the process of inquiry has to be interactive, with the outsider continuing to probe until assumptions have really been teased out and have led to a feeling of greater understanding on the part of both the outsider and the insiders."

Schein groups assumptions into three basic *levels*: 1) artifacts—all of the surface things you would first observe, see, hear or feel when you encounter an organization; stated beliefs and values; and basic underlying assumptions—the unconscious, taken-for-granted beliefs and values of the group. In 1983, Schein wrote that when organizations first form, there are usually dominant figures or "founders" whose own beliefs, values and assumptions provide a visible and articulated model for how the group should be structured and how it should function.

As these beliefs are put into practice, some work out and some do not. The group learns what parts of the founder's belief system work and which should be left behind. This learning gradually creates shared assumptions.

Founders and subsequent leaders continue to attempt to embed their own assumptions, but increasingly they find that other parts of the organization have their own experiences to draw on and, thus, cannot be changed.

Increasingly the learning process is shared, and the resulting cultural assumptions reflect the total group's experience, not only the leader's initial assumptions. But leaders continue to try to embed their own views of how things should be and, if they are powerful enough, continue to have a dominant effect on the emerging culture.

Board members need to be able to take a step back and reflect on how your organization either challenges (or doesn't) these assumptions. Be aware that your response will be tainted by your own influence on the culture you have helped to build. This is where the value of an external unbiased perspective that can remain objective and observe your board's dynamics may be helpful.

If you are trying to examine (or change) your governance culture, you may also find yourself fighting against the organization's design and structure; organizational systems and procedures; the design of physical space, facades and buildings; stories, legends, myths and symbols; and formal statements of organizational philosophy, mission and bylaws.

Changing culture can be difficult, particularly because sometimes culture can act as a protective mechanism, with each existing assumption working to reinforce and support the other. If you try to change one assumption in isolation, the others will push back to reinforce the status quo.

Assumptions are also driven by the individuals or groups who have influence within the organization. If you want to change the culture, you sometimes have foster a culture change within your organization's current leaders, or modify the organization's core governance philosophy as well as its policies and procedures. While often the most effective, changing the behavior of key leaders can be so hard that modifying the core governance philosophy is often the best opening move. When all else fails, a change in personnel may be required.

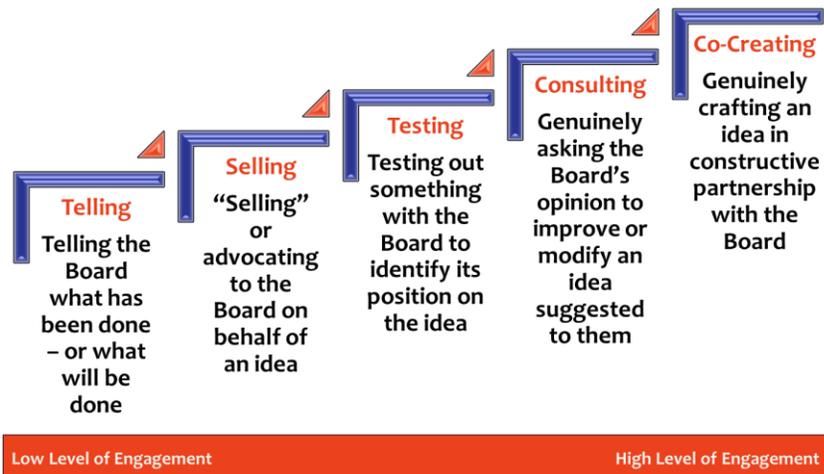
But there is hope. Change can happen. It takes a focused effort and commitment to the following types of primary mechanisms: what leaders pay attention to, measure and control; how leaders react to critical incidents and organizational crises; deliberate role modeling and coaching; operational criteria for the allocation of rewards and status; and operational criteria for recruitment, selection, promotion, retirement and expulsion.

10 Elements of an Effective Culture

Once you and your colleagues—both the board *and* the senior staff leaders—have effectively recognized and thoughtfully discussed the underlying assumptions driving your current nonprofit leadership culture, you can turn your attention to identifying any weaknesses or gaps and shape a more effective leadership culture for the future. I challenge you to address each of the following 10 key elements to build an effective board culture for your nonprofit.

1. **Commit to a culture of engagement.** Nothing really improves unless the board and senior staff are *actively engaged* in the process. This means leaders have to do more than just attend Board meetings and listen. It means they have to do their homework, and be genuinely prepared. It means they have to show up and actively engage in discussions. That way, they can co-create with senior management the future of your organization. It's the responsibility of senior staff leaders and all Board members to be familiar with the organization's key programs and strategic initiatives. It's also the responsibility of leadership to work together to improve them. To do so, you must be engaged.
2. **Join with management to foster a culture of teamwork.** There is a great deal of literature in the business world on the importance of teamwork, but seldom is it applied directly to Boards. Indeed there are some relevant differences between Boards and teams. There is, nonetheless a great deal to be learned from the work that has been done in the understanding of “high-performing teams.” Taking a page from Management 101, you and your colleagues should join together to foster a culture of teamwork. Team work does not mean you suspend your independent judgment and always yield to the group in some type of mythical group-think. Indeed, some of the most effect teams have folks that are both capable and willing to challenge their colleagues' assumptions. Be sure to include members of your organization's senior leadership as well. Who else but your teammates will work with you, shoulder to shoulder, during times of challenge? Share the burdens and joys of leadership? Constructively challenge your thinking and assumptions? Help you succeed and grow as a leader? Evaluate opportunities and threats to your organization and its mission? And, ideally, celebrate success with you?
3. **Build a culture of curiosity.** Socrates was recognized by Oracle at Delphi as one of the wisest men on earth because he was a genuinely curious man who was open about what he knew and—perhaps more importantly—what he did not know. Bring your own humility to the Board room. Come with an open mind and learn from both your Board and senior staff colleagues. Curiosity is one of the most important attributes a director—and a board as a whole—can have.

Levels of Board Dialogue & Engagement



4. If you are able to develop a culture of sincere curiosity, you’ll likely be able to also succeed in fostering an **ongoing culture of learning**. You and your colleagues will bring to the table your own personal curiosities and, combined together, you will move in the direction of what Peter Senge, a leading 21st century management theorist, has called a

“learning organization.” Indeed, you can then begin to look at Board room (and many committee meeting) experiences not through just the lens of “necessary data exchange” (see Levels of Board Dialogue & Engagement chart) but, through the lens of “collective learning” and what Senge has termed the “consulting” and “co-creation” end of the spectrum. A learning culture is vital to keep you and your board colleagues current, as the pace of societal, economic and technological changes have simply outstripped the much slower evolution of Boards through the eventual changeover of their members.

- To support your learning, you and your colleagues will need to **foster a culture of inquiry**. You will need to revise the very nature of your Board meetings so they encourage a genuine dialogue and exchange of ideas. Gone should be the days of stale committee reports and boring meetings. Develop an expectation inside – and outside – the boardroom that great questions are an essential element to success. As such, actively build a governance and leadership culture where great questions are thoughtfully recognized, genuinely appreciated and regularly rewarded.
- All this communication requires that nonprofit leaders **maintain a sincere culture of respect**. Respect does not mean agreeing to everything anyone else suggests. It does not simply mean being “nice.” It does mean deeply listening to—and honoring—other leaders’ voices in the process of decision-making. It also means valuing others’ contributions and knowing the boundaries of the role you each are carrying out.
- Be mindful that you and your colleagues have committed your time, talents and expertise to your organization and Board for the same core reason – to serve. Focus on that commitment and real responsibility. **Foster a genuine culture of service** throughout

the leadership, staff and volunteer levels, remembering that the *raison d'être* of a vast number of nonprofits is to serve – often driven by a deep sense of compassion and empathy for one's fellow man. For more than 200 years, nonprofits have flourished in the United States. While not all have been social service organizations, the success of many has been driven by the core desire to care for and serve others.

8. Because you are stewards of other people's funds and have committed to a culture of service, you and your colleagues should—and will—be held to a very high standard. You will need to, therefore, **build a strong culture of diligence**. Some components of this part of your culture will be informal. Together you and your colleagues will determine mutually agreed-upon standards and expectations for how you will act and govern the nonprofit. Still, other, more formal standards are levied upon your nonprofit by federal or state regulators. In either case, you and your colleagues must pledge that together you will be eternally vigilant on both the formal *and* the informal standards guiding your decisions and actions.
9. As stewards of other people's funds, and because as a nonprofit you are committed to mission-driven work, you must also **commit to a culture of accountability**. Of course, you must hold each other accountable and, clearly, accountability extends to your nonprofit's Executive Director and, ultimately, the staff. You must model a culture of respect from the top-down, the same way you must model accountability.
10. Ultimately what every organization wants to build is a **culture of trust**. You want a trusting relationship with your key internal and external stakeholders, colleagues in the field, government regulators and with the general public. It's not an easy journey, but certainly one that is worthy of the effort. Challenge, change or revalidate your organization's long-held assumptions. Commit yourself. Be engaged. Ask the hard questions. Leave your ego at the door. Respect one another. Hold each other accountable. And do the right thing. Having done so, you will earn the trust that others place in your leadership!

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Michael Daigneault serves as Chief Executive Officer at Quantum Governance, L3C and has more than 30 years of experience in the field of governance, management, strategy, planning and facilitation. With more than 75 percent of Quantum Governance's clients representing the nonprofit sector, the organization fields more engagements in that sector than any other.

Quantum Governance provides corporations, nonprofits, credit unions, associations and governmental entities with strategic, cost-effective governance, ethics and management consulting, facilitation and evaluation. We are home to more strategic governance experience than any other practice in the country. The firm is a unique L3C organization that integrates the best elements of both the for- and non-profit communities into one practice. It is a low-profit, limited-liability service organization dedicated to the public good and one of the very first such legal hybrid organizations in the United States.