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Why culture and finance go hand in hand

26 April 2019

Public trust in charities has declined in recent years and ensuring a charity has the right culture is becoming increasingly important. Having a good culture can be the bedrock of financial performance, reputation and governance...



The [Charity Governance Code](#), published in July 2017 details the importance of culture and how a charity behaves. The Code highlights that a board must act with integrity, adopting values and creating a culture which helps achieve the organisation's charitable purposes.

What is organisational culture?

Culture can be loosely defined as 'how we do things around here' and a charity's culture must reflect the organisational values and underpin everything it says and does.

The reality is, no matter how good the organisational strategy, it won't work unless it is supported by the right culture, which must be led from the top. Charity leaders must model the right behaviours and reinforce the organisation's values in everything they say and do.

Culture was also an important topic in the Compass Partnership of Schools' research report, "Delivering Effective Governance," which was published in 2012. The report highlights that work focusing on behaviours, while challenging, yields greater benefits in relation to governance than work focusing on structure and processes.

Getting the culture right will support good recruitment and retention

Culture is particularly important when focusing on recruitment. To successfully recruit and retain individuals, organisations need to ensure that "the way we do things around here" culture reflects what a recruit expects. If the leaders and employees live and breathe their values, then organisations will benefit from what a HR professional might describe as 'discretionary effort' or people 'going the extra mile' due to their commitment. If the opposite is true, then staff retention can deteriorate and lead to more time- and cost-spend on recruitment.

Finance as culture ambassadors

Finance leaders can be effective ambassadors of good organisational culture. These individuals work with all the budget holders across the organisation and are in a strong position to become role models. To be successful in this requires them to be accessible, open and available, getting out and about in the organisation to connect with people and support them. In most organisations finance is not people's strongest skill, but finance leaders can help to demystify finance for people. If they are approachable and open, people will feel able to ask them questions, no matter how simple, to gain increasing confidence and understanding in their finance knowledge and skills.

Building people's confidence

If finance leaders can help individuals understand how to manage a budget, they will be far more likely to handle it better in future. The key to building people's confidence is to equip them with the skills to fix things for themselves, not do it for them. It is all too easy to fix coding errors on invoices for them, but it is far better to support the person in understanding the right code and why it is important, so that they get it right next time.

Learning and improvements are key

To reinforce the right culture in organisations, those at the top must actively encourage a culture of learning and continuous improvement. This means that when, and if mistakes are made, it is not about assigning blame but looking at how to improve things.

Having a good culture means getting to the root of issues, understanding why mistakes were made and addressing them to ensure they don't happen again in future.

Culture is now accepted as an essential component of good governance, which is why it is a subject rising to the top of most trustee board agendas.



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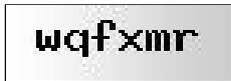
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