Organisational culture in academy trusts

When to celebrate and when to act

Organisational culture in academy trusts: when to celebrate and when to act

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Introduction

The Confederation of School Trusts (CST) and ICSA: The Governance Institute (ICSA) are delighted to collaborate on this report looking at organisational culture in academy trusts.

Governance in academies continues to be a focus of attention for those within the sector and others with an interest in their success. Corporate governance arrangements have significantly evolved since the 1990s, moving away from focusing on financial management to looking at the behaviours on display in the boardroom and the culture that can then lead to.

The people aspects of good governance are now seen as being just as important as the traditional role of sound policies and procedures that support effective decision making within any type of organisation. Board decisions aren't just about the 'bottom line', but incorporate ethical considerations too and this is more so in organisations that deliver some form of 'public good'.

As charitable companies limited by guarantee, academies are required to perform to the exacting standards expected of publicly-funded organisations, but with the additional moral compass of delivering the charitable purpose of education with the associated public benefit. This can be more challenging in a sector that is still developing, evolving and maturing in terms of success, sustainability and accountability.

The pressure to deliver high-quality educational experiences to students, while balancing staff workload and diminishing budgets, can place an unreasonable burden on the board and we applaud trustees in their efforts to deliver positive change. The trustee board is ultimately accountable for the success of an academy trust, setting the tone of the organisation and agreeing the values the school or group of schools should promote to students and the wider community.

Culture, therefore, is an integral aspect of good governance and rightly a board concern. Getting the culture right takes time, effort and continuous monitoring to ensure the right culture is being promoted at every level. Ensuring a positive culture takes constant nurturing, while a negative one can take hold in the margins and spread quickly if it is not addressed.

This report draws upon the insights and contributions of a roundtable held in September 2018 with participants from the academy and charity sectors and governance world. The findings do not reflect everything that was said, but provide useful suggestions for assessing an academy trust's culture and helping the trustees and senior leadership team to celebrate a positive and nurturing culture and decide when to take action.

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Background

A number of high-profile governance failures have been experienced in every sector of the UK economy and beyond. It is unsurprising, therefore, that academy trusts have also attracted attention for their actions. This media attention has had a negative impact not just on the organisations themselves, but on the sector in general, fuelling concerns about the use of public funds and the accountability of academies.

The sector's governance is still young and has had little chance to mature, sometimes being pulled in different directions by:

- revised and sometimes contradictory guidance;
- regulatory overlap and confusion arising from the respective roles of Ofsted, the Education and Skills Funding Agency (ESFA) and the Regional School Commissioners; and
- misunderstandings of charity and company law matters.

Whilst steps to improve governance are to be welcomed, there is a recognition that rule-based compliance cannot on its own deliver healthy behaviour within organisations. It should not be for the Department for Education to solve all the governance problems academy trusts may face – shared learning and experience also have a role to play.

The continued growth of the sector, and the inclination to improve and learn from governance practices in other sectors, also provides a useful opportunity to engage in placing the value and role of ethics, culture and behaviours at the centre of the academy trust board's deliberations. Hence the reason this report has been written in order to help the sector take stock, reflect, learn and improve.

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What is organisational culture?

Questions remain both as to how 'organisational culture' can be defined and also as to how it can be measured. Whilst many now appreciate the importance of the issue, there are concerns that it involves a qualitative approach and that difficulties in quantifying culture make it a tricky matter to grasp.

Though it has grown in relevance and popularity, organisational culture remains to some an ill-defined concept and consequently can be viewed with some scepticism. For those who prefer their evidence to be quantifiable, laid out on a spreadsheet – or balance sheet – talk of 'culture' can feel nebulous and difficult to apply.

At its simplest, organisational culture is taken to mean 'the way we do things around here' – an agreed set of customs and norms that inform, and are evident in, the behaviour of those who work in and for an organisation. The New Local Government Network defines culture as:

> 'the norms and values that determine the behaviour of those who work within an organisation. These norms result from complex processes of emulation and reinforcement, sometimes unconscious, by each employee of their colleagues' behaviour. The norms are often but not always reflected in the explicit formal processes of an organisation but can often also act in contradiction to those formal processes'.[1]

Fully understanding the concept and its importance to organisations requires one to go beyond the 'how' of 'the way we do things' to embrace the 'what' and the 'why' behind their activities – these are all forces that drive behaviour.

In fact, the 'why' ought perhaps to be the starting point. So much of what an organisation does and how it does it stems from that initial determination: the 'why' can colour all that follows. As such, 'culture' can also be taken to encompass:

- what an organisation does – its overall purpose and the individual activities it undertakes in pursuit of that;
- why it does the things it does – what it hopes all of its activities will achieve, individually and collectively; and
- how it goes about doing them and the processes it has in place to monitor and control.

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1   A. Lent and J. Studdert, *Culture Shock: Creating a change making culture in Local Government*, February 2018, p. 10.

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Across all sectors there is an awareness that behaviour is determined to a significant degree by the culture of the entity concerned. A strong culture can help to protect organisations and their people from making poor decisions even when under pressure to achieve results. That culture has to be actively curated by the trust board and senior leadership team, with input from key stakeholders.

The Ethical Leadership Commission has recently published its final report, *Navigating the Educational Moral Maze*. The report argues that:

> 'Ethical leadership is firstly a matter of the values and behaviours of those appointed to hold positions in public life and lead our educational organisations. It is therefore intrinsic to leadership standards, development, and qualifications. It is also clearly a matter for governing boards in the appointments they make, the monitoring they undertake, and for the regulation and inspection of the system.'[2]

The framework provides an ethical language, based on the principles of public life (Nolan Principles) and a set of leadership virtues. Adopting the principles and virtues from the framework for ethical leadership and embedding relevant behaviours in codes of conduct and other formal documents can be a good place to start building a trust's cultural artefacts.

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2   Roberts, C. (2019), Navigating the Educational Moral Maze, ASCL.

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Role of academy trust members

It is often stated that members of an academy trust are the 'guardians' of that trust's values and ethics and, as such, have a role in the development, embedding and promotion of the organisation's culture.

For sponsors or providers of an academy trust, such as religious organisations, charities or other educational institutions, there are additional levers that can be used to establish the values and behaviours that must be promoted and therefore have an impact on the overall organisational culture.

While the members have a formal role in the appointment and removal of trustees, which can indirectly shape culture, it is ultimately for the trustees to set the organisation's vision, mission, values, ethics and culture in partnership with the senior leadership team. The members, however, can provide a useful information loop to the board reporting objectively on their experiences of individual schools or the academy trust as an entity.

Adapting the Institute of Business Ethics (IBE) culture indicators

Academy trustees, senior leaders, staff and third parties work hard to deliver their best in order that pupils can benefit positively from the education provided. It is because people care and are so committed to providing a good and positive education experience that poor, or ill-thought-through, decisions can be made and not always challenged.

Academy leaders, teachers and contractors can face intense pressures when they are working to deliver high-quality education, ambitious projects and targets on time and in budget. The loyalty in these circumstances is not necessarily to oneself and one's own standards but to the trust, school or team. Having a strong culture protects people and teams from making bad choices when the going gets tough. Culture is therefore a core task for boards, not just a public relations add-on. Boards need to understand and shape the forces that drive behaviour of people throughout their trust.

We cannot measure culture, but we can look for indicators in a number of areas. The IBE has identified seven categories of indicator within the corporate sector:[3]

1. Relations with employees
2. Relations with customers
3. Relations with shareholders and other investors
4. Relations with suppliers and subcontractors
5. Relations with governments and local communities
6. Relations with competitors
7. Ethics compliance, verification and implementation.

For academy trusts, they could be translated as:

1. Staff relations
2. Pupil/parent relations
3. Members, sponsor(s) and the community and general public relations
4. Third party and supplier relations
5. Regulator and government relations
6. Related educational institution collaboration and partnership arrangements and relationships with competitors
7. Ethics.

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3   See *Living up to our Values*, IBE, 2006.

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Many of these easily translate into hard data:

- complaints;
- high staff turnover;
- staff satisfaction;[4]
- a poor safeguarding and/or health and safety record;
- poor member and wider stakeholder relations;
- a propensity to ignore stakeholder concerns (for example, on curriculum changes, changes to behaviour policies, alterations to school day and terms, senior leadership pay, use of public funds, board performance and accountability);
- infringements of regulatory requirements;
- questionable practices for example in relation to exclusions;
- absence of trusted speak-up or whistleblowing arrangements; and
- frequent breaches of the academy trust's own internal code of conduct.

Governance arrangements can also be a sign of an unhealthy culture. Poor chairing, a lack of succession planning, power imbalances in the boardroom, an accountability vacuum and persistent failure to engage with key stakeholders over strategy and academic delivery can all be warning signs.

One theme of the discussions should therefore be whether the indicators suggested above are the right ones. Which indicators are the most powerful? Do trusts provide the right kind and sufficient information for both stakeholders and regulators to reach informed judgements?[5] At what point do the warning signs become urgent? How many indicators are needed to give an 'across the board' picture?

CST has developed guidance for its members that offers a process or framework for auditing organisational culture.[6] It is designed to meet the requirement in the Department for Education's *A Competency Framework for Governance* in relation to the responsibility of the trust board to determine, embed and monitor the culture, values and ethos of an organisation. It will help trust boards to answer the question: how do you know?

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4 See *Employee satisfaction, labour market flexibility, and stock returns around the world*, Edmans *et al* 2015. This paper argues that employee satisfaction is associated with superior long-run returns, valuation ratios, and profitability in countries with high labour market flexibility, such as the US and UK, but not low labour market flexibility such as Germany. In regulated labour markets, legislation already provides minimum standards for worker welfare and so additional expenditure may exhibit diminishing returns.
5 See *Where is the workforce in corporate reporting?* a study by the NAPF, now renamed the Pensions and Lifetime Savings Association, which drew attention to the lack of data on personnel issues.
6 See CST's website: cstuk.org.uk/help-and-advice/guidance/

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Achieving a healthy academy culture

Some define an organisation's actual culture as 'what we do when no one is looking' and it is very important that trustees and senior leaders of academy trusts are aware that there can be a disconnect between what they think the culture is, and what happens in the classroom and playing field. For trust boards the following could provide a framework for assessing if the trust's culture is healthy.

In order to achieve a healthy organisational culture, the trustees and senior leadership team should:

- Ascertain what the trust is doing to create and promote the desired culture, e.g. what the norms are and how the organisational culture will be measured and how that will be monitored through board and senior leadership team renewal and change?
- Confirm the culture that is in place and decide if that is what the trust board wants for the organisation.
- Put things in place to ensure the board and senior team develop, promote and embed the desired culture.
- Review behaviours, documents and comments from stakeholders to ensure the culture the board wants is the one experienced all the time. Does the culture work? Does it support what the trust wants to achieve?
- Consider if the organisational culture is compliant with regulatory requirements, funding demands and the needs of pupils and other communities. Does it reflect the accepted ethos, values and behaviours of the trust?
- Regularly, actively discuss the culture in the organisation and consider whether it is the one the board wants.
- Ask themselves if they are happy to be seen promoting this culture.

The board and senior leadership team should work together to agree the culture, create clarity around that culture, communicate expectations consistently and clearly and reinforce the agreed culture without exception.

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Markers to celebrate

Board (leadership and governance)

- Clarity of purpose about the organisation, the role of the board and the responsibilities of staff and willingness to provide accountability to a range of stakeholders.
- Clear understanding of key stakeholders' demands and how these are balanced to deliver the organisation's aims.
- An awareness that the culture will need to change as the organisation evolves and that change can take time.
- Challenging external pressures that undermine the aims and values of the academy trust.
- A willingness to engage with regulators and others to share good practice with the sector.
- An interest in learning from mistakes.
- Strong, productive relations with stakeholders.
- Communication and information flows that travel bottom-up and vice versa.

Operational (management)

- Stretching, realistic and relevant key performance indicators that support the organisation's purpose.
- A willingness to share success and challenges with other academies and learn together to improve the situation.
- Strong 'speak up' or whistleblowing policies that are viewed as opportunities to learn and improve.
- Respect and honesty between the board and the chief executive, and senior leadership team.

Behaviours (the boardroom and beyond)

- Clearly articulated and demonstrated values, ethos, expectations and behaviours for the board, staff, pupils, and others involved in the daily life of the academy trust's operations and relationships.
- Living the values and ethos of the academy trust from top to bottom and side to side.
- Consistency.
- Honest, transparent and two-way communication.
- Embracing accountability from every source.

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Markers to act on

The following were highlighted at the roundtable as being potential actions and outcomes that might merit the board taking action to address cultural concerns.

Board (leadership and governance)

- Poor governance and a lack of understanding of the need for robust governance arrangements supported by a suitably qualified governance professional.
- Overly focused on compliance and regulatory requirements at expense of delivering the trust's aims, vision and values.
- Dysfunctional board dynamics, including an overly polite, fractious or hostile dynamic.
- Board turnover, or lack thereof.
- Inappropriate or no response to regulatory interventions.
- A 'we're unique' mindset when challenged on performance and delivery of aims.
- Lack of focus, or a focus on the wrong things.
- The 'vampire board' – lacking in self-reflection and unaware of their adverse impact on the schools in the trust.

Operational (management)

- Poorly thought out key performance indicators resulting in unwanted, unintended or unforeseen outcomes.
- Turnover of staff at every level.
- Poorly qualified, or inexperienced and unsupported key personnel, such as chief executive, chief finance officer and governance managers.
- Weak or inappropriate management systems.
- The regular use of compromise agreements and 'gagging clauses'.
- Overly powerful individuals dominating decision making or otherwise exerting undue influence.
- A tolerance of small breaches in agreed protocol.

Behaviours (the boardroom and beyond)

- A fear of upsetting the 'powers that be' or significant stakeholders rather than focusing on the needs of pupils and delivering the academy trust's aims.
- A lack of challenge, inquisitive thinking and courageous conversations.
- Stressed boards, staff or pupils.
- Complacency and an overweening belief in the inherent good of the work being undertaken.
- Turning a 'blind eye' to the behaviours of favoured or influential individuals.
- Welcomes secrecy and obfuscation.

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Assessing your academy trust's culture

The following is a list of questions which could be used to help trustees and senior leaders establish and identify those areas of the trust's culture that might not be as healthy as imagined or desired. The responses to the questions do not necessarily equate to a good or poor culture, but could be useful as an indicator of areas that require greater attention.

- How frequently are organisational culture and values discussed as part of the formal board agenda? Never, every three years (alongside the strategic plan), once a year, more than once a year?
- How are culture, vision and values included in the induction of new trustees and staff?
- Do staff/pupil/parent satisfaction survey results mirror the agreed culture of the academy trust?
- Have members challenged the authority of the board in the last 12–18 months? What was the issue under challenge?
- What evidence is there that the board and senior leadership team behave in accordance with the agreed values of the organisation?
- Is there an agreed code of conduct and/or ethics in place that helps to build the desired culture of the academy trust? How are these embedded throughout the trust?
- Are constitutional changes made against material opposition from members, staff, pupils, parents, sponsors and the wider community?
- Are ethical dilemmas discussed at board meetings? Are such ethical decisions reviewed?
- Have key performance indicators led to any inappropriate behaviours in the academy trust?
- How are incidents of inappropriate behaviours or unwanted culture recorded, monitored and dealt with?

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Conclusions

Initial reactions to recent academy trust failures have been to look at the regulatory environment, with measures taken to tighten up recurring problem areas, such as conflicts of interests and related party transactions.

Regulators and policymakers in other sectors, however, have come to appreciate that a rule-based compliance approach will not, on its own, deliver healthy organisational behaviour. This is because behaviour is determined not only by rules but also by the culture of the entity concerned – and in the worse cases, of course, the culture can be one of wilfully breaking or bending established or agreed rules and norms.

Any discussion about organisational culture cannot be limited to the regulatory perspective alone; the impact of culture stretches beyond the remit, scope and abilities of the Department for Education, ESFA, Ofsted and Regional School Commissioners.

Organisational culture can have a profound impact on the decisions trustees make and each academy trust stakeholder will have an opinion as to what a 'good' school culture looks like. The general public will also have a view.

It might only be a very small number of academy trusts that have exhibited a belief that the end justifies the means; that cheating or teaching to the test are the only way to get results fast; that giving lucrative contracts to friends and family resolves a problem quickly; or that time spent on good governance is a waste of time and resources, but public outcry has been swift to follow. These isolated examples have undermined, and continue to weaken, the sector's reputation and ability to make the positive impact it so desperately wants to make to the lives of pupils, their families and wider society. This is why culture is so important to academy trusts.

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Further reading

Cultural markers: Assessing, measuring and improving culture in the charitable sector, ICSA: The Governance Institute, 2017.

Guidance on conducting an audit of organisational culture, Confederation of School Trusts, 2019.

Organisational culture in sport: Assessing and improving attitudes and behaviour, ICSA: The Governance Institute, 2018.

Report of a senior practitioners' workshop on identifying indicators of corporate culture, Institute of Business Ethics, ICSA: The Governance Institute, International Corporate Governance Network, 2015.

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ICSA: The Governance Institute is the professional body for governance. We have members in all sectors and are required by our Royal Charter to lead 'effective governance and efficient administration of commerce, industry and public affairs'. With over 125 years' experience, we work with regulators and policy makers to champion high standards of governance and provide qualifications, training and guidance.

We support company secretaries, trustees, members, governors and school leaders to meet the legal and regulatory requirements of academies. We help people to establish good governance practice in each school which helps to achieve trust objectives.

The Confederation of School Trusts (CST) is the national organisation and sector body for school trusts in England advocating for, connecting and supporting executive and governance leaders.

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