

Cogitare et volvere

Thoughts & Reflections

In Part 1 of my Cogitare et volvere series, we discussed Intellectual Capital. Exploring the critical role of structural capital within the Third-Team. This invisible framework – your organisation's processes, systems, and knowledge base – empowers your people and fuels success. But a strong foundation is just the beginning. **In Part 2** we explored human capital – the tacit and explicit knowledge, that each director brings to the table, and how within the mix of intellectual capitals this individual and collective tacit and explicit knowledge and its power to transform is often overlooked.

Part Three

Cultural Capital: Empowers Your Third-Teams and Organisations Success

In today's knowledge-driven economy, a company's true wealth lies not just in its physical assets, but also in its intangible intellectual capital. This four-part series, Cogitare et volvere (Latin for "thoughts and reflections"), dives deep into the various facets of intellectual capital and their significance for effective governance. Our third instalment explores the concept of cultural capital – the visible and invisible capital that empowers the Third-Team and fuels organisational success.

The formation of a "Third Team," comprising the board and executive leadership, is essential for effective cultural stewardship. This collaborative entity can leverage its collective wisdom and influence to shape organisational culture and drive strategic direction. By operating as a cohesive unit, the Third Team can reinforce desired behaviours, align cultural values with business objectives, and make sure that cultural capital is maximised.

Cultural capital is a potent, yet often misunderstood, force driving organisational success. Unfortunately, most boards have little real idea how the culture of the board, executive and Third Team is developed, renewed, and or damaged. Nor do they really understand how to develop, maintain, or repair their own and or their organisation's culture capital other than superficially.

This intangible asset, embedded in shared norms, values, and behaviours, profoundly influences how individuals and teams interact, make decisions, influence others, and ultimately achieve goals. It encompasses both tangible elements, like policies and procedures and intangible aspects, such as shared beliefs, values, norms, and expectations.

A critical component of cultural capital is "effort norms" - unspoken agreements about the level of effort expected from individuals. High-performing organisations are characterised by strong effort norms, where members consistently strive for excellence. Conversely, low effort norms can lead to complacency and subpar performance. Perhaps the most recognisable effort norms of Third Teams is the preparedness or not of individual directors across a range responsibilities including prep for board meetings. This is most often obviously evidenced when directors ask questions whose answers are already provided in board papers. Highlighting that the director/s concerned are not prepared. The takeaway for those who see this, if they cannot be bothered preparing, why should I. Left unchallenged, this type of effort norm will metastasise through the executive and whole organisation.

Behavioural Governance - Rethinking Boardroom Dynamics for Peak Performance

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Effort norms of directors are just one way the Third-Team plays a pivotal role in shaping organisational culture. The Third-Teams actions, behaviours, and expectations set the tone for the entire organisation. Hence, that well-used troupe “set the tone from the top.” When does this “setting the tone” begin? For directors, it’s before their commencement as a new director, that is, at their induction. This presumes your board inducts new directors properly, most do not. An easy check is how you were inducted into all the different roles you have held. I suggest the structure, usefulness of most inductions sits on a continuum from useless to average. A proper director induction is immersive rather than the more common superficial.

Immersive inductions greatly increase the chances of maintaining and continuing the development of the desired cultural tone of the Third Team and, through them, the organisation's culture. Why is that critical, because over time the whole composition of the board and executive will change. The embedded culture being the defining and lasting feature. Unfortunately, the superficial induction is easier than the work required for an immersive induction experience.

To foster a positive and high-performing culture, boards must prioritise open dialogue and introspection. Understanding the organisation's culture, identifying strengths and weaknesses, and aligning it with strategic goals are essential. However, time constraints, lack of expertise, and fear of negative repercussions often hinder these conversations. This is where embodied cultural capital and habitus play an essential role.

- **Embodied cultural capital:** Is the internalised knowledge, skills, captured in Human Capital (Part 2 of the series) and dispositions acquired through education and socialisation. It includes language, social traditions, etc.
- **Habitus:** A concept introduced by Pierre Bourdieu refers to the embodied social and cultural dispositions that shape individuals' perceptions, actions, values, norms, and tastes.

The interplay between embodied cultural capital and habitus is fundamental to understanding how individual backgrounds influence organisational culture. Embodied cultural capital, the internalised knowledge, skills, and dispositions acquired through socialisation, serves as the foundation for habitus - the ingrained habits, skills, and dispositions that shape individuals' actions and perceptions. A rich and diverse embodied cultural capital fosters a versatile habitus, enabling individuals to adapt to various organisational contexts. Conversely, limited embodied cultural capital can constrain habitus, hindering an individual's potential contributions. Re-emphasising the importance of understanding the Third Teams culture before embarking on a recruitment drive.

Embodied cultural capital creates the foundational building blocks for the development of habitus. It is through the internalisation of cultural norms, values, and beliefs that individuals begin to form the unconscious dispositions and practices that constitute habitus. For instance, a child raised in a family that prioritises education is likely to develop a strong embodied cultural capital around intellectual pursuits. This, in turn, shapes their habitus, leading them to seek out knowledge, value critical thinking, and engage in behaviours consistent with these preferences. Wouldn't it be great if all boards prioritised ongoing education? Imagine the enhanced value to individual directors and the organisation this would bring.

A Third Team constructed from individuals with a rich and diverse set of embodied cultural resources possesses a more adaptable and versatile habitus.

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Which enables the Third Team to navigate a wider range of professional contexts. On the other hand, limited embodied cultural capital can constrain habitus, limiting an individual's and therefore the Third Team's perspectives. Highlighting how the interplay between embodied cultural capital and habitus affects the individual and, through them, the Third Teams, and organisations' cultural tone.

To address these challenges in cultivating a strong culture, the Third Team must invest in developing cultural competence. This involves providing training, tools, and resources to help the Third Team and organisations staff to understand and navigate cultural dynamics.

Key Takeaways

- Cultural capital is a powerful driver of organisational performance.
- Effort norms are critical components of organisational culture.
- The Third Team plays a pivotal role in shaping organisational culture.
- Effective board induction is essential for cultural alignment.
- Embodied cultural capital and habitus influence individual and organisational behaviour.
- Developing cultural competence is crucial for organisational success.
- The Third Team is essential for effective cultural stewardship.
- Behavioural governance is intricately linked to cultural capital.

Recognising the significance of cultural capital, taking proactive steps to identify, understand and cultivate a positive culture. Is a critical first step in the Third Team's ability to unlock an organisation's full potential and achieve sustained success. By investing in cultural capital, organisations can create thriving environments where the Third team and all employees are engaged, motivated, and aligned towards common goals.

Cultural capital is intrinsically linked to behavioural governance, which emphasises the importance of the Third Team's behaviour and its impact on organisational performance. The Third Team serves as a critical catalyst in implementing behavioural governance practices. By modelling desired behaviours, setting clear expectations, and holding themselves and others accountable, the Third Team can create a culture of high performance and ethical conduct.

Adopting a behavioural governance approach, which incorporates Structural Capital (Part 1), Human Capital (Part 2), Cultural Capital and Social Capital (Part 4, next in the series) organisations can create a synergistic environment where desired behaviours are reinforced and embedded within the organisational fabric. The Third-Team plays a pivotal role in shaping and embodying this culture. Adopting a behavioural lens in board evaluations provides a powerful tool for assessing cultural fit and performance.

Importantly, it allows organisations to identify directors who exhibit the desired behaviours, such as effort norms (cognitive), collaboration, strategic thinking, ethical conduct, etc., during the recruitment process. Moreover, by focusing on behavioural competencies in director development programs, organisations can enhance the Third Team's ability to drive cultural change and create a more positive and productive work environment. Ultimately, a strong alignment between cultural capital, behavioural governance, and the Third Team is essential for achieving long-term organisational success.

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