Culture Audit Metrics

Metrics on issues described below could be developed and included in a dashboard. This would give meaningful perspective on the organization’s culture and help paint a picture of it for executives and the board.

For effectiveness of ethical values and work environment:

• Employee survey results.
• Structured interview results.
• Customer survey results.
• Customer complaints.
• Hotline statistics, including evidence of whistleblower protection.
• Statistics for hotline open to suppliers.
• Frequency of legal problems.
• Frequency of audit issues with the same or similar culture-related root cause.
• Frequency of repeat audit findings.
• Timeliness and effectiveness of corrective actions.
• Turnover statistics.
• Sick time statistics.
• Exit interview results.
• IT surveillance results.
• Performance review timeliness.
• Frequency of negative media coverage, including social media.
• Warranty claims.
• Diversity statistics.
• Level of community engagement.
• Environmental impact data, with effective monitoring and continuous improvement.
• Frequency of performance targets being missed (suggesting unrealistic targets that pressure managers to meet them “whatever it takes”).
• Frequency of large projects failing.
For effectiveness of risk management:

- Number of risk and control problems identified by internal audit and other assurance groups vs. the number that were self-identified and proactively addressed.
- How risk and control issues are incorporated into hiring, training, compensation, and performance appraisal.
- How frequently the board discusses the risk management strategy.
- How frequently the board reviews the risk appetite.
- How frequently risk management teams are invited to participate in strategy sessions to identify strategic risks.
- How frequently strategy implementation failed or was delayed due to inappropriate risk mitigation.
- Effectiveness and results of loss event tracking.
- Frequency and trend of risk limits being exceeded, broken down by those exceeded for a legitimate reason and those that were not.

Observable if Not Measureable Indicators

Signs of a healthy culture:

- Strong tone at the top, in words and deeds.
- Open communication, an atmosphere of mutual trust.
- Accountability enforced and accepted, without unrealistic expectations or unfair repercussions.
- A “just culture,” which distinguishes among honest mistakes (no one is blamed), risky behavior (addressed with coaching and education), and reckless behavior (intentionally excessively risky or unethical, which is punished).
- Effective challenge encouraged and valued.
- Incentives that encourage healthy risk taking.
**Red flags of a toxic culture:**

- Excessive focus on short-term results.
- Unrealistic performance targets.
- “My way or the highway” management, inhibiting input and healthy debate.
- Lack of open communication (caused by fear, lack of trust, or information hoarding).
- Competition to get ahead rather than cooperation.
- Favoritism.
- Lack of work-life balance.
- Chronic grumbling by employees.
- Cliquishness, gossip, and rumors.
- Chronic stress.
- Lack of employee development.
- Lack of accountability (in general or for top performers).
- Lack of motivation in a work group (could be caused by any of the above).