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Corporate Culture Audit

November 14, 2017

The Office of the City Auditor conducted this project in accordance with the *International Standards for the Professional Practice of Internal Auditing*

Corporate Culture Audit

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Corporate Culture Audit Highlights

Audit Purpose

To identify gaps between the current state culture and specific elements of the desired, future state culture that management can consider as they progress in their efforts to transform the organization.

To assess the governance and effectiveness of the Corporate Culture Office.

Key Findings

Different employees perceive different levels of management as their organizational leaders. Since leadership is critical to establish tone at the top, there is a risk that expectations for employee behaviour may not be consistently communicated.

Expected employee behaviours are changing. These changes should be reflected in administrative directives, procedures, and awards.

The need to keep details of employee performance management and discipline confidential can result in the perception that nothing is being done to address issues. Better communication may help address this.

The Corporate Culture Office is perceived as adding value by some business areas. Greater awareness of their role and involvement may help increase the value that they add.

The committee that provides guidance and direction to the Corporate Culture Office is no longer functioning. An appropriate governance structure for the Office should be established

and formalized. This helps to ensure appropriate accountability.

Recommendations

1. The Executive Leadership Team should address the following as they progress with the corporate transformation:
 - Ensuring consistent messaging throughout all levels of the organization to support a consistent tone at the top.
 - Reflecting changed expectations of employee behaviour in Administrative Directives and Procedures.
 - Reflecting changed expectations of employee behaviour in Corporate Awards.
 - Reviewing employee reporting processes to encourage employees to report issues (e.g.; Respectful Workplace directive).
 - Communicating with employees to manage perceptions around appropriate consequences for poor behaviour.
 - Reflecting changed behaviour expectations in performance management expectations and activities.
2. The Executive Leadership Team should decide on an appropriate governance structure for the Corporate Culture Office, review its performance measures, and ensure it engages in appropriate outreach to branches to increase understanding of available services.

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Corporate Culture Audit

1 Introduction

This Corporate Culture Audit was included in the *Office of the City Auditor 2017 Annual Work Plan* as a result of the recognized risk that corporate culture can have on an organization’s ability to achieve its goals.

The City of Edmonton is currently undergoing a corporate transformation to move the organization towards an “open, integrated model of public administration.” The key elements of the transformation include: strategy, structure, processes, competencies, leadership style, and corporate culture.

Corporate culture can be defined as “the way we do things around here,” and it is broad, complex, and subjective. In this audit, we looked at specific culture risk areas to assess their alignment to the City’s desired, future state culture. We did not provide an overarching assessment of the City’s corporate culture. We identified gaps between the current state culture and specific elements of the desired, future state culture that the Executive Leadership Team can consider as they progress in their efforts to transform the organization.

2 Risk Assessment

We identified four focus areas for this audit based on our risk assessment:

Tone at the Top - Organizational leaders have a critical role in defining and maintaining culture. Their statements, attitudes, and behaviour set an unwritten standard for employees to follow, and collectively are often referred to as the “Tone at the Top.”

Although written codes and administrative directives - such as in a Code of Conduct - typically describe expected employee behaviour, there is a risk that the tone at the top conflicts, or is misaligned to desired corporate culture. This increases costs and reduces

productivity; ultimately making it more difficult for the organization to achieve its objectives.

Workforce Measures - There are organizational workforce measures that are known to be influenced by organizational culture. These include employee absenteeism and turnover. Reviewing these measures can help to identify areas within an organization where a culture may be having a negative impact on employees and be misaligned to the desired, future state culture.

Recognition and Consequences - One important way that culture is established and maintained is through the process of rewards and consequences. A commonly held principle is that positive behaviour should be rewarded and that there should be consequences for negative behaviour. When this happens, it reinforces appropriate employee behaviour. However, if employees do not see that positive behaviour is recognized and that negative behaviour has consequences, they feel less inclined to act in a way that aligns to the desired culture.

Corporate Culture Office Governance and Value - The City of Edmonton has a Corporate Culture Office that was established in 2011. There is a risk that the governance structure and role of the Corporate Culture Office are misaligned to the desired, future state culture and do not add value to the organization.

3 Audit Objectives

We developed two audit objectives to address the four focus areas identified through the risk assessment process.

Objective 1: To identify and describe the alignment between the City of Edmonton's desired, future state culture and the current state.

To satisfy this objective we:

- Identified key components of the desired, future state culture by reviewing documentation related to the corporate transformation, and held discussions with the Executive Leadership Team.

- Identified and described the current state culture by examining:
 - Perceptions of leadership;
 - Workforce metrics and measures;
 - Administrative directives and procedures; and
 - Perceptions of recognition and consequences.
- Reviewed information related to the desired, future state culture and the current state culture to identify opportunities to improve alignment between the two.

Objective 2: To assess the governance and effectiveness of the Corporate Culture Office.

To satisfy this objective we:

- Reviewed the mandate, goals, and performance measures of the Corporate Culture Office and assessed the alignment with the desired, future state culture.
- Identified and described the value that the Corporate Culture Office adds through their involvement in specific corporate initiatives.

4 Scope and Methodology

4.1 Scope

We conducted the fieldwork for this audit between March and August of 2017. We gathered information in this period and reviewed select historical data from 2009 to 2016.

Certain areas and topics were out of scope for the purposes of this audit. This included:

- Specific analysis of individual departments, branches, or subcultures.
- Assessment of operational processes for efficiency or effectiveness.

- The Edmonton Police Service and the Edmonton Public Library.
- Assessments related to safety. The Executive Leadership Team has identified safety as a priority for the organization. At the time of our audit, the organization was actively addressing safety and we did not want our audit to inadvertently interfere with this initiative, such as by reducing responses to surveys or other requests for information.

4.2 Methodology

One of the critical aspects of this audit was obtaining and understanding the perceptions of employees. To capture perspectives we relied primarily on two information sources.

1. The City of Edmonton *2016 Employee Engagement and Diversity Survey* - A third-party administers this survey every two years to all employees. In 2016, it included 54 questions or statements related to workplace culture, the employee's immediate supervisor, communication, discrimination and harassment, and other topics of interest to the organization. We performed a high-level review of the survey results.
2. Interviews with employees - We conducted interviews with 95 randomly selected employees from across the organization. This included employees in different levels of leadership, and employees in administrative, professional, trade, and labour roles. We analyzed the responses for themes and patterns.

As perceptions can change, data is reflective of the point-in-time when it was generated, and we considered this in our analyses.

We also used a variety of other methods to conduct this audit. These included document reviews; discussions with organizational leaders, Human Resources, and unions; statistical analysis; performance measure analysis; and analysis of operational metrics. The details of these methods are described in Appendix 1.

5 Desired, Future State Culture

To assess alignment between the current state culture and the desired, future state culture, we first needed to understand what values and behaviours were expected in the desired, future state culture.

Because the corporate transformation is currently in-progress, at the time of our audit the Executive Leadership Team had not yet fully defined a vision for the desired, future state of the corporate culture. However, they had identified a number of values and behaviour expectations including:

- The workforce will be excellent, accountable, empowered, engaged, high-performing, relevant, open, responsive, creative, and innovative.
- Internal work will be integrated, collaborative, and have shared ownership of outcomes.
- There will be adaptable systems and a workforce that can change to respond to emerging needs.
- The needs of City Council and citizens will be key to decision-making and providing services.
- Performance measures will demonstrate efficient and effective use of resources.
- Leaders will have a corporate perspective and make decisions that are in the best interests of the corporation as a whole.

We referenced these values and expectations as we completed our assessment of the alignment between the current state and the desired, future state culture for both audit objectives.

6 Observations and Recommendations

To complete this audit, we needed to understand employee perspectives about different aspects of corporate culture. At the beginning of each employee interview we asked what corporate culture meant to the employee and asked them to tell us about the culture where they work.

Employees used a variety of phrases and word choices to define corporate culture. Despite the differences in expression, employees described similar concepts including principles, values, shared direction, shared purpose, and working together. The similarity in understanding the meaning of corporate culture among employees, suggests that the organization is well-positioned to discuss corporate culture without risking misunderstanding of what is meant.

When employees talked about the culture where they work, team dynamics was a common topic – how employees who work with each other, relate and interact with one another.

When employees described positive work cultures, it included offices and teams where coworkers all got along, worked well together, or liked each other. When they described a negative work culture, employees described a shift in workplace culture from friendly and team-based to rigid and unsocial. It was clear from both the positive and negative comments, that team dynamics play an important role in employee perceptions of workplace culture.

We also heard women and men discuss different topics related to culture. Women were more likely to discuss their positive and negative perceptions of supervisors; discrimination, harassment and bullying; equitable treatment; and team dynamics. Men were more likely to bring up their positive and negative perceptions related to job satisfaction; communication; integration of teams; risk taking and innovation.

6.1 Desired, Future State and Current State Culture Alignment

Overall, we identified partial alignment between the current state of corporate culture and the desired, future state in all four areas we assessed.

Leadership - Employees identify different roles and individuals as their leaders in the organization. There is an opportunity to improve alignment to the desired, future state culture by addressing employee perceptions around change, communication, priorities, and roles.

Workforce Metrics - We did not identify a systemic, corporate-wide relationship between employee perceptions of culture and absenteeism and turnover; however, there is an opportunity to examine pockets in the organization with patterns of absenteeism that may be related to culture.

Administrative Directives and Procedures - There is an opportunity to review administrative directives and procedures to support better alignment to the desired, future state culture. This may include revising directives to support more integrated, collaborative processes.

Recognition and Consequences - Employee recognition is generally perceived as being appropriate. There is an opportunity to improve both individual employee recognition and the behaviours recognized through corporate awards. There is also an opportunity to improve perceptions related to consequences.

6.1.1 Employee Perceptions of Leadership

The Executive Leadership Team is comprised of the City Manager and seven Deputy City Managers. This team has a critical role in defining and maintaining culture by establishing an organizational standard of behaviour (tone at the top) that employees use as a model for their own behaviour.

Employee perceptions of their leaders affects how much influence these leaders have on employee behaviour. In the *2016 Employee Engagement and Diversity Survey*, employees were asked to indicate their level of agreement with the statement, “I have trust and confidence in the City Manager and Deputy City Manager’s (CLT) ability to

achieve the City’s goals.” Fifty-nine percent of employees responded favourably to this statement.

This result suggests that there is an opportunity to improve perceptions of the Executive Leadership Team and to better encourage employee behaviours that are aligned to the desired, future state culture.

To understand employee perceptions of the Executive Leadership Team, and identify opportunities for improvement, we asked 95 employees the following questions:

- When I say ‘Leadership at the City’, who do you think of?
- How does leadership here influence your day-to-day work?
- What influence does the Executive Leadership Team (ELT) have on your work?
- How do you find out what ELT is doing?
- What is your overall perception of the leadership provided by ELT?
- What would you like to see ELT do more of?
- What would you like to see ELT do less of?

In their responses, employees identified whom they perceived as their leaders in the organization and shared their perspectives on some of the opportunities and challenges that exist in the organization as it relates to leadership and culture.

Identifying Organizational Leaders

Because organizational leaders influence the organizational culture and tone at the top, it is important to understand who is perceived as a leader in the organization.

Almost all of the 34 Branch Managers and Directors we interviewed identified the Executive Leadership Team as organizational leaders. However, only 24 out of the 61 (39%) employees who have a position below a director level, identified the Executive Leadership Team as organizational leaders. Many employees below the director level indicated that they have limited, if any, direct contact or knowledge of the Executive

Leadership Team. They identified their leaders as directors, supervisors, foremen, and team leads.

We also found that 25 out of 95 employees (26%) identified the Mayor or City Council as organizational leaders. Two examples that employees provided illustrate how City Council influences culture by affecting employee morale:

1. Through the civility and tone of interactions with City Council.
2. Through City Council's perceived expectations that: 1) managers can remain available throughout lengthy City Council meetings, and 2) managers can answer highly detailed questions about projects or initiatives 'off the top of their heads' when asked.

Because there are employees who identify someone other than the Executive Leadership Team as organizational leaders, there is a risk that the tone at the top the Executive Leadership Team is working to establish may not be communicated consistently throughout the organization. The Executive Leadership Team may want to ensure that the lower levels of management are using messaging that is consistent with theirs as they progress with organizational change. They may also want to discuss with City Council any changes in employee behaviour expectations that may result from the corporate transformation to better support consistent messaging to employees.

Perceptions

We found that employees discussed many different topics in response to our questions about leadership. The most common themes were:

- **Changes to leadership and to the organization.** Forty-five of the employees we interviewed discussed changes in leadership or in the organization. Many recognized that leadership, and the organization, were in a state of transition. They expressed their support for changes that moved the organization to a less 'siloed' workplace. Some employees also expressed their desire to see tangible outcomes of the changes, or indicated that the changes were taking a long time.

- **Communication.** Fifty-seven employees raised the issue of communication within the organization. They indicated that they valued transparency about why decisions were being made. Employees also expressed a desire to understand the vision of the organization. Some also indicated that greater visibility of the City Manager or their Deputy City Manager would be valued.
- **Organizational priorities and workload.** Twenty-two employees we interviewed (typically Branch Managers and Directors) perceived the Executive Leadership Team as having difficulty identifying lower priority work as they identified new work priorities. Without a clear approach for doing this, the list of “must-do” priorities from a staff perspective continued to grow and they saw workloads as being unmanageable.
- **Role clarity.** Twenty-nine employees perceived the Executive Leadership Team as being too involved in the details of the operation, rather than remaining at a strategic level and trusting their management teams to complete the work. The most common example given was the requirement for the Executive Leadership Team to approve the creation of all new positions in the organization. This was perceived by employees as a clear operational role rather than a governing or strategic one.

Because employees will make decisions based on what they perceive to be true in the organization, it is important for the Executive Leadership Team to address perceptions that may result in behaviours or decisions that are misaligned to the desired, future state culture. This could include sharing outcomes from organizational changes, communicating the organizational vision in different ways, increasing their visibility in the organization, addressing perceptions related to prioritization, and providing role clarity.

6.1.2 Workforce Measures and Metrics

Literature suggests that a poor corporate culture will result in increased employee absenteeism and turnover. To examine this possibility, we reviewed information on

employee absenteeism, turnover, and the results from the *2016 Employee Engagement and Diversity Survey*.

We did not find patterns of absenteeism or turnover that indicate systemic corporate culture issues. We did find specific patterns of absenteeism in eight different branches that may be related to their workplace culture.

We also found indications of alignment with the desired, future state culture in the results from the *2016 Employee Engagement and Diversity Survey*.

Absenteeism, Turnover, and Attendance

At our request, Human Resources conducted a statistical analysis of the relationship between specific responses provided in the *2016 Employee Engagement and Diversity Survey* and rates of absenteeism and turnover.

No identifiable correlations were found. This suggests that there is not a systemic issue with corporate culture that is significantly impacting absenteeism and turnover rates for the organization. However, it does not rule out the possibility that there may be culture issues affecting absenteeism and turnover in specific business areas, work teams, or employee groups.

When we reviewed data on absenteeism, we identified 8 out of approximately 33 branches where employees were more likely to take sick leave for three or four days when compared to the one or two days taken by the rest of the organization. As well, during our interviews, a small number of employees (7) perceived that there was an overuse of sick days. Comments included:

People know if you are sick for one day, you'll get an incident. So then they take two or three days and it's still one incident.

People stay off for 4 days since it will be an incident anyway.

The overuse of sick days may be explained by unusual job requirements or worker characteristics (such as having an unusually high-stress job, or one with exposure to

others who are ill). However, it could also be related to practices or culture in the business unit.

By identifying the root cause of absenteeism in specific business areas, the Executive Leadership Team may be able to address existing behaviours that are misaligned to the desired, future state culture. This can improve accountability, as well as support the efficient, effective use of resources.

Employee Engagement and Diversity Survey Results

We reviewed the results of the *2016 Employee Engagement and Diversity Survey* at a corporate level and found indications of both alignment and misalignment with the desired, future state culture. Examples of alignment include:

- 79 percent of employees provided a favourable response to the statement, “Customer Service is a primary focus at the City.” This is aligned to the desired, future state where there is a strong citizen focus.
- 73 percent of employees provided a favourable response to the statement, “My immediate supervisor is open to receiving my input on how to improve work processes.” This is aligned to the desired, future state that is open and innovative.

An example of misalignment includes:

- 59 percent of employees provided a favourable response to the statement, “In general, information in the City is communicated well,” This is misaligned to the desired, future state that is integrated and collaborative.

The survey provides a good tool to gauge change to employee perceptions over time. As the Executive Leadership Team progresses with the organizational transformation, changes to question responses can help identify where the current culture has changed to better align with the desired, future state.

6.1.3 Directives and Procedures

Administrative Directives and Procedures are the internal policies that provide guidance for City employees as they conduct their work. They define expectations of behaviour and support consistency across the organization.

Out of the 76 administrative directives developed to guide employees, we identified 20 that specifically address expected employee behaviour. We reviewed these administrative directives to assess their alignment with the desired, future state culture.

We found that the administrative directives are distributed on a spectrum from highly rules-based to highly principles-based.

We identified that the administrative directives that are rules-based are very structured, specific, and often provided little opportunity for collaborative problem solving because of the detailed resolution procedures they include. They also tend to be very clear about accountabilities and expectations and may be required to align with legislation or expectations of fair process. Because of the specificity of these administrative directives, there is a risk that they are less adaptable to organizational change and may not align to the desired, future state culture. Some of the administrative directives we found that are more rules-based included:

- Compressed Hours of Work (A1110)
- Respectful Workplace (A1127)
- Attendance Management (A2208)

We identified that the administrative directives that are more principles-based are less prescriptive in terms of process. They express intended outcomes rather than detailed step-by-step processes. As such, these administrative directives provide more opportunity for management and employees to collaborate and innovate in order to achieve the expected outcomes. However, managers and employees are more likely to apply administrative directives inconsistently when they lack detailed processes, since they can be subject to interpretation.

Examples of administrative directives that are more principle-based include:

- Employee Code of Conduct (A1100)
- Employee Learning and Development (A1120)
- Hiring (A1104)

Each administrative directive has a different intended outcome and different requirements. There is no ideal one-size-fits-all model to which all administrative directives should conform. However, there is an opportunity for the Executive Leadership Team to review existing directives and procedures to ensure that they support the desired employee behaviours for the desired, future state culture, such as accountability, collaboration, and integration.

6.1.4 Recognition and Consequences

Recognition for positive behaviours and consequences for inappropriate behaviours relate to organizational culture. When good behaviours are seen by employees to be recognized and rewarded, these behaviours are reinforced. When there are visible consequences for inappropriate behaviours, these behaviours are discouraged. We examined employee perceptions of recognition and consequences in the organization, as well as perceptions related to performance management.

Recognition

To assess perceptions of recognition we reviewed responses in the *2016 Employee Engagement and Diversity Survey*, analyzed the information provided to us through employee interviews, and reviewed the corporate awards programs.

We found that 73 percent of employees who responded to the *2016 Employee Engagement and Diversity Survey*, indicated that their supervisor recognizes them when they do a good job. This suggests that the majority of employees do receive positive recognition from their direct supervisors.

To identify opportunities to improve recognition, we reviewed comments that employees provided in the *2016 Employee Engagement and Diversity Survey* when they were asked,

“If your management team could make only one or two improvements to your job or the workplace, what would they be?”

A few of the themes were:

- A desire for more recognition/acknowledgement.
- A desire for access to advancement opportunities and training.
- A perception that favouritism is a factor for recognition.

To further explore employee perceptions of recognition for their business areas, we asked employees the following questions in our interviews:

- What behaviour gets rewarded in your area?
- How are employees recognized for their efforts?
- Do you think that the recognition given for good behaviour is appropriate?
- What would you like to see recognized or rewarded?

The feedback we received indicated that some employees are comfortable with the recognition that they currently receive. They indicated that current acknowledgement is fine and indicated that recognition needs to take into account the City as a public organization. Other employees indicated a desire for more recognition, or suggested that supervisors may need more guidance on how to appropriately recognize staff.

By addressing the opportunities for improvement that employees have identified, the organization can help reinforce positive behaviours that are desired in the future state culture.

Corporate Awards

We reviewed the corporate awards programs for alignment to the desired, future state culture and found partial alignment. We also asked employees in interviews their general perceptions of corporate awards including:

- City Manager’s Awards of Excellence;

- Perfect Attendance Award;
- Long Service Award;
- Educational Recognition; and
- Charles Labatiuk Award for Environmental Excellence.

Overall, we found that most corporate awards programs generally recognize behaviours that are aligned to the desired, future state culture. For example, the City's Manager's Awards of Excellence rewards behaviours such as customer service, innovation, and stewardship. Educational Recognition provides the option for departments to formally acknowledge employee educational milestones, and encourages employees to be high-performing and innovative.

We found indications that two awards - Long Service Award and Perfect Attendance Award- may not be aligned to the desired, future state culture. The Long Service Award recognizes employees who have worked for the City for an extended period of time, and the Perfect Attendance Award rewards physical presence at work. We are not suggesting that long service with the City or being present at work is not important; however, these two awards do not recognize employee performance. As such, they do not directly align to values identified in the desired, future state such as being collaborative, innovating, or high-performing.

When we examined employee perceptions of the awards programs, we found that employees had mixed perceptions. Employees generally have a positive perception of the awards with the exception of the Perfect Attendance Award. Employees perceived the Perfect Attendance Award as encouraging employees to come to work sick, or as not being an appropriate indicator of good work. We did note that business areas that were highly dependent upon employee attendance (e.g., scheduled service shifts or teams that must meet and travel together) indicated they found this award valuable.

Given the partial alignment of the awards program to the desired, future state culture, and the mixed feedback provided by employees, there is an opportunity for the Executive

Leadership Team to review and assess these awards, and determine if and how they add value to the organization.

Valued Behaviours

In interviews, employees indicated that they were recognized for (or ought to be recognized for) working hard, doing good work, being a team player, providing good customer service, avoiding unnecessary costs, and innovating. These existing values of employees are aligned to the desired, future state culture.

We also found that there may be an opportunity for the Executive Leadership Team to enhance communication related to the behaviours that employees did not often identify as being recognized including:

- Being adaptable and accountable;
- Measuring and reporting results of work;
- Communicating well;
- Integrating work practices beyond the immediate team; and
- Making decisions that have a corporate focus.

These behaviours align with the desired, future state. As the Executive Leadership Team continues to communicate their expectations to all employees, focusing on the values and behaviours that are not already top-of-mind for employees may help encourage their adoption.

Consequences

We found that there is an opportunity to improve employee perceptions of the appropriateness of consequences for poor conduct by addressing perceptions of leniency and improving the reporting process for inappropriate behaviour.

To assess employee perceptions about the appropriateness of consequences, we reviewed the information provided to us in employee interviews, analyzed Whistleblower Hotline reports, and reviewed the information provided in the *2016 Employee Engagement and Diversity Survey*.

In our employee interviews, we asked the following questions:

- What are the behaviours that get you or other staff in trouble?
- Do you think the consequences are appropriate?
- What [behaviour] do you think people are getting away with that they shouldn't be?

The behaviours that employees indicated that they would get in trouble for are consistent with the behaviours that violate organizational administrative directives or practices. This included: fraud, unethical behaviour, avoiding accountability, safety issues, disrespectful behaviours, discrimination and harassment, and time theft. Some of the behaviours that employees indicated that they thought people were getting away with included: poor attendance, time theft, and performance issues. The consistency between the behaviours that employees see as inappropriate and those that violate administrative directives or practices in the organization indicates alignment with the behaviour expectations for the desired, future state culture.

Employees indicated consequences were seen as appropriate when they were “at the right level,” meaning that discipline was not too harsh or too lenient for the offence. When employees indicated that consequences were inappropriate, perceptions of leniency tended to be the reason.

When we reviewed Whistle Blower Hotline reports, we found that between 2015 and 2016, an average of 18 percent of reporters indicated that they had previously reported the situation and believed that no action had been taken. We also reviewed the *2016 Employee Engagement and Diversity Survey*, and identified that only 41 percent of respondents who indicated that they experienced harassment and discrimination perceived a response or change after telling someone about it.

Typically, managers and Human Resources are required to keep actions addressing individual employee behaviour confidential. However, if employees do not believe that there will be consequences for poor behaviour, they may choose not to report issues. When consequences for inappropriate behaviour must remain confidential, it may be

necessary to provide additional education or communication to employees to encourage understanding of the requirements for confidentiality.

We also found that there may be behaviour issues in the organization that are unreported and unaddressed. Union representatives have indicated that they do not believe all affected employees are using the process in the Respectful Workplace directive to report issues. In the *2016 Employee Engagement and Diversity Survey*, 19 percent of employees indicated they had experienced harassment and 11 percent indicated they had experienced discrimination. Of these, only 36 percent indicated that they told someone about it. These results indicate that the current processes for reporting workplace issues, including harassment and discrimination, may not be working as intended. Reviewing and updating reporting processes to improve their effectiveness may help to encourage employee reporting of behaviour issues.

Performance Management

Performance management is a key way that recognition and consequences are applied to encourage the behaviours in a corporate culture. During employee interviews, we did not directly ask questions about performance management; however, we found that 35 employees volunteered this information when we asked them questions related to consequences. Comments included:

You can get fired for doing something wrong, but not for doing nothing.

There are long processes to manage poor behaviour and with busy schedules, sometimes leadership turns a blind eye and hopes it goes away.

In a union environment, the performance management process is difficult, and difficult to get results from.

When employees perceive that mediocre or poor performance is acceptable to the organization, it reduces the incentive for employees to continue to do their best work. This affects the organization's ability to move to a high-performance culture.

The City has supervisor education programs already established that address performance management expectations. The Executive Leadership Team may want to review the expectations related to performance management communicated through these programs to ensure that they support the desired, future state culture.

6.2 Summary of Alignment and Recommendation

Overall, we found partial alignment between the current state of corporate culture and the desired, future state as it relates to leadership, workforce metrics, administrative directives and procedures, and recognition and consequences.

We are making one recommendation to support stronger alignment between the current culture and the desired, future state culture:

Recommendation 1 – Address Perceptions in Corporate Transformation

The Office of the City Auditor recommends that the Executive Leadership Team address the following as they progress with the corporate transformation:

- a. Ensuring consistent messaging throughout all levels of the organization to support a consistent tone at the top.
- b. Reflecting changed expectations of employee behaviour in Administrative Directives and Procedures.
- c. Reflecting changed expectations of employee behaviour in Corporate Awards.
- d. Reviewing employee reporting processes to encourage employees to report issues (e.g., Respectful Workplace directive).
- e. Communicating with employees to manage perceptions around appropriate consequences for poor behaviour.
- f. Reflecting changed behaviour expectations in performance management expectations and activities.

Management Response
<p>Accepted</p> <p>Action Plan:</p> <p>a. <i>Ensuring consistent messaging throughout all levels of the organization to support a consistent tone at the top.</i></p> <p>Administration Response: Administration is implementing a corporate-wide internal communications strategy based on the recommendations and insights of the Corporate Transformation Inter-departmental Team. An internal resource has been transferred to provide dedicated staff support for this work.</p> <p>Planned Implementation Date: Staff transfer complete; work currently underway. Internal Communications Plan will be developed by March 31, 2018.</p> <p>Responsible Party: Deputy City Manager, Communications and Engagement</p> <p>b. <i>Reflecting changed expectations of employee behaviour in most relevant Administrative Directives and Procedures</i></p> <p>Administration Response: Administration will review and update most relevant Administrative Directives and Procedures to reflect employee performance expectations relative to Council priorities, the City Manager’s focus areas and the City’s cultural commitments. This work has begun, as new expectations and behaviours for leadership have been consistently communicated at workshops that introduced the modern municipal corporation model and framework. This review will include the Attendance Management Directive (A1108B).</p> <p>Planned Implementation Date: December 31, 2018</p> <p>Responsible Party: Deputy City Manager, Financial and Corporate Services</p> <p>c. <i>Reflecting changed expectations of employee behaviour in Corporate Awards</i></p> <p>Administration Response: Administration is conducting a review of corporate</p>

awards (former City Manager Awards; Occupational Health and Safety; Perfect Attendance; Long Service; Educational Achievements; Retirement) to ensure desired employee behaviours are recognized and celebrated. Corporate recognition of our transforming culture is an opportunity to ensure key messaging is consistently conveyed in multiple workplace environments.

Planned Implementation Date: Work is already underway, July 31, 2018

Responsible Party: Deputy City Manager, Communications and Engagement and Deputy City Manager, Financial and Corporate Services

- d. *Reviewing employee reporting processes to encourage employees to report issues*

Administration Response: Administration, in collaboration with Civic Union and Association leaders, is exploring enhancements to the Respectful Workplace Directive in relation to reporting harassment and discrimination. This review concentrates on 3 aspects of the complaint process:

- Intake of complaints,
- Investigations, and
- Decision Making.

Administration is revamping the process to ensure that staff feel they have a safe and neutral place to report issues. Of significance is a recommendation that incorporates a “peer review” panel of appropriately trained staff in a wide variety of levels throughout the organization to make recommendations on selected investigations.

Additionally, an internal communications plan will be developed to help raise awareness about the options employees have for reporting respectful workplace, fraud and misconduct concerns.

Planned Implementation Date: Work currently underway, March 31, 2018

Responsible Party: Deputy City Manager, Financial and Corporate Services and Deputy City Manager, Communications and Engagement

- e. *Communicating with employees to manage perceptions around appropriate consequences for poor behaviour.*

Administration Response: The Executive Leadership Team is beginning a renewal of the Working Relationship Agreement with Union Leadership in early December. This topic will be considered, along with the review of the Respectful Workplace Directive (A1127), during this process.

Administration is reviewing and updating existing supervisor training and support mechanisms connected to communication about performance management through the School of Business and Human Resources, including the incorporation of the cultural commitments. Administration has responsibilities to all parties involved when managing perceptions around employee performance management; as such, employee privacy will be highlighted as a part of training, support mechanisms, and communication on this topic. In conjunction with the implementation plan being developed for the corporate-wide roll out of the cultural commitments, an internal communications plan will be developed to help raise awareness of expected supervisor responses and desired employee behaviours.

Planned Implementation Date: Work currently underway, December 31, 2018.

Responsible Party: Deputy City Manager, Financial and Corporate Services and Deputy City Manager, Communications and Engagement

f. Reflecting changed behaviour expectations in performance management expectations and activities

Administration Response: Accountability, as with all the cultural commitments, begins with the City Manager and transcends through the extended leadership team to supervisors and frontline staff. Communicating behavioural expectations and consequences is not a checkbox exercise, but rather, it is a fundamental part of the cultural transformation. This work is long term, but the following items are expected to be complete by July 31, 2018:

As directed by the City Manager's work plan, Administration is updating the Performance Contribution Plan process for management employees to align with Council priorities, City Manager's focus areas and the City's cultural commitments. This updated process creates opportunities to: improve employee understanding of performance expectations, increase the number of formal performance conversations between supervisors and employees each year, and create a consistent and streamlined process throughout the organization. This work is targeted for completion December 31, 2017.

In conjunction with the implementation plan being developed for the corporate-wide roll out of the cultural commitments, support mechanisms and an internal communications plan will be developed to help supervisors incorporate the cultural commitments into performance conversations, job expectations, and ongoing support for all employees.

Planned Implementation Date: July 31, 2018

Responsible Party: Deputy City Manager, Financial and Corporate Services

Planned Implementation Date: December 31, 2018

Responsible Party: Executive Leadership Team

6.3 Corporate Culture Office

The Corporate Culture Office was established in 2011. It has five employees and an annual budget of \$943,000 for the 2017 year.

Employees in the Corporate Culture Office provide advice and guidance to leadership in the organization, as well as manage and support corporate-wide culture initiatives.

We assessed the governance of the Corporate Culture Office and found that the mandate and goals are aligned to the desired, future state culture, and that there is an opportunity to improve the governance structure and performance measures. We also assessed the effectiveness of the Corporate Culture Office and found that it adds value to the organization.

6.3.1 Mandate, Goals, and Performance Measures

The Corporate Culture Office has a mandate and goals that are focused on advancing the corporate message, and implementing corporate culture initiatives. We found that the mandate and goals of the Corporate Culture Office were aligned to the desired, future state culture through the integrated, corporate perspective it takes to accomplish its work.

We also found that the Corporate Culture Office has identified over 60 performance measures that cover the major work portfolios of the office as well as measures for the organization. There is not; however, a current, formal mechanism to report on performance measures. As such, there is a risk that the performance of the Corporate Culture Office is not effectively monitored and assessed in context with the organization goals and priorities.

6.3.2 Governance

The Corporate Culture Office is given direction and guidance from two bodies: the City Manager's Office and the Culture Advisory Committee. The Culture Advisory Committee consists of representatives from different areas of the City including Deputy City Managers, Corporate Communications, and Human Resources.

At the time we conducted this audit, the Executive Leadership Team had not fully defined the future role of the Corporate Culture Office as part of the corporate

transformation. Meetings of the Culture Advisory Committee were suspended and vacancies on the committee were not filled. In early 2017, the Corporate Culture Office began limiting their involvement in corporate culture initiatives pending a decision on their role.

Having the Corporate Culture Office in a state of limbo reduces the value they add to the organization through their involvement in corporate initiatives. A lack of clear purpose and direction for the Corporate Culture Office can also impact staff morale and create difficulties identifying responsibilities and accountabilities.

An effective, documented governance structure for the Corporate Culture Office with clear accountabilities, can help ensure that the City is using organizational resources to achieve best value.

6.3.3 Adding Value

To assess the value of the services provided by the Corporate Culture Office, we identified two corporate initiatives in which the Corporate Culture Office has a significant role: the Culture Ambassador program and the Branch Engagement and Diversity Action Plans. Overall, we found that the Corporate Culture Office added value to the organization through their involvement with these initiatives.

Culture Ambassador Program

Since being established in 2011, the Corporate Culture Office has trained approximately 800 employees as Culture Ambassadors for their departments, branches, and sections. The goal of the program is to engage front-line supervisors and employees in the corporate culture transformation.

To understand the value that the Corporate Culture Office and the Culture Ambassador program add to the organization, we asked 20 active Culture Ambassadors and 11 inactive Culture Ambassadors “How has your work as a Culture Ambassador made a difference to your business area?” Responses included:

People are able to come to me with their issues. I have become more approachable. It makes me feel as though I make a difference every day.

The role of Culture Liaison has served to align our various business areas and ensure that leadership is aware of, and part of two-way dialogue for culture activities in our branch.

We also asked them, “How could the Culture Ambassador Program be improved?”

We have good support in our branch but I have heard from many others, in other branches, that it is not "taken as seriously" and there is sometimes little interest in it from the management side....as in they do not really promote or support their staff that volunteer to become a Culture Ambassador.

Keep us informed, not much info received for quite some time. Continue with gathering events like prior years.

In our employee interviews, we asked 16 Branch Managers how the Culture Ambassador Program has been valuable for their branches and the organization as a whole. Responses included:

In our branch it was critical. Culture was all over the map – the Ambassadors were huge in helping change our culture. Lots of branches need that concept.

Where I saw success was when a supervisor got behind it. When a leader took the message and ran with it. When they didn't, the Culture Ambassadors were frustrated, not happy. They felt they had no purpose or support and ended up on the bad side of culture change.

Our review of the feedback provided by the Culture Ambassadors and Branch Managers indicate that the Culture Ambassador program is perceived as adding value; however, the type and amount of value is not perceived consistently throughout the organization.

Branch Engagement and Diversity Action Plans

Branch Engagement and Diversity Action Plans (the Action Plans) define the way that a branch will address issues that were identified in the *2016 Employee Engagement and*

Diversity Survey results. The Corporate Culture Office coordinates this program, which includes developing the tools and templates, as well as hosting workshops and providing consultation services as required.

In our employee interviews, we asked Branch Managers to provide their perspective on the value of the Action Plans. We found that of the 16 employees who responded, 5 had a positive perspective, 4 had a negative perspective, and 7 did not clearly express either a positive or negative perspective. Branch Managers saw the Action Plans adding value by:

- Formalizing a process to address culture and known issues, and
- Providing an external perspective and fresh eyes on internal-focused work.

Criticisms of the Action Plans included:

- Assumptions and expectations that there is consistency across the organization in the Action Plan process when different parts of the organization are not the same.
- The requirement to do Action Plans (and the associated paperwork) when the Branch Manager believes another approach would be more effective.

These results suggest that while there are branches in the organization that benefit from the Action Plan program, there is also an opportunity to examine the program to increase the value it provides to branches that do not currently perceive value from it.

We also asked Branch Managers about the value they saw the Corporate Culture Office adding to the Action Plans through their involvement. We found that 10 managers were not aware that the Corporate Culture Office was involved with the Action Plans. When managers did see the Corporate Culture Office adding value it was in activities such as motivating and reminding them to work on the Action Plans, and providing high-level direction.

Overall, we found the Corporate Culture Office adds value to the organization through their involvement in corporate culture initiatives, and that there is an opportunity to improve this value. Increasing awareness of the services provided by the Corporate Culture Office, and addressing different perceptions of what adds value for different

branches, may help to increase the value the Corporate Culture Office adds to the organization.

6.4 Corporate Culture Office Summary and Recommendations

Overall, we found that the mandate and goals of the Corporate Culture Office are aligned to the desired, future state culture, and there is an opportunity to improve the governance structure and performance measures. We also found that the Corporate Culture Office adds value to the organization through its involvement in corporate initiatives.

We are making one recommendation to improve the governance of the Corporate Culture Office and increase the value it adds to the organization.

Recommendation 2 – Identify and Formalize Corporate Culture Office Governance Structure and Conduct Outreach
<p>The Office of the City Auditor recommends that the Executive Leadership Team decide on an appropriate governance structure for the Corporate Culture Office given the organizational changes that have occurred and their vision for the desired, future state culture. Performance measures should be reviewed once a decision is made to ensure that they are appropriate, accurate, monitored, and reported regularly.</p> <p>We also recommend that the Corporate Culture Office engage in appropriate outreach to branches to increase understanding of available services.</p>
Management Response
<p>Accepted</p> <p>Action Plan:</p> <p>A Corporate Transformation Program Manager has been assigned to facilitate transformation work and directly oversee the Corporate Culture Office. The Program Manager reports directly to the Chief of Staff in the Office of the City Manager to ensure a strong link with Executive Leadership Team and to corporate vision and priorities. Transformation work includes a review of Corporate Culture Office governance, including performance measures and the roles, responsibilities and outcomes for the Culture Advisory Committee (group of leadership representatives from</p>

across the organization who, in addition to the City Manager’s Office, provide guidance to the Corporate Culture Office). Work is currently underway with a planned completion date of September 2018.

The Corporate Transformation Inter-departmental Team is developing a plan that positions the Corporate Culture Office’s role, areas of shared accountability and expected contributions to and support for change initiatives in the corporation. Work is currently underway with a planned implementation date of March 30, 2018.

Planned Implementation Date: Work currently underway. September 30, 2018

Responsible Party: Chief of Staff, Office of the City Manager

7 Conclusion

This audit reviewed specific aspects of the corporate culture at the City of Edmonton, and identified gaps between the current culture and the desired, future state. We reviewed documents, analyzed surveys, and spoke with over 100 employees and stakeholders throughout the organization.

We have made two recommendations in this audit that we believe will support the organizational changes envisioned by the Executive Leadership Team. In addition to these recommendations, we have identified both facts and perceptions that may help to support decision making throughout the organization.

We would like to thank all of the employees and stakeholders who participated in this audit. Their openness and candor when sharing diverse personal and professional knowledge allowed us to deepen our understanding of organizational culture and was very much appreciated.

Appendix 1 – Detailed Methodology

Along with the employee interviews and survey analysis described in Section 4.2 of the report, we used the following methods to gather evidence to conclude on the audit objectives:

- We had multiple discussions with the City Manager and staff in the City Manager’s Office related to priorities, processes, and future state vision
- We had two group discussions with the Executive Leadership Team related to priorities, processes, and future state vision
- We had multiple discussions with various roles in Human Resources including Labour Relations, Disability Management, Chaplain, and Human Resources Business Systems, to understand processes, methods, and current work
- We spoke with specific employees to probe topics or who expressed their desire to share information with us when they learned of the audit.
- We reviewed multiple organizational transformation documents related to vision and work plan for the desired, future state culture
- We attended three Organizational Transformation workshops and meetings related to vision and work plan for the desired, future state culture.
- We reviewed over twenty Administrative Directives and Procedures related to current state culture and employee expectations
- We reviewed multiple Human Resources measures and statistics related to workforce performance
- We reviewed three years of Whistleblower Hotline complaints related to perceived issues in the workplace
- We held discussions with representatives from all employee unions and associations
- We reviewed the formal corporate awards programs
- We held discussions with staff in the Corporate Culture Office
- We reviewed the Corporate Culture Office governance documents, performance measures, and budget
- We conducted a survey of randomly selected Culture Ambassadors from across the organization