Review of the ASX Corporate Governance Council's Principles and Recommendations - Public Consultation 2 May 2018

Submission from Karen Walker Consulting

Contents

1. Introduction

My name is Karen Walker and I welcome the opportunity to submit feedback on the ASX Corporate Governance Council (the "Council") proposals to update and issue a fourth edition of its Corporate Governance Principles and Recommendations (the "*Principles and Recommendations*").

2. My relevant experience, skills and knowledge

As part of a diverse career, I have worked for a government regulator, in senior operations management and leadership roles, and consulted on compliance and ethics, including provision of training, in the casino and gaming industry. In the past 18 years my work has been in strategy execution roles, utilising expertise in leading and managing change and transformations in organisations, including cultural and behavioural change.

2.1. Relevant experience

Regulatory and compliance

a) Authorised Officer and Inspector / Senior Inspector for the Victorian Casino Control Authority, which included extensive training and experience in the identification of behaviours related to potential misconduct and unlawful acts. These roles were 100% based onsite at Crown Casino, Melbourne. Responsibilities included:

   1) Surveillance activities – via cameras, technology monitoring systems, and on-site presence including undercover surveillance.
   2) Auditing activities including financial, operational and transactional.
   3) Testing and/or approval of new equipment and technologies.
   4) Involvement in customer complaints and disputes.
   5) Detection and investigation of potential breaches of the Victorian Casino Control Act.
   6) Working with Victoria Police Gaming and Vice Squad, and Federal Agencies including Drug and Asian Crime Squads, assisting in the surveillance and interviewing of suspects.
   7) Review of Operator training, policies, procedures and operating manuals.
   8) Provision of briefs of evidence and being an expert witness in court proceedings.

b) Operations, compliance, ethics, training and technology roles in the gaming and casino industry, including:

   1) Provision of training and go-live support, in operations and compliance to managers and employees of Victorian Gaming Machine Venue Operators.
   2) Provision of training in operations, compliance and ethical conduct to New Zealand Gaming Machine Venue Operators.
   3) Compliance recommendations to the South African Gambling Board regarding the operators of the proposed monitoring system of national networked gaming machines.
   4) Development of the first nationally accredited training in compliant operation of gaming machine venues, and socially responsible management of problem gambling in gaming machine venues, for the New Zealand Gaming Industry. The latter involved collaboration with experts in psychology and addiction, including working with the Salvation Army.
   5) Facilitation of submissions on New Zealand government policy and regulatory changes related to gaming and casinos, as commissioned by various stakeholders.
   6) System administration of the Tabaret mainframe system - networked gaming machines in Victoria.
   7) Compliance testing of gaming machines and monitoring systems.

Executive Management, Operations Management and Project Director roles

    a) Acting Director, Acting General Manager, Acting Performance Manager and Senior Operations Manager roles at Sky City, Auckland, in the Gaming Machine Division of the casino with accountability for:

        1) My actions, decisions and relationships with my team, other colleagues, the regulator and customers contributing to a positive, open culture which included the attributes of ethical, compliant and socially responsible behavior.

        2) Strategic planning, management and execution.

        3) Completed the original submission of Internal Control Gaming Machine procedures to the Regulator and was involved with on-going maintenance.

        4) Oversight of the development and maintenance of training, policies, practices and operating manuals.

        5) Management of the performance team, responsible for auditing and analysis activities that included the detection and investigation of any anomalies, including cooperation with the Regulator.

        6) Part of pre-opening leadership team of New Zealand's largest greenfield operation, SkyCity Auckland.

        7) Awarded Harrah's New Zealand 1997 Chairman's Award for "Excellence in Managing People", a Board Award.

        8) Awarded Harrah's Quest for the Best Manager award 1997, an employee nominated award.

    b) Project Director, Casino Transformation Program, Federal Group

        1) Accountabilities included people, process and technology changes complying with regulatory requirements.

        2) Frequent reporting to and engagement of the Regulator, regarding proposed changes to people, process and technology relevant to compliance and legislative requirements.

Strategy planning and execution, change and transformation

    a) 18 years' experience in strategic planning and execution roles, utilising expertise in leading and managing change and transformations in organisations, including cultural and behavioural change.

        1) Senior Managing Consultant – Organisational Change, IBM Australia, and Senior Consultant – Organisational Change, BearingPoint New Zealand.

        2) Experience in transformational change in large, complex organisations includes initiatives at Telstra, ANZ, Air New Zealand, CGU, Australia Post, Cadbury Schweppes, National Australia Bank and the Victorian Department of Justice.

        3) Experience in improvement of strategic and business planning capability, supporting the launch of new strategies, assessing organisational capacity against strategic aspirations, and identifying tactics to increase organisational capability and capacity to achieve strategic vision.

        4) Experienced in the application of best practice portfolio, program, project and change methodologies including IBM, KPMG, NAB, Deloitte, EY, BearingPoint, ADKAR (Prosci), PCI, Change Management Institute and Project Management Institute standards.

        5) Experienced in the design and utilisation of detailed qualitative and quantitative cultural, change capability and readiness assessments, to identify organisational, team, cultural and political barriers to the benefit realisation of strategies and projects. These assessments inform the 'fit for purpose' capability, readiness and transition strategies and plans that enable requisite cultural change, adaption and adoption of new behaviours and ways of working, whilst ensuring business continuity.

6) Experienced in the utilisation of organisational capability and capacity tools and assessment approaches.

2.2. Relevant qualifications, skills, knowledge and expertise

- o Certificate of Practising Management, New Zealand Institute of Management.
- o Managerial Excellence Programme, University of Auckland, Executive Programmes.
- o Coaching and Mentoring certification, University of Auckland.
- o Masters begun at Charles Sturt University, completed:
    - o Ethics: Values and Conflicts in Organisations
    - o Management: Management of Change
- o Blogger and writer, contributor to the Business Transformation Network and Thrive Global.
- o Invited to be a Member of the Harvard Business Review Advisory Council, a research community of business professionals.
- o Public speaking:
    - o Presenter "Cultural and Political Barriers to Change", 17th Knowledge, Culture and Change in Organisations Conference, Charles Darwin University, Darwin 21 – 22 April 2017.
    - o Chairperson of 5th Women in Project Management Leadership Summit, Melbourne 13 – 14 September 2016.
    - o Presenter "Change Management Metrics", Change Management for the Public Sector Conference, January 2013.
- o Member of the Project Management Institute. Knowledge of and utilisation of frameworks and standards, including:
    - o Managing Change in Organizations: A Practice Guide
    - o Navigating Complexity: A Practice Guide
    - o Organizational Project Management Maturity Model (OPM3®) – Third Edition
- o Train the Trainer certification, Australian Hotels and Hospitality Association.
- o NZQA Accredited Training Assessor.

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3. Comments

3.1   Amendment to recommendation 1.1

- an amendment to **recommendation 1.1** (role of board and management) requiring a listed entity to have and disclose a board charter, plus amendments to the commentary:

  – to add to the list of usual responsibilities of the board:

    o   defining the entity's purpose;

    o   approving the entity's statement of core values and code of conduct to underpin the desired culture within the entity;

    o   overseeing management in its implementation of the entity's business model, achievement of the entity's strategic objectives, instilling of the entity's values and performance generally; and

    o   ensuring that the entity's remuneration framework is aligned with the entity's purpose, values, strategic objectives and risk appetite;

  – to clarify that the information provided to the board by the senior executive team should not be limited to information about the financial performance of the entity, but also its compliance with material legal and regulatory requirements and any material misconduct that is inconsistent with the values or code of conduct of the entity;

  – to provide additional guidance on the role and responsibilities of the chair;

3.1.1 Comments on amendment to recommendation 1.1

I do not agree with the proposed amendment to recommendation 1.1, as it includes a scientifically incorrect statement, and gaps where more guidance is needed, for these amendments to support revised principle 3 regarding culture. That also acknowledge the skills requirement context for an organisation and its culture.

3.1.1.1.   An entity's purpose, core values and a code of conduct are outputs and artefacts produced as part of strategic planning and management, and business policy activities. These business management concepts are artificial constructs comparative to the wealth of scientific knowledge about human beings as a species, and the development of our identity, values and behaviour. Like society, organisations are living, complex human systems.[1]

Humans are born with a largely genetically determined "self", and our environment either encourages or inhibits its expression, therefore habitual behaviours should not be confused with identity, or self-concept. Humans can change behaviours without having to betray their values and principles.[2]

3.1.1.2.   A definition of culture and what influences it, is the same for any group settings for humans – society, community, family and in our working lives. It is the basis of the long term success of human beings, the only species to cooperate[3] to the degree that we do, eclipsing any artificial business management artefacts and constructs of what constitutes culture.[4]

"Culture is manifested in the social fabric that governs our interactions with each other; it is bound in the roles that we occupy and how we interact with each other. Actions, behaviours, and relationships are governed by *communitas* - the connections we have with each other.[5]"

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[1] http://www.oxfordleadership.com/4-rules-leading-high-performance-teams/
[2] https://probonoaustralia.com.au/news/2018/07/honesty-double-edged-sword/
[3] https://blogs.scientificamerican.com/anthropology-in-practice/why-is-cooperation-so-difficult-in-the-workplace/
[4] https://greatergood.berkeley.edu/article/item/why_are_we_so_wired_to_connect
[5] https://blogs.scientificamerican.com/anthropology-in-practice/what-do-companies-mean-by-culture1/

"Organizations are communities of human beings, not collections of human resources," Henry Mintzberg.[6]

3.1.1.3. An *'entity's statement of core values and code of conduct to underpin the desired culture within the entity'* is scientifically incorrect, as social connections and relationships, the workplace environment and group dynamics, underpin the core culture and subcultures in organisations, not espoused core values and a code of conduct.[7]

3.1.1.4. Research in the scientific fields of psychology, neuroscience, behavioural science and anthropology, and research into causes of misconduct, unlawful and unethical behaviour, conclude that an entity's espoused purpose, core values and code of conduct have little influence on the actions, decisions and behaviour of people within organisations.[8]

3.1.1.5. Scientific research has shown that what influences the performance of groups and therefore culture in organisations, is diversity[9] and also group and relationship social skills. Individuals with these skills, especially leaders and managers of teams and people, shape a culture[10] that - according to research[11] - results in innovative, productive, effective, adaptive, healthy, motivated, engaged, ethical, lawful, humane and financially successful organisations.

3.1.1.6. "Cultures are created by a specific set of skills ... which tap into the power of our social brains to create interactions of group culture ... one of the most powerful forces on the planet. We sense its presence inside successful businesses, championship teams, and thriving families."[12]

"Skill 1- Build Safety - explores how signals of connection generate bonds of belonging and identity. Daniel Coyle's research and that of others, suggest this requires skills in effective listening; expressing gratitude; embracing the messenger (also not shooting them); demonstrating humility; creating spaces and times for people to develop social connections and relationships, not just work task focused interactions; facilitating two-way, learning focused negative feedback conversations; eliminating bad apples and not hiring them in the first place; and embracing fun - a fundamental sign of safety and connection".[13]

The importance of psychological safety is supported by decades of research, with a demonstrated correlation to why people do not report observed misconduct, unlawful and unethical actions. Harvard Professor Amy Edmondson, "who coined the term psychological safety, argues that if uncertainty and interdependence exist in a given work environment (arguably the majority of modern workplaces), teams require psychological safety to function."[14]

"Psychological safety in organisations means a culture where all employees can speak up confidently, contribute new ideas and questions and admit fallibility without fear of retribution or humiliation from colleagues. Cultivating trust and sustaining psychologically safe teams is becoming

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[6]http://www.mintzberg.org/sites/default/files/article/download/developing_naturally_from_management_to_organization_to_society_to_selves_pdf_march_2012.pdf
https://hbr.org/2009/07/rebuilding-companies-as-communities

[7] https://www.linkedin.com/pulse/its-best-worst-times-corporate-culture-australia-karen-walker/ contains links to references

[8] https://www.linkedin.com/pulse/its-best-worst-times-corporate-culture-australia-karen-walker/ contains links to references

[9] https://hbr.org/2016/11/why-diverse-teams-are-smarter
https://hbr.org/2011/06/defend-your-research-what-makes-a-team-smarter-more-women

[10] https://www.linkedin.com/pulse/group-social-relationship-skills-fuel-healthy-corporate-karen-walker/ contains links to references

[11] https://www.mckinsey.com/business-functions/organization/our-insights/the-organization-blog/culture-4-keys-to-why-it-matters
https://hbr.org/2018/04/the-two-traits-of-the-best-problem-solving-teams

[12] http://danielcoyle.com/the-culture-code/

[13] http://danielcoyle.com/the-culture-code/

[14] https://www.weforum.org/agenda/2016/04/team-psychological-danger-work-performance/

a key competitive advantage not just for organisations which have a higher risk of physical or mental injury, but also for those at risk of potential misconduct or risk to reputation."[15]

A sense of belonging is a basic human need, and its absence for people in any part of their lives causes significant harm. The global epidemic of loneliness[16] recently prompted the UK government to establish a Minister of Loneliness, and last year the former US Surgeon General Vivek Murthy asserted that loneliness was a growing health epidemic related to loss of life.

"Skill 2- Share Vulnerability- explains how habits of mutual risk drive trusting cooperation. Coyle and others refer to skills in leaders often asking for help and admitting mistakes; consistently repeating expectations in ways that foster cooperation and helping behaviours; communicating negative news in person; effectively facilitating critical moments of group dynamics; questioning that builds trust to say more and share truths; generating candour whilst avoiding brutal honesty; handling the emotions of unpleasant truths; use of action oriented language; performance reviews separated from professional development conversations; flash mentoring / shadowing; creating opportunities for teams to take charge."

"Skill 3 - Establish Purpose - tells how narratives create shared goals and values. Coyle shares case studies and research about the importance of skills in naming and ranking a few priorities; repetitive communication and testing of priorities; managing proficiency and creativity; using language nudges / catchphrases and artefacts that represent purpose, also translating abstract concepts of mission and vision into small, daily meaningful actions; measuring and celebrating important outcomes ahead of productivity type metrics.

The three skills work together from the bottom up, first building group connection and then channelling it into action."[17]

3.1.1.7. One study showed that 93% of all managers agree they need more training at getting better using soft skills. The same study adds that only 47% are actually getting that training.[18]

3.1.1.8. "I don't know why we call them "soft skills".

They're certainly not easy to learn, although they are as valuable and necessary as the skills doctors use in surgery, bankers use to assess risk and physicists use to split atoms.

Communication, observation, empathy and logical thinking: these precious and frequently undervalued skills have everyday names.

I prefer to call them "essential skills," because we all need them every day, though we don't always use them well.

They are the foundational skills that allow us to learn and live and work productively with other people. They are the skills that determine our chances of succeeding. They are the skills of leadership."[19]

3.1.1.9. Results of other research showed 68% of CEOs acknowledged that, in hindsight, they weren't fully prepared to take on the CEO role. Whilst ready for the strategic and business aspects of their roles, they were less so for personal and interpersonal components of leadership, which are just as critical to success. 50% of CEOs found driving culture change difficult and 47% found developing senior leadership teams challenging.[20]

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[15] http://blog.deloitte.com.au/safe-speak-up-building-culture-psychological-safety/
[16] https://www.forbes.com/sites/nicolefisher/2018/06/15/suicide-isnt-a-u-s-problem-its-a-global-health-epidemic/#3375f8172f7b
[17] http://danielcoyle.com/the-culture-code/
[18] https://www.inc.com/melissa-lamson/top-learning-development-trends-for-2018.html
[19] https://www.weforum.org/agenda/2018/06/how-a-humanities-degree-will-serve-you-in-a-disruptive-economy
[20] https://hbr.org/2018/07/survey-68-of-ceos-admit-they-werent-prepared-for-the-job

3.1.1.10. While the demand for technological skills has been growing since 2002, it will gather pace in the 2016 to 2030 period. The increase in the need for social and emotional skills will similarly accelerate.[21]

3.1.1.11. "Leaders are executive leadership as well as those managers who are leading or directing groups, teams, divisions, departments and the like. The reason for this wider coverage, is that I see leadership as being entirely based on people interactions, with people being the reason why organisations either become sustainable or fail to meet their objectives. Harnessing the power of people across an organisation, is the paramount issue for me, and this has been evidence both from personal practice as well as from research.

Leaders must have a depth of understanding of human behaviour and how this applies to the unique aspects of people within their own organisations. This demands an ability to interact with their people, understanding what motivates them, understanding how to support them, and understanding their aspirations and where the organisation may fit into this overall picture."[22]

3.1.1.12. Culture is self-reinforcing, whether it helps or hurts an entity, hence both positive and negative cultures are both self-perpetuating and difficult to change. Successful workplace cultural change requires taking a relationship-based and human sciences approach to work.[23]

3.1.1.13. Accordingly, the addition of *'defining the entity's purpose'* and *'approving the entity's statement of core values and code of conduct to underpin the desired culture within the entity'* to the list of usual responsibilities of the board, will make little or no progress towards increasing board accountability for any poor conduct and culture, and associated loss of trust in the business. Given espoused core values, purpose and code of conduct do not represent an entity's culture, nor have a material effect on an entity's culture.

3.1.1.14. Just as *'instilling of the entity's values'* does not represent a scientific definition and approach to influencing culture in organisations. Humans will change behaviours in response to their environment as part of "fitting in", but these does not correlate to a change in their innate values and principles.[24]

It is important to differentiate between "fitting in" and a sense of belonging. Fitting in with a team or group culture lacks authenticity, belonging involves individuals being their authentic selves. Fitting in involves feeling and being fake, belonging is about being your natural self. Fitting in takes so much energy, whereas belonging gives us energy. Fitting in creates fickle relationships, a sense of belonging breeds trust.[25]

3.1.1.15. *'overseeing management in its implementation of the entity's business model, achievement of the entity's strategic objectives, instilling of the entity's values and performance generally'* does not reference culture, and the central role it plays in the success or otherwise, of the implementation of an entity's business model, achievement of strategic objectives and performance generally.

"Culture starts with what people do and how they do it. In any industry, what people do may not differ dramatically, but high-performing organizations distinguish themselves in how they do it. Culture also encompasses why people do what they do."[26]

3.1.1.16. Accordingly, the addition of *'overseeing management in its implementation of the entity's business model, achievement of the entity's strategic objectives, instilling of the entity's values and*

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[21] https://www.mckinsey.com/featured-insights/future-of-organizations-and-work/skill-shift-automation-and-the-future-of-the-workforce

[22] https://www.linkedin.com/pulse/working-your-way-through-quagmire-leadership-dr-david-rosenbaum/

[23] https://www.linkedin.com/pulse/cautionary-tales-organisational-culture-change-howard-ng/

[24] https://probonoaustralia.com.au/news/2018/07/honesty-double-edged-sword/

[25] https://www.linkedin.com/pulse/fitting-vs-belonging-david-mead/

[26] https://www.mckinsey.com/business-functions/organization/our-insights/the-organization-blog/culture-4-keys-to-why-it-matters

performance generally' to the list of usual responsibilities of the board, will make little or no progress towards increasing board accountability for any poor conduct and culture, and associated loss of trust in the business. Given espoused values do not represent an entity's culture.

3.1.1.17. The addition of *'ensuring that the entity's remuneration framework is aligned with the entity's purpose, values, strategic objectives and risk appetite'* to the list of usual responsibilities of the board, lacks any reference to alignment with the views and interests of a broader range of stakeholders[27] in relation to remuneration frameworks. Namely employees, customers and Australian society, whose views contribute to overall trust in a business.

3.1.1.18. The addition of *'to clarify that the information provided to the board by the senior executive team should not be limited to information about the financial performance of the entity, but also its compliance with material legal and regulatory requirements and any material misconduct that is inconsistent with the values or code of conduct of the entity'* to the list of usual responsibilities of the board, lacks any reference to culture. Given espoused values and code of conduct do not represent culture.

Without provision of information on the current culture of the entity, the board will not have any insights into to how culture is impacting - positively or negatively – financial and other performance of the entity in general.

This addition does not acknowledge the strong causal relationship between culture (cause) and misconduct, unethical and unlawful behaviour (effects), i.e. information provided to the board will lack insights into why these behaviours occurred, and what cultural change actions management should be taking in response.[28]

The Financial Stability Board (FSB), which monitors and assesses vulnerabilities affecting the global financial system, recently conducted a review of misconduct in the financial services industry. Assessing the three main approaches to prevention of misconduct, they concluded that mere rules-based approaches, even accompanied by deterrence, have limited effectiveness if applied in isolation of behavioural and cultural approaches that address root causes.[29]

The major finding of the Thomson Reuters forum on culture and behavioural science in the banking industry held in April, was more progress is needed in banks applying behavioural science to better understand the internal workings of their cultures.[30]

Accordingly, this addition will make little or no progress towards increasing board accountability for any poor conduct and culture, and associated loss of trust in the business.

3.1.1.19. The character of an entity, its culture, is most powerfully revealed by its care, or lack thereof, of its own employees.

"It is perhaps in consideration of Workplace health and safety (WHS) practices as a cornerstone of corporate social responsibility (CSR), that the full costs of WHS failure can be most appreciated. At a strategic level, WHS outcomes can be considered a "determinant of firm status, specifically corporate image and identity". In this sense, the case for investing in better WHS outcomes may represent strategic value to the business, rather than simply an avenue for immediate economic value. Poor WHS practices are widely considered as a driver of competitive disadvantage, reduced status in the eyes of stakeholders, and potential profit and reputational losses." [31]

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[27] https://www.gsb.stanford.edu/insights/its-time-value-stakeholders-over-shareholders
[28] https://www.linkedin.com/pulse/culture-why-way-we-do-things-around-here-karen-walker/
[29] http://www.fsb.org/wp-content/uploads/WGGF-Phase-1-report-and-recommendations-for-Phase-2.pdf
[30] https://www.reuters.com/article/bc-finreg-bank-culture-forum-behavioral/bank-culture-forum-behavioral-science-gains-role-as-banks-address-culture-conduct-idUSKBN1HU1PW
[31] https://www.safeworkaustralia.gov.au/system/files/documents/1702/workplace-health-safety-business-productivity-sustainability.pdf

3.1.1.20. Any listed entities seeking certification with the following standard recently adopted in Australia, *THE INTERNATIONAL STANDARD ISO 45001:2018, OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS – REQUIREMENTS WITH GUIDANCE FOR USE,*[32] will need to develop, implement, monitor, and evaluate detailed psychosocial hazard risk management plans. Taking into account how work is organised, social factors, leadership and the culture of the organisation.

Work-related psychosocial hazards (job content and job context) listed under Section 6:

6.1.2. Hazard identification and assessment of risks and opportunities

6.1.2.1. Hazard identification

The organization shall establish, implement and maintain a process(es) that is ongoing and proactive.

The process(es) shall take into account, but not be limited to:

a) How work is organized, social factors (including workload, work hours, victimization, harassment and bullying), leadership, and the culture of the organization.

3.1.1.21. Psychosocial risks associated with how work is organised, social factors, leadership and the culture of the organisation, have a symbiotic relationship with risks associated with unlawful, unethical and socially irresponsible actions.

"Everyone is stressed, overworked, lacks training and is being pushed into conflicting, unethical behaviour."[33]

3.1.1.22. Accordingly, recognising that workplace health and safety practices are core to acting in a socially responsible manner, the accountability of roles of boards and management should be aligned to ISO 45001:2018. Requiring information on risks associated with how work is organised, social factors, leadership and culture, would recognise their importance as acknowledged by international and Australian standards for occupational health and safety management systems.

Suggested changes and additions for greater guidance

3.1.1.23. **Changing** the misleading recommendation that espoused core values and code of conduct underpin a desired culture within the entity:

approving the entity's statement of core values and code of conduct to underpin the desired culture within the entity

3.1.1.24. **To add** to the list of usual responsibilities of the board, for greater guidance on responsibilities that have a material effect on conduct, culture, and trust in the business:

approving the entity's skills development approach to its culture

3.1.1.25. **Changing** the following recommendation for greater guidance in board accountability for oversight of management activities associated with culture:

overseeing management in its implementation of the entity's business model, achievement of the entity's strategic objectives, instilling of the entity's values **supervision of how work is organised, social factors and the entity's culture,** and performance generally

3.1.1.26. **To add** to the list of usual responsibilities of the board, for greater guidance in the interdependent and causal relationships culture has in the success or otherwise, of the implementation of an entity's business model, achievement of strategic objectives and performance generally.

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[32] https://www.standards.org.au/news/process-for-the-adoption-of-iso-45001-commences-in-australia
[33] http://www.hrmonline.com.au/section/featured/toxic-workplace-culture-blame/

overseeing management in its implementation of change (a) achieves enrichment not deterioration of the entity's culture, (b) change is achievable with the entity's current culture, and (c) as informed by insights into the entity's culture and subcultures.

3.1.1.27. **Changing** the following recommendation for greater guidance in the broad range of stakeholders with in interest in remuneration frameworks from a social licence perspective, namely employees, customers and Australian communities, whose views contribute to overall trust in the business.

ensuring that the entity's remuneration framework is aligned with the entity's purpose, values, strategic objectives, risk appetite **and reasonable expectations of its employees, its customers, and Australian society.**

3.1.1.28. **Changing** the following commentary accompanying amendments to **recommendation 1.1,** for greater guidance given values and a code of conduct do not represent culture of an entity, that acknowledges the causal relationship between culture (cause) and misconduct, unethical and unlawful behaviour (effects), and the interdependent relationship between culture and the financial performance the of the entity.

to clarify that the information provided to the board by the senior executive team should not be limited to information about the financial performance of the entity, **it should also include the status of the culture of the entity,** its compliance with material legal and regulatory requirements and any material misconduct that is inconsistent with the values or code of conduct of the entity;

3.1.1.29.

3.2 Changes to principle 3

- substantial changes to principle 3 and the supporting recommendations and commentary to address matters to do with values, culture and social licence to operate, including:

- changing principle 3 from "[a] listed entity should act ethically and responsibly" to "[a] listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and in a socially responsible manner";

- amending the commentary to principle 3 to acknowledge that a listed entity's social licence to operate is one of its most valuable assets and that it can be lost or seriously damaged if the entity or its officers or employees are perceived to have acted unlawfully, unethically or in a socially irresponsible manner;

3.2.1 Comments on changes to principle 3

I do not agree with the proposed changes to principle 3, as it includes a scientifically incorrect statement and gaps where more guidance is needed. That also acknowledge the skills requirement context for an organisation and its culture.

Note: Some of the following comments have already been provided in comments on recommendation 1.1.

3.2.1.1. A definition of culture and what influences it, is the same for any group settings for humans – society, community, family and in our working lives. It is the basis of the long term success of human beings, the only species to cooperate[34] to the degree that we do, eclipsing any artificial business management constructs of what constitutes culture.[35]

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[34] https://blogs.scientificamerican.com/anthropology-in-practice/why-is-cooperation-so-difficult-in-the-workplace/
[35] https://greatergood.berkeley.edu/article/item/why_are_we_so_wired_to_connect

> "Culture is manifested in the social fabric that governs our interactions with each other; it is bound in the roles that we occupy and how we interact with each other. Actions, behaviours, and relationships are governed by *communitas* - the connections we have with each other.[36]"

> "Organizations are communities of human beings, not collections of human resources," Henry Mintzberg.[37]

3.2.1.2. Research in the scientific fields of psychology, neuroscience, behavioural science and anthropology, and research into causes of misconduct, unlawful and unethical behaviour, conclude that an entity's espoused purpose, core values and code of conduct have little influence on the actions, decisions and behaviour of people within organisations.[38]

3.2.1.3. Scientific research has shown that what influences the performance of groups and therefore culture in organisations, is diversity[39] and also group and relationship social skills. Individuals with these skills, especially leaders and managers of teams and people, shape a culture[40] that - according to research[41] - results in innovative, productive, effective, healthy, motivated, engaged, ethical, lawful, humane and financially successful organisations.

3.2.1.4. "Cultures are created by a specific set of skills ... which tap into the power of our social brains to create interactions of group culture ... one of the most powerful forces on the planet. We sense its presence inside successful businesses, championship teams, and thriving families."[42]

> "Skill 1- Build Safety - explores how signals of connection generate bonds of belonging and identity. Daniel Coyle's research and that of others, suggest this requires skills in effective listening; expressing gratitude; embracing the messenger (also not shooting them); demonstrating humility; creating spaces and times for people to develop social connections and relationships, not just work task focused interactions; facilitating two-way, learning focused negative feedback conversations; eliminating bad apples and not hiring them in the first place; and embracing fun - a fundamental sign of safety and connection".[43]

> The importance of psychological safety is supported by decades of research, with a demonstrated correlation to why people do not report observed misconduct, unlawful and unethical actions. Harvard Professor Amy Edmondson, "who coined the term psychological safety, argues that if uncertainty and interdependence exist in a given work environment (arguably the majority of modern workplaces), teams require psychological safety to function."[44]

> "Psychological safety in organisations means a culture where all employees can speak up confidently, contribute new ideas and questions and admit fallibility without fear of retribution or humiliation from colleagues. Cultivating trust and sustaining psychologically safe teams is becoming a key competitive advantage not just for organisations which have a higher risk of physical or mental injury, but also for those at risk of potential misconduct or risk to reputation."[45]

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[36] https://blogs.scientificamerican.com/anthropology-in-practice/what-do-companies-mean-by-culture1/
[37] http://www.mintzberg.org/sites/default/files/article/download/developing_naturally_from_management_to_organization_to_society_to_selves_pdf_march_2012.pdf
https://hbr.org/2009/07/rebuilding-companies-as-communities
[38] https://www.linkedin.com/pulse/its-best-worst-times-corporate-culture-australia-karen-walker/ contains links to references
[39] https://hbr.org/2016/11/why-diverse-teams-are-smarter
[40] https://www.linkedin.com/pulse/group-social-relationship-skills-fuel-healthy-corporate-karen-walker/ contains links to references
[41] https://www.mckinsey.com/business-functions/organization/our-insights/the-organization-blog/culture-4-keys-to-why-it-matters
[42] http://danielcoyle.com/the-culture-code/
[43] http://danielcoyle.com/the-culture-code/
[44] https://www.weforum.org/agenda/2016/04/team-psychological-danger-work-performance/
[45] http://blog.deloitte.com.au/safe-speak-up-building-culture-psychological-safety/

A sense of belonging is a basic human need, and its absence for people in any part of their lives causes significant harm. The global epidemic of loneliness[46] recently prompted the UK government to establish a Minister of Loneliness, and last year the former US Surgeon General Vivek Murthy asserted that loneliness was a growing health epidemic related to loss of life.

"Skill 2- Share Vulnerability- explains how habits of mutual risk drive trusting cooperation. Coyle and others refer to skills in leaders often asking for help and admitting mistakes; consistently repeating expectations in ways that foster cooperation and helping behaviours; communicating negative news in person; effectively facilitating critical moments of group dynamics; questioning that builds trust to say more and share truths; generating candour whilst avoiding brutal honesty; handling the emotions of unpleasant truths; use of action oriented language; performance reviews separated from professional development conversations; flash mentoring / shadowing; creating opportunities for teams to take charge."

"Skill 3 - Establish Purpose - tells how narratives create shared goals and values. Coyle shares case studies and research about the importance of skills in naming and ranking a few priorities; repetitive communication and testing of priorities; managing proficiency and creativity; using language nudges / catchphrases and artefacts that represent purpose, also translating abstract concepts of mission and vision into small, daily meaningful actions; measuring and celebrating important outcomes ahead of productivity type metrics.

The three skills work together from the bottom up, first building group connection and then channelling it into action."[47]

3.2.1.5. One study showed that 93% of all managers agree they need more training at getting better using soft skills. The same study adds that only 47% are actually getting that training.[48]

3.2.1.6. "I don't know why we call them "soft skills".

They're certainly not easy to learn, although they are as valuable and necessary as the skills doctors use in surgery, bankers use to assess risk and physicists use to split atoms.

Communication, observation, empathy and logical thinking: these precious and frequently undervalued skills have everyday names.

I prefer to call them "essential skills," because we all need them every day, though we don't always use them well.

They are the foundational skills that allow us to learn and live and work productively with other people. They are the skills that determine our chances of succeeding. They are the skills of leadership."[49]

3.2.1.7. Results of other research showed 68% of CEOs acknowledged that, in hindsight, they weren't fully prepared to take on the CEO role. Whilst ready for the strategic and business aspects of their roles, they were less so for personal and interpersonal components of leadership, which are just as critical to success. 50% of CEOs found driving culture change difficult and 47% found developing senior leadership teams challenging.[50]

3.2.1.8. While the demand for technological skills has been growing since 2002, it will gather pace in the 2016 to 2030 period. The increase in the need for social and emotional skills will similarly accelerate.[51]

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[46] https://www.forbes.com/sites/nicolefisher/2018/06/15/suicide-isnt-a-u-s-problem-its-a-global-health-epidemic/#3375f8172f7b

[47] http://danielcoyle.com/the-culture-code/

[48] https://www.inc.com/melissa-lamson/top-learning-development-trends-for-2018.html

[49] https://www.weforum.org/agenda/2018/06/how-a-humanities-degree-will-serve-you-in-a-disruptive-economy

[50] https://hbr.org/2018/07/survey-68-of-ceos-admit-they-werent-prepared-for-the-job

[51] https://www.mckinsey.com/featured-insights/future-of-organizations-and-work/skill-shift-automation-and-the-future-

3.2.1.9. "Leaders are executive leadership as well as those managers who are leading or directing groups, teams, divisions, departments and the like. The reason for this wider coverage, is that I see leadership as being entirely based on people interactions, with people being the reason why organisations either become sustainable or fail to meet their objectives. Harnessing the power of people across an organisation, is the paramount issue for me, and this has been evidence both from personal practice as well as from research.

Leaders must have a depth of understanding of human behaviour and how this applies to the unique aspects of people within their own organisations. This demands an ability to interact with their people, understanding what motivates them, understanding how to support them, and understanding their aspirations and where the organisation may fit into this overall picture."[52]

3.2.1.10. Culture is self-reinforcing, whether it helps or hurts an entity, hence both positive and negative cultures are both self-perpetuating and difficult to change. Successful workplace cultural change requires taking a relationship-based and human sciences approach to work.[53]

3.2.1.11. Industry 4.0 is about mature economies transitioning from knowledge economies to human economies, with increasingly intelligence machines and technologies successful companies will focus on what humans can uniquely do.

"Heart, creativity, passion, character, and collaborative spirit - their humanity, in other words. The ability to leverage these strengths will be the source of one organisation's superiority over another."[54]

3.2.1.12. About the use of the word '*reinforce*', research has highlighted the counterproductive effects - mistrust, concealment and erosion of cooperation - stringent systems of oversight, control, discipline and deterrents cause when used to reinforce culture. [55]

instilling and continually reinforcing a desired culture sounds like something regimes do.

Mandates do not achieve positive changes in culture, what does is identifying areas where progress is already happening, widely spotlighting these as positive examples, and finding ways to duplicate them across the organisation[56]. People tend to do what they see their peers doing successfully.[57]

3.2.1.13. Changing culture is less about '*reinforcing'*, and more about 'building on' and 'maintaining' capability in social skills that acknowledge - rather than ignore - basic human needs and motivations. These are the same, no matter what industry or organisation we're working in, no matter what strategies we're implementing.

3.2.1.14. These essential social skills cannot be developed through training, proficiency is achieved through learning.

"Training gives information or knowledge in a manner that instructs the trainee whereas learning is the re-creation of self in terms of our capacity to apply new knowledge, skills and behaviours in a variety of contexts. We learn through repetition and recognition, "when neurons fire together, they wire together" yet we continue to deliver one-off training events and expect a different result. Experiential learning works best. Use current business and/or role challenges and provide as many opportunities to practice in a safe learning environment as possible."[58]

The consistent application of a coaching is key to a skills development approach to culture.

of-the-workforce
[52] https://www.linkedin.com/pulse/working-your-way-through-quagmire-leadership-dr-david-rosenbaum/
[53] https://www.linkedin.com/pulse/cautionary-tales-organisational-culture-change-howard-ng/
[54] https://hbr.org/2014/11/from-the-knowledge-economy-to-the-human-economy
[55] http://www.fsb.org/wp-content/uploads/WGGF-Phase-1-report-and-recommendations-for-Phase-2.pdf
[56] http://time.com/5224618/bill-gates-hans-rosling-factfulness/
[57] https://www.strategy-business.com/blog/Make-Your-Companys-Culture-Go-Viral?gko=4f7e7
[58] https://www.linkedin.com/pulse/training-learning-why-its-important-know-difference-nicole-barrett/

"Structures don't create culture any more than inspiring posters hung on the wall do. Culture is something we generate, not so much by what we do, but by how we be with each other while we are doing it. We create our culture. Together. Every day. This is true whether we are talking about an organization, a community, a family, or a nation."[59]

3.2.1.15. The statement *"a culture across the organisation of acting lawfully, ethically and in a socially responsible manner"*, does not reflect that acting lawfully, ethically and in a socially responsible manner are some of many possible results of a healthy core culture, not a definition of the culture itself i.e. the environment and signals that result in these behaviours.

This statement does not provide any guidance to entities in understanding the difference between a core culture and sub-cultures in organisations.

This statement does not reflect research that diversity, a strong social fabric and social relationships skills, especially for leaders and managers of teams and people, shape a healthy core culture[60] that results in innovative, productive, effective, healthy, motivated, inclusive, engaged, ethical, lawful, humane and financially successful organisations. Just as a strong social fabric in communities achieve the same outcomes.

3.2.1.16. Currently entities have a number of variations of definitions from Australian regulatory, professional and industry organisations of what culture is, and definitions of desirable core cultures and sub-cultures, including guidance on how to manage culture. With the majority conflicting with human sciences' definition of and approaches to culture, an issue already identified in global research.[61]

a culture of acting lawfully, ethically and in a socially responsible manner"; "risk", "ethical" and 'socially responsible" cultures, adds to the already confusing language for boards, executives and managers to navigate. One already littered with 'innovation cultures', 'digital cultures', 'safety cultures', 'customer-centric cultures' and 'learning cultures'.

Ignoring that a desirable core culture where teams have trust based, open, supportive and cooperative relationships, achieves numerous positive outcomes.[62]

"In organizations with a culture of transparency, people are more inclined to seek to understand the underlying rationale for decisions. This has a positive effect on ethical decision-making because values are exposed when they are openly discussed rather than inferred from town hall meetings or company documentation."[63]

This lack of conformity in definitions and approaches to core culture and subcultures, is a significant barrier to positively influencing entities to better reflect community expectations. It is also a barrier to all stakeholders – boards, employees, customers, shareholders, regulators and the Australian community – holding entities accountable for their workplace core culture and subcultures.

3.2.1.10. *a listed entity's social licence to operate is one of its most valuable assets and that it can be lost or seriously damaged if the entity or its officers or employees are perceived to have acted unlawfully, unethically or in a socially irresponsible manner,* does not reflect that an entity or its officers or employees may act unlawfully, unethically or in a socially irresponsible manner, to protect their social licence to operate i.e. take actions to hide and/or coverup actions if made public, would result in a loss of trust.

The recent Royal Commission into Responses to Child Sexual Abuse in Institutions[64], and the global

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[59] https://www.coactive.com/blog/coaching-training/creating-a-coaching-culture/

[60] https://www.mckinsey.com/business-functions/organization/our-insights/the-organization-blog/culture-4-keys-to-why-it-matters

[61] https://www.linkedin.com/pulse/its-best-worst-times-corporate-culture-australia-karen-walker/

[62] https://www.mckinsey.com/business-functions/organization/our-insights/the-organization-blog/culture-4-keys-to-why-it-matters

[63] https://sloanreview.mit.edu/article/creating-an-ethically-strong-organization/

[64] https://www.childabuseroyalcommission.gov.au/terms-reference

#MeToo movement[65], have provided numerous examples of where actions taken to protect reputations of individuals, organisations and institutions, were prioritised ahead of every other responsibility – social, legal and ethical.

There are occasions where acting lawfully, ethically and in a socially responsible manner, which includes transparency of any significant misconduct, mistakes, issues and risks that are of material interest to a broad range of stakeholders beyond shareholders, results in damaging a reputation of an entity i.e. doing the 'right thing' can come at a cost to the entity's social licence to operate.

"Most decisions will affect more than one set of stakeholders. Although the needs of all groups can sometimes be met, trade-offs are usually necessary. When employees are not sure how to manage this tension, unethical approaches can develop."[66]

An entity's social licence to operate cannot be managed directly by any entity, given its' reliance on consent from the stakeholders who grant it.[67] However, acting lawfully, ethically and in a socially responsible manner can be managed by an entity, and should be encouraged, even if these actions may damage its social licence to operate. When there are ethical trade-offs involved, clarification on how to balance the needs of different stakeholder groups is required.[68]

Suggested changes and additions for greater guidance

3.2.1.18. **An example of changing** the wording of principle 3 to a scientific and skills based wording, that correctly depicts lawful, ethical and socially responsible actions as being outcomes, not a definition, of culture. Also provides greater guidance for entities in the definition of, and effective fostering of, a positive core culture:

[a] listed entity should ~~instil~~ **develop** and continually ~~reinforce~~ **coach management in skills that create** a **safe, trust based, respectful, inclusive, candid and open core** culture **conveying consistent narratives about priorities** across the organisation, **resulting in** lawful~~ly~~, ethical~~ly~~ and ~~in a~~ socially responsible actions ~~manner~~"

3.2.1.19. **An example of adding to** the commentary to principle 3 to provide more guidance that reflects acting lawfully, ethically and in a socially responsible manner should take precedence over its social licence to operate.

amending the commentary to principle 3 to acknowledge that a listed entity's social licence to operate is one of its most valuable assets and that it can be lost or seriously damaged if the entity or its officers or employees are perceived to have acted unlawfully, unethically or in a socially irresponsible manner; **and**

the entity or its officers or employees acting in a lawful, ethical or socially responsible manner should take precedence over prevention of potential damage to the entity's social licence to operate, in cases where these conflict;

3.3 New recommendation 3.1 and amendments to renumbered recommendation 3.2

– a new **recommendation 3.1** that a listed entity should articulate and disclose its core values;

– amendments to the existing recommendation on codes of conduct (currently recommendation 3.1 in the third edition but to be renumbered as **recommendation 3.2** in the fourth edition):

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[65] https://sloanreview.mit.edu/article/bringing-lessons-from-metoo-to-the-boardroom/
[66] https://sloanreview.mit.edu/article/creating-an-ethically-strong-organization/
[67] https://www.theguardian.com/sustainable-business/2014/sep/29/social-licence-operate-shell-bp-business-leaders
[68] https://sloanreview.mit.edu/article/creating-an-ethically-strong-organization/

- requiring a listed entity to disclose its code of conduct in full and removing its ability to disclose only a summary of the code; and

- requiring the board to be informed of any material breaches of a listed entity's code of conduct by a director or senior executive and of any other material breaches of the code that call into question the culture of the organisation;

and including in the commentary:

- a statement that with appropriate training and reinforcement from senior management, a listed entity's code of conduct can help to instil a culture of acting lawfully, ethically and in a socially responsible manner;

- a statement encouraging a listed entity to disclose in general terms the actions it has taken to enforce its code of conduct (recognising that legal and other constraints may prevent it disclosing specific details of any individual action); and

- a suggestion that a listed entity should review its code of conduct at least once every 3 years to ensure it remains "fit for purpose" and addresses any emerging conduct issues;

3.3.1 Comments on new recommendation 3.1 and amendments to renumbered recommendation 3.2

I do not agree with the new recommendation 3.1, as it includes a scientifically incorrect statements, and gaps where more guidance is needed, for this recommendation to support revised principle 3 regarding culture. That also acknowledge the skills requirement context for an organisation and its culture.

Note: Some of the following comments have already been provided in comments on recommendation 1.1 and comments on changes to principle 3.

3.3.1.1. An entity's core values and a code of conduct are outputs and artefacts produced as part of strategic planning and management, and business policy activities. These business management concepts are artificial constructs comparative to the wealth of scientific knowledge about human beings as a species, and the development of our identity, values and behaviour. Like society, organisations are living, complex human systems.[69]

Humans are born with a largely genetically determined "self", and our environment either encourages or inhibits its expression, therefore habitual behaviours should not be confused with identity, or self-concept. Humans can change behaviours without having to betray their values and principles.[70]

3.3.1.2. A definition of culture and what influences it, is the same for any group settings for humans – society, community, family and in our working lives. It is the basis of the long term success of human beings, the only species to cooperate[71] to the degree that we do, eclipsing any artificial business management artefacts and constructs of what constitutes culture.[72]

"Culture is manifested in the social fabric that governs our interactions with each other; it is bound in the roles that we occupy and how we interact with each other. Actions, behaviours, and relationships are governed by *communitas* - the connections we have with each other.[73]"

"Organizations are communities of human beings, not collections of human resources," Henry Mintzberg.[74]

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[69] http://www.oxfordleadership.com/4-rules-leading-high-performance-teams/

[70] https://probonoaustralia.com.au/news/2018/07/honesty-double-edged-sword/

[71] https://blogs.scientificamerican.com/anthropology-in-practice/why-is-cooperation-so-difficult-in-the-workplace/

[72] https://greatergood.berkeley.edu/article/item/why_are_we_so_wired_to_connect

[73] https://blogs.scientificamerican.com/anthropology-in-practice/what-do-companies-mean-by-culture1/

[74] http://www.mintzberg.org/sites/default/files/article/download/developing_naturally_from_management_to_organization_to_society_to_selves_pdf_march_2012.pdf

3.3.1.3. Research in the scientific fields of psychology, neuroscience, behavioural science and anthropology, and research into causes of misconduct, unlawful and unethical behaviour, conclude that an entity's espoused purpose, core values and code of conduct have little influence on the actions, decisions and behaviour of people within organisations.[75]

3.3.1.4. Scientific research has shown that what influences the performance of groups and therefore culture in organisations, is diversity[76] and also group and relationship social skills. Individuals with these skills, especially leaders and managers of teams and people, shape a culture[77] that - according to research[78] - results in innovative, productive, effective, adaptive, healthy, motivated, engaged, ethical, lawful, humane and financially successful organisations.

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"Skill 1- Build Safety - explores how signals of connection generate bonds of belonging and identity. Daniel Coyle's research and that of others, suggest this requires skills in effective listening; expressing gratitude; embracing the messenger (also not shooting them); demonstrating humility; creating spaces and times for people to develop social connections and relationships, not just work task focused interactions; facilitating two-way, learning focused negative feedback conversations; eliminating bad apples and not hiring them in the first place; and embracing fun - a fundamental sign of safety and connection".[80]

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https://hbr.org/2009/07/rebuilding-companies-as-communities

[75] https://www.linkedin.com/pulse/its-best-worst-times-corporate-culture-australia-karen-walker/ contains links to references

[76] https://hbr.org/2016/11/why-diverse-teams-are-smarter
https://hbr.org/2011/06/defend-your-research-what-makes-a-team-smarter-more-women

[77] https://www.linkedin.com/pulse/group-social-relationship-skills-fuel-healthy-corporate-karen-walker/ contains links to references

[78] https://www.mckinsey.com/business-functions/organization/our-insights/the-organization-blog/culture-4-keys-to-why-it-matters
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[79] http://danielcoyle.com/the-culture-code/

[80] http://danielcoyle.com/the-culture-code/

[81] https://www.weforum.org/agenda/2016/04/team-psychological-danger-work-performance/

[82] http://blog.deloitte.com.au/safe-speak-up-building-culture-psychological-safety/

[83] https://www.forbes.com/sites/nicolefisher/2018/06/15/suicide-isnt-a-u-s-problem-its-a-global-health-epidemic/#3375f8172f7b

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3.3.1.9. While the demand for technological skills has been growing since 2002, it will gather pace in the 2016 to 2030 period. The increase in the need for social and emotional skills will similarly accelerate.[88]

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[84] http://danielcoyle.com/the-culture-code/

[85] https://www.inc.com/melissa-lamson/top-learning-development-trends-for-2018.html

[86] https://www.weforum.org/agenda/2018/06/how-a-humanities-degree-will-serve-you-in-a-disruptive-economy

[87] https://hbr.org/2018/07/survey-68-of-ceos-admit-they-werent-prepared-for-the-job

[88] https://www.mckinsey.com/featured-insights/future-of-organizations-and-work/skill-shift-automation-and-the-future-of-the-workforce

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3.3.1.13. Accordingly, recommendations about an entity's statement of its core values and a full code of conduct as part of setting "the tone from the top", will be ineffectual in achieving changes in culture.

3.2.1.20. Accordingly, the addition of recommendations that *a listed entity should articulate and disclose its core values* and *a listed entity to disclose its code of conduct in full and removing its ability to disclose only a summary of the code*, will make little or no progress towards acting as a buttress to the changes being consulted upon to principle 3 around corporate culture. As social connections and relationships, the workplace environment and group dynamics, underpin the core culture and subcultures in organisations, not espoused core values and a code of conduct.[93]

3.3.1.14. Any breach of a code of conduct that is not an isolated incident i.e. is part of a pattern of behaviour of several employees, is a symptom of a cultural issue. As such it should be treated as material and of interest to the board, supported by information on the impact and scale of the issue.

3.3.1.15. Science tells us that espoused values and codes of conduct do not represent an organisation's culture, and therefore education in and enforcement of, espoused values and codes of conduct aren't influential motivators of human decisions and behaviour within organisations.*[94]*

3.3.1.16. The best training fits into a larger conversation about corporate culture and what sort of workplace the organization aspires to be.[95]

3.3.1.17. The Financial Stability Board (FSB), which monitors and assesses vulnerabilities affecting the global financial system, recently conducted a review of misconduct in the financial services industry. Assessing the three main approaches to prevention of misconduct, they concluded that mere rules-based approaches, even accompanied by deterrence, have limited effectiveness if applied in isolation of behavioural and cultural approaches that address root causes.[96]

Noting the often counterproductive effects of implementing stringent systems of oversight, control, accountability and discipline can cause. Triggering atmospheres of distrust within organisations that erode cooperation. Significant penalties often promoting behaviours of concealment and defiance.

3.3.1.18. Accordingly, the addition of commentary that *appropriate training and reinforcement from senior management, a listed entity's code of conduct can help to instil a culture of acting lawfully, ethically and in a socially responsible manner* is a scientifically incorrect statement, given an espoused code of conduct does not represent an entity's culture. In addition to having limited impact on influencing

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[89] https://www.linkedin.com/pulse/working-your-way-through-quagmire-leadership-dr-david-rosenbaum/

[90] https://www.linkedin.com/pulse/cautionary-tales-organisational-culture-change-howard-ng/

[91] http://time.com/5224618/bill-gates-hans-rosling-factfulness/

[92] https://www.strategy-business.com/blog/Make-Your-Companys-Culture-Go-Viral?gko=4f7e7

[93] https://www.linkedin.com/pulse/its-best-worst-times-corporate-culture-australia-karen-walker/ contains links to references

[94] https://www.linkedin.com/pulse/its-best-worst-times-corporate-culture-australia-karen-walker/ contains links to references

[95] https://work.qz.com/1318210/six-reasons-your-workplaces-sexual-harassment-training-will-fail/

[96] http://www.fsb.org/wp-content/uploads/WGGF-Phase-1-report-and-recommendations-for-Phase-2.pdf

culture.

Suggested changes and additions for greater guidance

3.3.1.19. An example of adding to the wording of new recommendation 3.1

a listed entity should articulate and disclose its core values; **and**

a listed entity should articulate and disclose its skills development approach to culture

3.3.1.20. **An example of changing** the wording of recommendation 3.2 requiring disclosure of a code of conduct in full, and the board to be informed of breaches of an entity's code of conduct, that provides greater guidance on what calls into question the culture of the organisation.

Also **changing wording of commentary about training, and also including it as part of the recommendation**, in recognition of what has a material effect on fostering a core culture that results in lawful, ethical and socially responsible actions:

requiring a listed entity to disclose its code of conduct in full and removing its ability to disclose only a summary of the code; and

requiring the board to be informed of any ~~material~~ breaches of a listed entity's code of conduct by a director or senior executive, **and of any breaches that are part of a pattern of behaviour indicating a cultural issue***, and of any other material breaches of the code that call into question the culture of the organisation; and*

~~a statement that with appropriate training and reinforcement from senior management, a listed entity's code of conduct can help to instil a culture of acting lawfully, ethically and in a socially responsible manner;~~ **requiring the board to be informed of an appropriate approach by senior management, of recognition and duplication across the organisation of employees acting lawfully, ethically and in a socially responsible manner, to effect core culture change;**

3.4 New recommendation 3.3

– a new **recommendation 3.3** that a listed entity should: (a) have and disclose[25] a whistleblower policy[26] that encourages employees to come forward with concerns that the entity is not acting lawfully, ethically or in a socially responsible manner and provides suitable protections if they do; and (b) ensure that the board is informed of any material concerns raised under that policy that call into question the culture of the organisation; and

3.4.1 Comments on new recommendation 3.3

I do not agree with new recommendation 3.3, as there are gaps where more guidance is needed.

3.4.1.1. Any use of a whistleblower policy and processes to report misconduct, unlawful or unethical behaviour represents a failure of the culture. That it isn't safe and/or its futile for employees to openly raise questionable observed behaviours with their management. Or their management are the drivers of and/or participants in, these behaviours. As such all concerns raised under a whistleblower policy should be treated as a material concern and of interest to the board, as it calls into question the culture of the organisation.

3.4.1.2. The report published in May by the Ethics and Compliance Initiative (ECI) [97]as part of their longitudinal study of ethics in US workplaces, identifies increasing rates of pressure to compromise ethical standards and retaliation for reporting wrongdoing – signals within organisations that ethical conduct isn't a priority and it's not safe to talk about misconduct – as key indicators of future unethical behaviour.

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[97] http://www.ethics.org/ecihome/research/gbes

Their study found an interdependency between rates of reported misconduct and rates of retaliation for reporting misconduct, as these had both doubled.

"Managers challenged with higher quotas or growth requirements during economic upcycles may show a willingness to compromise ethical standards, therefore exemplifying the wrongdoing and influencing their subordinates."

"Little progress has been made across the country to implement the most important strategy for mitigating wrongdoing. Misconduct drops substantially when organizations have strong cultures in place, yet the number of organizations with strong cultures has not changed."[98]

3.4.1.3. CEB's report on global trends in misconduct states the majority of employees who report misconduct, do so to their direct manager, and only a small percentage use compliance program contacts or hotlines. Highlighting the importance of managers being trained in how to appropriately respond to any concerns and issues raised, including reports of misconduct, unlawful and unethical behaviour.[99]

3.4.1.4. Relying on feedback through whistleblower processes and anonymous employee surveys, not only underscore the risks of speaking up and reinforces people's fears. It can set off a witch hunt and create difficulties in addressing issues, whilst protecting the identity of the people who raised them.[100]

3.4.1.5. Silence is the accomplice to bullying, abuse, harassment and discrimination in some workplaces. The reasons why victims and bystanders don't speak up are complex, including actions by organisations that encourage secrecy and silence in addition to silencing individuals - primarily to protect the reputation of an accused person and the organisation.[101]

3.4.1.6. Employees remaining silent when they have knowledge of unethical conduct, is dependent "on the nature of the infraction, the setting within which it takes place, the seniority and roles of those involved, and the potential risks of challenging the behaviour." [102]

3.4.1.7. The use of non-disparagement clauses as part of employment contracts, and also in settlement agreements with employees who have alleged they are victims or witnesses of unlawful behaviours, are not only a barrier to whistleblowing. They prevent appropriate action being taken by relevant government bodies which benefit the community. [103]They are also a barrier to the organisation demonstrating its safe and worthwhile speaking up, which more than anything else, encourages others to follow suit.

Non-disparagement clauses also reduce the likelihood of the organisation taking appropriate investigative action.

As such, boards should be informed of any employment contracts and employee settlement agreements with non-disparagement clauses, as these are indicators of a cultural issue.

3.4.1.8. Trauma is the psychological impact of bullying, abuse, harassment and discrimination, and it can foster shame, secrecy and silence, often enacted by the abuser, the victim and bystander - or all three. [104]

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[98] http://www.ethics.org/ecihome/research/gbes

[99] https://www.cebglobal.com/compliance-legal/compliance-ethics/global-misconduct-trends.html?referrerTitle=Search&referrerContentType=systempage&referrerURL=https%3A%2F%2Fwww.cebglobal.com%2Fsearch.html&referrerComponentName=Search%20Results&pageRequestId=b2adc4cb-385c-4b74-8d9c-b401d82aefca&totalCount=5&currentIndex=1&searchString=global%20trends%20in%20misconduct&screenContentId=200964437

[100] https://hbr.org/2016/01/can-your-employees-really-speak-freely

[101] https://www.thriveglobal.com/stories/23862-workplace-silence-breakers-why-aren-t-there-more

[102] https://sloanreview.mit.edu/article/creating-an-ethically-strong-organization/

[103] https://www.njemploymentlawfirmblog.com/backlash-non-disparagement-clauses/

[104] http://www.wbur.org/cognoscenti/2018/01/22/backlash-to-metoo-helen-epstein

Victim blaming (rationalisation of the behaviour), gaslighting (undermining the credibility of victims) and diffusion of responsibility phenomenon (the larger the number of witnesses, the more likely people rely on someone else taking action), are challenges to these insidious and harmful behaviours being reported in the first instance. Then being handled appropriately when they are.[105]

Suggested changes and additions for greater guidance

3.4.1.9. **An example of changing** the wording of new recommendation 3.3, that recognises the use of a whistleblower policy represents a failure of the culture of the organisation:

a new **recommendation 3.3** that a listed entity should: (a) have and disclose a whistleblower policy that encourages employees to come forward with concerns that the entity is not acting lawfully, ethically or in a socially responsible manner and provides suitable protections if they do; and (b) ensure that the board is informed of ~~any~~ all material concerns raised under that policy ~~that~~, **as these** call into question the culture of the organisation; and

3.4.1.10. **An example of adding** to the wording of new recommendation 3.3, for greater guidance on responsibilities that will have a more positive and significant effect on encouraging employees to come forward than a whistleblowing policy:

(c) have and disclose a skills development approach to management encouraging and appropriately responding to accounts of unlawful, unethical or socially irresponsible actions.

3.5 Change to principle 4

- a change to **principle 4** from "safeguard integrity in corporate reporting" to "produce corporate reports of high quality and integrity" and an addition to the commentary acknowledging that for investors to make informed investment decisions, a listed entity needs to provide corporate reports of high quality and integrity and those reports should give the reader a reasonable understanding of the entity's business model, strategy, risks and opportunities, remuneration policies and practices and governance framework, as well as its financial performance;

3.5.1 Comments on change to principle 4

I agree with the proposed changes to principle 4, but I do not agree to addition to the commentary, as there are gaps where more guidance is needed.

3.5.1.1. The addition to the commentary does not reference culture, and the central role it plays in the success or otherwise, of the implementation of an entity's business model, achievement of strategic objectives and performance generally.

"Culture starts with what people do and how they do it. In any industry, what people do may not differ dramatically, but high-performing organizations distinguish themselves in how they do it. Culture also encompasses why people do what they do."[106]

3.5.1.2. The character of an entity, its culture, is most powerfully revealed by its care, or lack thereof, of its own employees.

"It is perhaps in consideration of Workplace health and safety (WHS) practices as a cornerstone of corporate social responsibility (CSR), that the full costs of WHS failure can be most appreciated. At a strategic level, WHS outcomes can be considered a "determinant of firm status, specifically corporate image and identity". In this sense, the case for investing in better WHS outcomes may represent strategic value to the business, rather than simply an avenue for immediate economic value. Poor

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[105] https://www.thriveglobal.com/stories/23862-workplace-silence-breakers-why-aren-t-there-more
[106] https://www.mckinsey.com/business-functions/organization/our-insights/the-organization-blog/culture-4-keys-to-why-it-matters

WHS practices are widely considered as a driver of competitive disadvantage, reduced status in the eyes of stakeholders, and potential profit and reputational losses." [107]

3.5.1.3. Any listed entities seeking certification with the following standard recently adopted in Australia, *THE INTERNATIONAL STANDARD ISO 45001:2018, OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS – REQUIREMENTS WITH GUIDANCE FOR USE,[108]* will need to develop, implement, monitor, and evaluate detailed psychosocial hazard risk management plans. Taking into account how work is organised, social factors, leadership and the culture of the organisation.

Work-related psychosocial hazards (job content and job context) listed under Section 6:

6.1.2. Hazard identification and assessment of risks and opportunities

6.1.2.1. Hazard identification

The organization shall establish, implement and maintain a process(es) that is ongoing and proactive.

The process(es) shall take into account, but not be limited to:

a) How work is organized, social factors (including workload, work hours, victimization, harassment and bullying), leadership, and the culture of the organization.

Psychosocial risks associated with how work is organised, social factors, leadership and the culture of the organisation, have a symbiotic relationship with risks associated with unlawful, unethical and socially irresponsible actions.

3.5.1.4. Accordingly, recognising that workplace health and safety practices are core to acting in a socially responsible manner, information provided to investors should be aligned to ISO 45001:2018. Requiring information on risks associated with how work is organised, social factors, leadership and culture, would recognise their importance as acknowledged by international and Australian standards for occupational health and safety management systems.

Suggested additions to the commentary for greater guidance

3.5.1.5. **An example of adding** to the additional commentary supporting changes to principle 4, for greater guidance for investors to make informed investment decisions:

a change to **principle 4** from "safeguard integrity in corporate reporting" to "produce corporate reports of high quality and integrity" and an addition to the commentary acknowledging that for investors to make informed investment decisions, a listed entity needs to provide corporate reports of high quality and integrity and those reports should give the reader a reasonable understanding of the entity's business model, strategy, risks and opportunities, remuneration policies and practices and governance framework, as well as its financial performance **and risks associated with how work is organised, social factors, leadership and culture**;

3.6 Amendment to commentary to principle 7

- an amendment to the commentary to **principle 7** (recognise and manage risk) stating that a sound risk management framework is based on an informed understanding of the key drivers of an entity's long term success and a thorough assessment of the material risks inherent in its business model and strategy and that it should address financial and non-financial risks, as well as risks with a short, medium or longer term horizon;

  3.6.1 Comments on amendment to commentary to principle 7

I do not agree to addition to the commentary to principle 7, as there is a gap where more guidance is needed.
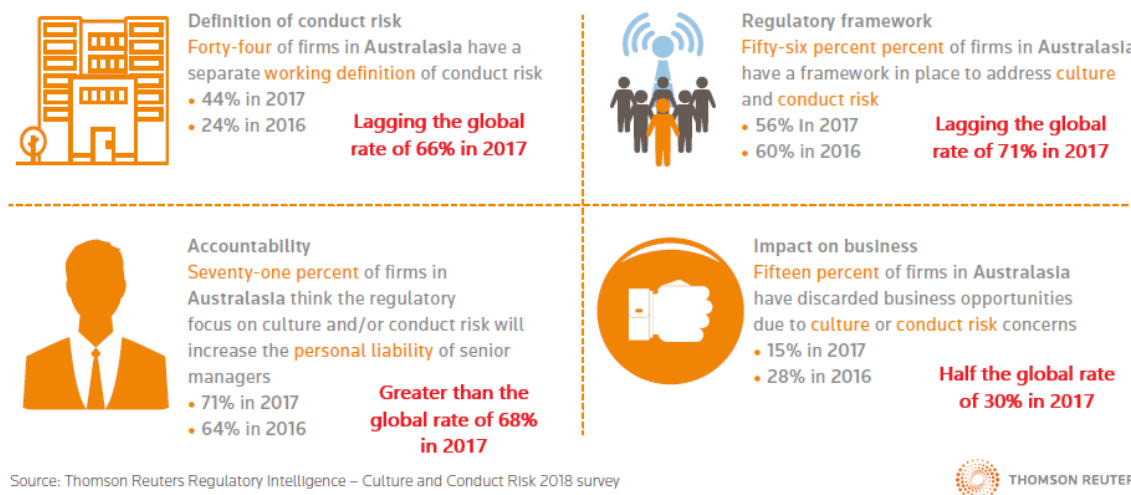
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[107] https://www.safeworkaustralia.gov.au/system/files/documents/1702/workplace-health-safety-business-productivity-sustainability.pdf
[108] https://www.standards.org.au/news/process-for-the-adoption-of-iso-45001-commences-in-australia

3.6.1.1. CEB Gartner's 2016 – 17 Global Trends in Misconduct research suggests nearly 1 in 5 (19.3%) of employees in Australia have observed misconduct, only lower than misconduct observation rates in Pakistan (25.6%) and Costa Rica (21.9%).[109]

3.6.1.2. The latest Thomson Reuters report on Culture and Conduct Risk 2018: Benchmarking 5 years of Implementation, indicates that only half of companies in Australasia have approaches linking culture with conduct risk. Although the majority of Australasian companies believe personal liability of managers for culture and conduct risk will increase, very few discard business opportunities due to these risks. [110]

Figure 11: Spotlight analysis: Firms in Australasia

Definition of conduct risk
Forty-four of firms in Australasia have a separate working definition of conduct risk
• 44% in 2017
• 24% in 2016
Lagging the global rate of 66% in 2017

Regulatory framework
Fifty-six percent percent of firms in Australasia have a framework in place to address culture and conduct risk
• 56% in 2017
• 60% in 2016
Lagging the global rate of 71% in 2017

Accountability
Seventy-one percent of firms in Australasia think the regulatory focus on culture and/or conduct risk will increase the personal liability of senior managers
• 71% in 2017
• 64% in 2016
Greater than the global rate of 68% in 2017

Impact on business
Fifteen percent of firms in Australasia have discarded business opportunities due to culture or conduct risk concerns
• 15% in 2017
• 28% in 2016
Half the global rate of 30% in 2017

Source: Thomson Reuters Regulatory Intelligence – Culture and Conduct Risk 2018 survey

THOMSON REUTERS

3.6.1.3. The addition to the commentary does not reference culture, and the central role it plays in the success or otherwise, of the implementation of an entity's business model, achievement of strategic objectives and performance generally.

"Culture starts with what people do and how they do it. In any industry, what people do may not differ dramatically, but high-performing organizations distinguish themselves in how they do it. Culture also encompasses why people do what they do."[111]

Suggested addition to the commentary for greater guidance

3.6.1.4. **An example of adding** to the amendments to commentary supporting principle 7, for greater guidance regarding an entity's culture being one of the key drivers of its long term success:

• an amendment to the commentary to **principle 7** (recognise and manage risk) stating that a sound risk management framework is based on an informed understanding of the key drivers of an entity's long term success and a thorough assessment of the material risks inherent in its business model**, culture** and strategy and that it should address financial and non-financial risks, as well as risks with a short, medium or longer term horizon;

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[109] https://www.cebglobal.com/compliance-legal/compliance-ethics/global-misconduct-trends.html?referrerTitle=Search&referrerContentType=systempage&referrerURL=https%3A%2F%2Fwww.cebglobal.com%2Fsearch.html&referrerComponentName=Search%20Results&pageRequestId=359b609d-0ec7-4693-9f35-498c305f1e33&totalCount=22&currentIndex=2&searchString=misconduct&screenContentId=200964437

[110] https://risk.thomsonreuters.com/en/resources/special-report/culture-and-conduct-risk-2018.html

[111] https://www.mckinsey.com/business-functions/organization/our-insights/the-organization-blog/culture-4-keys-to-why-it-matters

3.7 Addition to footnote to the commentary to recommendation 7.3

- the addition of a footnote to the commentary to **recommendation 7.3** (internal audit) that listed entities that have or wish to have an internal audit function may find the International Standards for the Professional Practice of Internal Auditing published by the International Internal Audit Standards Board helpful in determining how best to structure and staff that function;

3.7.1 Comments on the addition to footnote to the commentary to recommendation 7.3

I do not agree to addition to the commentary to principle 7, as there is a gap where more guidance is needed.

3.7.1.1. There's a powerful paradox for organisations where people don't feel safe to raise risks and issues, have low trust in speaking the truth to management and others, or have been party to putting the organisation's interests ahead of its' obligations, employees, customers, shareholders and other stakeholders. And it's that traditional audit and risk approaches to gathering real insights about its' culture will likely be defeated by that culture.

3.7.1.2. The major finding of the Thomson Reuters forum on culture and behavioural science in the banking industry held in April, was more progress is needed in banks applying behavioural science to better understand the internal workings of their cultures.[112]

3.7.1.3. Assessments of corporate cultures require expertise and approaches based on the sciences of psychology and human behaviour, that are substantially different from other types of internal audits.

Suggested addition to the footnote for greater guidance

3.7.1.4. **An example of adding** to the footnote to commentary supporting recommendation 7.3, for greater guidance regarding an entity's culture requiring human sciences based approach:

the addition of a footnote to the commentary to **recommendation 7.3** (internal audit) that listed entities that have or wish to have an internal audit function may find the International Standards for the Professional Practice of Internal Auditing published by the International Internal Audit Standards Board helpful in determining how best to structure and staff that function; **however, assessments of the culture and sub-cultures of entities require human sciences based approaches.**

3.8 Changes to the glossary

- changes to the **glossary** to:
  add new definitions of "environmental risk" and "social risk" to tie in with the changes to recommendation 7.4 mentioned above; and

3.8.1 Comments on changes to the glossary

I believe there are gaps in definitions in the glossary, where more guidance is needed.

Suggested additions for greater guidance

- **add new definitions of "culture", "core culture" and "sub-culture" to provide guidance to entities associated with new and changed principles and recommendations associated with culture.**

- **add new definitions of "culture risk" and "conduct risk" to tie in with managing risks associated with culture and conduct.**

- **add new definition of "social licence to operate" to tie in with new and changed principles and**

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[112] https://www.reuters.com/article/bc-finreg-bank-culture-forum-behavioral/bank-culture-forum-behavioral-science-gains-role-as-banks-address-culture-conduct-idUSKBN1HU1PW

recommendations associated with social responsibility.

3.9 Comments on changes to the membership of the ASX Corporate Governance Council

With new and changed principles and recommendations associated with culture, whistleblower policies and social licence to operate, the membership of the ASX Corporate Governance Council should represent the views and interests of a broader range of stakeholders.[113]

Namely:

o employees,

o customers and consumers,

o Australian communities, and

o Industry associations with expertise in human sciences and industrial psychology, organisational culture, and occupational health and safety.

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[113] https://www.gsb.stanford.edu/insights/its-time-value-stakeholders-over-shareholders

https://www.thriveglobal.com/stories/23862-workplace-silence-breakers-why-aren-t-there-more

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COMMUNITY

Workplace 'Silence Breakers', why aren't there more?

Silence is the accomplice to bullying, abuse, harassment and discrimination in workplaces. Why there aren't more Silence Breakers and why we need them.
by

- Karen Walker, Leadership | Innovation | Organisational Change | Strategy Execution

Silenced Employees https://www.njemploymentlawfirmblog.com/files/2016/06/Employees-Silenced-by-Non-Disparagement-Agreement.jpg

Recent revelations of widespread sexual abuse and harassment ignited the global #MeToo and #TimesUp movements, just as exposés of historical child sexual abuse in institutions have triggered numerous national investigations, the media regularly shines a light on stories of discrimination, bullying and abuse at the hands of powerful and influential figures within organisations and institutions.

Equally as shocking as the accounts of victims' experiences, is how many people beyond the perpetrators and their victims had knowledge of these crimes and malignant behaviours, but remained silent, sometimes for decades. Victims themselves also being silenced one way or another, Time Magazine used **'The Silence Breakers'** to describe those who helped create

"an umbrella of solidarity for millions of people to come forward with their stories" of sexual abuse, when naming them Person of the Year.

In addition to 'silencing' of individuals and organisations the other common denominator is these crimes and abuse occurred in workplace settings, enabled through the perpetrators' role in their organisation.

Accounts of workplace cultures of silence

The Report of Abuse in Defence published in 2014 as a result of the **Australian Defence Force (ADF) Taskforce** assessment and response to historic individual cases of workplace abuse and harassment in Defence over a period of many decades, highlighted the central role of silence.

"In many cases, complainants reported that this pervasive 'culture of silence' was reinforced by the fact that staff or other superiors were aware of some or all of the abuse, and either did nothing to prevent it, and in some instances actively encouraged it. Reinforcing an accepted code of silence ... implicitly approved by the hierarchy."

In 2017 as part of the ADF's cultural reform work it launched a powerful video **Silence is the Accomplice**, raising awareness of the impacts of Family and Domestic Violence on individuals, their families and the Army as an organisation.

One of the primary goals of Australia's recent **Royal Commission into Institutional Responses to Child Sexual Abuse** was to make recommendations to "remove current impediments that include addressing historical failures in reporting, investigating and responding to allegations, and incidents of systemic failures by institutions."

The Commission's report talked to the role of secrecy and silence,

"school cultures that permitted child sexual abuse and silenced victims; priests misusing the practice of religious confession to facilitate child sexual abuse or to silence victims; and leaders' efforts to silence survivors and to condemn those who would not be silent."

Described as remarkable of organisations dedicated to care for children "was the failure of the leaders of institutions to respond with compassion to the survivor." Although victims and their families spoke of "a childhood lost, innocence stolen, and a life journey irreparably and adversely changed" sometimes tragically resulting in the death of victims,

"some leaders felt their primary responsibility was to protect the institution's reputation, and the accused person."

[Backlash Against Non-Disparagement Clauses](#) details the extremely common use of legal means used to silence victims in settlement agreements that "prohibit true but negative statements and opinions. In addition, they typically prohibit employees from saying anything negative not just about the company itself, but also about its current and previous owners, directors, officers, employees, subsidiaries and parent companies." Whilst legal precedents exist in some jurisdictions whereby non-disparagement clauses are not binding in respect to reporting criminal activity, there's also circumstances where this has not been the case.

"It may be obvious that non-disparagement agreements allow employers to cover up discrimination, retaliation and violations of other employment laws. But they also permit companies to sweep other violations of law under the rug by discouraging, if not prohibiting, their former employees from blowing the whistle to the local, state and federal government, the press, or virtually anyone else. As a result, while they can be very valuable to employers, they can be even more harmful to the public."

To understand why there aren't more Workplace Silence Breakers also requires appreciation of the psychological impact of abuse, bullying, discrimination and harassment.

Shame, secrecy and silence associated with trauma

The ADF Taskforce report highlighted how many victims felt unable to talk with anyone about what had happened to them, often long after the abuse had occurred, and included many heart wrenching victim statements explaining why.

"I carry these experiences with me every day and to this day I still feel embarrassment and shame about the ugliness of these events which crushed my spirit as a 16 year old. Throughout my life I have concealed the ignominious truth from my schoolmates and teachers, work and sporting colleagues, friends and family. I simply couldn't bear the thought of revisiting the degrading humiliation and pain.
Last year, at age 75, I finally summoned the courage to divulge the sordid truth to my family. Time will not heal but may help us understand the massive impact that these life changing events have had on all of us."

In [#MeToo Is Clumsy, Crucial And Long Overdue](#) Helen Epstein highlights that

"trauma changes our bodies and our sense of self in the world. It injures, violates, damages, devalues. But, above all, it - paradoxically - instills a sense of shame in the victim rather than in the perpetrator."

Epstein's notes that "even a massive collective trauma such as the Holocaust had the effect of silencing many survivors about their experience for decades before best-selling books and

television shows publicized their experiences." She also refers to Dr Herman's seminal [Trauma and Recovery](#) published in 1992, that catalogued times in history when "not only individuals but entire societies have alternated between periods of remembering and forgetting painful traumatic events."

"Shame, secrecy and silence are the deadly trio that prolongs and abets the effects of trauma. That trio is often enacted by the abuser, the victim, and bystander - or all three."

Whilst media coverage, independent investigations, social media and social movements enable some victims of workplace abuse, discrimination, bullying and harassment to share their previously untold stories, the cost of doing so also keeps many others silent.

Victim blaming and gaslighting

The good thing about social media is it gives everyone a voice. The bad thing is ... it gives everyone a voice." [Brian Solis](#)

Social media is a powerful way to amplify stories of abuse and injustice in workplaces that mobilises positive action and responses, whilst also providing victims with support and validation for breaking their silence. It equally provides a voice for others to directly blame victims for what they experienced, or indirectly blame them by rationalising the unthinkable actions of the perpetrators.

[Blaming the victim: what really influences our sense of control and culpability in society](#) gives examples of responses to accusations of rape, sexual abuse and harassment claims such as,

"men get away with this because they are allowed to get away with it by the women."

The Just World Hypothesis explains this as people needing to rationalise and make sense of the world, which includes coming up with reasons why victims may have deserved what otherwise may appear to be incomprehensible injustice.

There's also the insidious behaviour of gaslighting victims, these are [some examples](#),

"She brushed me off, and made it seem like I was crazy," was the experience a victim recounted when she's complained about Dr Larry Nassar. Other victims sharing similar responses when they reported Nassar's abuse:
"He's an Olympic doctor." "No way." You "must be misunderstanding what was going on."

Name calling, undermining the credibility of victims and planting seeds of self-doubt, also claiming perpetrators are the real victims are hallmarks of gaslighting, often used by employers and other protectors of a perpetrator. [A Message to Women From a Man: You Are Not "Crazy"](#) describes gaslighting of victims as acts that "steal their most powerful tool: *their voice*."

Silent Bystanders

In addition to the impact trauma may have on silencing people who witness or have knowledge of abuse, the diffusion of responsibility theory posits that the greater the number of witnesses to an injurious event, the less likely individuals will take action to help the victim. [Why and How Do We Help? From one-ness to we-ness: The courage needed to be a hero](#) describes this as people asking themselves: "Why should I help when there's someone else who could do it?"

Fear of retribution and/or being the next target of a bully or abuser can also motivate witnesses to remain silent, some may even go as far as appearing to condone the behaviour to protect themselves.

Enabling more Workplace Silence Breakers or removing the need for them?

In [Making the Silence Breakers Time's Person of the Year won't change anything](#) Mary Shannon Little maintains

"the ground zero for real change remains in the workplace. Until the boards, CEOs, and senior managers who muted the Silence Breakers by turning a deaf ear or worse, are held accountable, there will be no real cultural shift. And this moment will pass."

As highlighted in [Entire board of USA Gymnastics resigns after enabling Nassar abuse](#) even in an extreme, high profile case resulting in a 175 year prison sentence, there is a reluctance of boards and other management 'in the know' accepting accountability. "USAG received early reports of Nassar's abuse, but dragged its feet to take any action" until "an ultimatum put forth by the US Olympic Committee, which urged the board to resign or lose status as a governing body."

Numerous laws and regulations already require workplaces to be safe and free from harassment, abuse, bullying and discrimination, and these laws and associated punishments could be strengthened. It's also reasonable to argue that some organisations and institutions will always lack the ethical and moral fortitude to voluntarily comply with their legal and regulatory requirements regardless of the penalties.

There is an urgency to work on two fronts when it comes to workplace abuse, bullying, harassment and discrimination:

1. **Removing the need for Silence Breakers as much as possible.** A good place to start is governments implementing the recommendations of existing comprehensive and independent investigations, that include dealing with actions of Boards and senior management that protect their organisation and perpetrators ahead of victims. In addition to long overdue cultural reforms within some organisations and institutions.
2. **Simultaneously taking action to better enable, support and protect Workplace Silence Breakers**, recognising that we - individuals, organisations, institutions and society - will always need them.

My profound gratitude to The Royal Commission into Institutional Responses to Child Sexual Abuse in Australia, for hearing the many previously untold stories provided by numerous families including mine, on behalf of a much loved and missed family member no longer able to do so.

The cost to individuals, organisations and societies when its' members are silenced is profound, acknowledging my many conversations with Ram Vemuri on this topic which provide much inspiration. Ram co-authored with Nancy Billias The Ethics of Silence: An Interdisciplinary Case Analysis Approach and is continuing his work and research in this area.

— Published on March 9, 2018
WORK CULTURE, PSYCHOLOGY, MENTAL HEALTH, LEADERSHIP

4.2 It's the best and the worst of times, for corporate culture in Australia

https://www.linkedin.com/pulse/its-best-worst-times-corporate-culture-australia-karen-walker/

#Culture #Ethics #Conduct #Compliance #CorporateCulture #Psychology #Neuroscience #Behaviour Image = shutterstock_301601960

- Published on June 29, 2018
  Karen Walker

Adaptive Organisations | Strategy Execution | Leadership | Innovation | Culture | Change | Writer Blogger Speaker

It's the best and the worst of times, for corporate culture in Australia

As a species, we're still using the same technology to successfully navigate being a member of a group. The amygdala of our brain. Developed long before we used language to communicate, it's designed to ensure our ancestors' survival, through being an accepted and protected member of an African tribe.

Today it continues to relentlessly guide our emotions and social behaviour, also motivating our decision making as a member of any team and group, including those in our working lives.

On the whole when people commit, and bystanders fail to report, misconduct, unconscionable or criminal behaviour in their workplace, it's not through ignorance of obligations and what is right, or because they're a bad apple.

It's because their workplace repeatedly sent signals our ancient navigation system recognised as reinforcing behaviours that contradicted the organisation's espoused culture, purpose, values, obligations and rules of conduct.

Daniel Coyle, author of the bestseller The Culture Code, says culture in organisations is not about, "values and mission and accountability. Culture is not about soft stuff - it's about signalling. Because human brains are incredibly good at perceiving signals that we are safe (or not); whether we are being vulnerable by sharing accurate information (or not), and whether we are moving in the same direction (or not)."

Coyle explains how once we perceive we're a member of a group or team the amygdala "starts to use its immense unconscious neural horsepower to build and sustain your social bonds." Quoting Jay Van Bavel, social neuroscientist at New York University,

"The amygdala tunes in to who's in that group and starts intensely tracking them. Because these people are valuable to you. They were strangers before, but they're on your team now, and that changes the whole dynamic. It's such a powerful switch - it's a big top-down change, a total reconfiguration of the entire motivational and decision-making system."

This correlates with the findings of Amy Edmondson's Harvard study on psychological safety, and Google's five year Project Aristotle research that found psychological safety as the most important characteristic of

effective teams.
As Edmondson says,

"We have a place in our brain that's always worried about what people think of us, especially higher-ups. As far as our brain is concerned, if our social system rejects us, we could die."

Coyle's research also affirms that of Jeff Polzer, professor of organizational behavior at Harvard, that showing vulnerability is key to creating cooperation and trust in groups.
"It's about sending a really clear signal that you have weaknesses, that you could use help. And if that behaviour becomes a model for others, then you can set the insecurities aside and get to work, start to trust each other and help each other.

If you never have that vulnerable moment, on the other hand, then people will try to cover up their weaknesses, and every little microtask becomes a place where insecurities manifest themselves."
Coyle's case studies also challenge thinking that motivation is intrinsic to individuals, we're either motivated to meet a specific goal, or we're not.

Highlighting what professor of psychology Gabriele Oettingen long ago demonstrated, motivation involves comparing information on "Here's where you're at" and "Here's where you want to go." As Harvard professor Robert Rosenthal also discovered, the narratives and actions that repeatedly reinforce goals, create numerous behaviours propelling group members towards what they perceive are shared goals. Here's a few high profile examples explaining what occurred in recent cases of misconduct and unethical behaviour.

Signals about direction and what matters, about purpose, goals and priorities.

Whilst the Commonwealth Bank of Australia (CBA) led the banking industry with the technological sophistication of their Intelligence Deposit Machines (IDM), recently CBA agreed to pay $700 million plus legal costs, the biggest fine in Australian corporate history, for associated breaches of anti-money laundering and counter-terrorism financing laws. APRA reported that CBA's anti-money laundering procedures did trigger alerts, these were reviewed by the bank's Anti-Money Laundering Team and matters relating to other red flags on accounts were referred to their Intelligence Team.
Accounts refer to a culture within CBA where speed to market of customer friendly technological innovations in a highly competitive industry, mattered more than managing compliance and legal risks associated with their IDMs.

The pressure within the Australian Cricket team to turn around a losing streak after years of dominance, reportedly sent similar 'winning at all costs' signals that resulted in numerous on-field confrontations with opposition teams, before culminating in the recent ball tampering and cheating scandal.

Signals that it's safe to raise problems, risks and tough issues, to ask for help.

The Report of Abuse in Defence published in 2014 as a result of the Australian Defence Force Taskforce assessment and response to historic individual cases of workplace abuse and harassment over a period of many decades, highlighted the central role of silence. "In many cases, complainants reported that this pervasive 'culture of silence' was reinforced by the fact that staff or other superiors were aware of some or all of the abuse, and either did nothing to prevent it, and in some instances actively encouraged it. Reinforcing an accepted code of silence … implicitly approved by the hierarchy."

Signals that value the sharing of accurate information and the truth including admitting failure, promoting openness and transparency.

When Volkswagen realised its' diesel engine failed to meet required emission standards, instead of fixing the problem it was hidden from customers and regulators by VW's engine development department installing software that fudged the data. Recently fined 1 billion euros by German prosecutors, in addition to the $4.3

billion draft settlement with U.S. regulators, when the scandal broke in 2015 Matthias Müller, then VW chief executive, pledged "greater humility" and no "yes-men", as part of a more open culture. Current chief executive Herbert Diess recently announced moving to a more open corporate culture remains the organisation's highest priority, "such openness is important in enabling us to deal consistently with problems within our organisation."

Why it's the best of times for corporate culture in Australia

> *It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way — in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or evil, in the superlative degree of comparison only.*
>
> *— A Tale of Two Cities*

Research and science, namely social neuroscience, psychology and behavioural science, defines organisational culture in ways that inform what to effectively manage and measure.

Hence, it's the best of times for Australian organisations to proactively nurture positive cultures.

This body of knowledge also explains the principal role culture plays in misconduct and unethical behaviour in Australian workplaces, providing the answers to both reforms and prevention.

Why it's important to move our current discourse in Australia on culture towards accepting a scientific based definition, away from decades of business models and management jargon that have distorted its' meaning beyond recognition.

> *'Culture' comes from the Latin cultus, which means 'care'.*

History and current news stories tell us that poor cultures signal that's it's okay to be careless with customers, with employees and with espoused rules and obligations. Just as there's substantial evidence that current approaches to ethics and conduct focussing on policies, processes, rules and compliance are missing that point.

The Financial Stability Board (FSB), which monitors and assesses vulnerabilities affecting the global financial system, recently conducted a review of misconduct in the financial services industry. Assessing the three main approaches to prevention of misconduct, they concluded that mere rules-based approaches, even accompanied by deterrence, have limited effectiveness if applied in isolation of behavioural and cultural approaches that address root causes.

> *Noting the often counterproductive effects of implementing stringent systems of oversight, control, accountability and discipline can cause. Triggering atmospheres of distrust within organisations that erode cooperation. Significant penalties often promoting behaviours of concealment and defiance.*

The report published in May by the Ethics and Compliance Initiative (ECI) as part of their longitudinal study of ethics in US workplaces, identifies pressure to compromise ethical standards and retaliation for reporting wrongdoing – signals within organisations that ethical conduct isn't a priority and it's not safe to talk about misconduct – as key indicators of future unethical behaviour.

The ECI says,

> *"Managers challenged with higher quotas or growth requirements during economic upcycles may show a willingness to compromise ethical standards, therefore exemplifying the wrongdoing and influencing their subordinates."*

But of greatest concern to the ECI was a lack of cultural reform to address causes of misconduct.

THE GOOD NEWS	THE BAD NEWS	THE WORST NEWS
Rates of observed misconduct are on the decline, coming close to historic lows. Reporting of suspected wrongdoing has reached an historic high.	More employees feel pressure to cut corners than ever before, and rates of retaliation for reporting wrongdoing have doubled in the past two years. Pressure and retaliation are the two metrics most closely associated with trouble ahead.	Little progress has been made across the country to implement the most important strategy for mitigating wrongdoing. Misconduct drops substantially when organizations have strong cultures in place, yet the number of organizations with strong cultures has not changed.

The major finding of the [Thomson Reuters forum on culture and behavioural science](#) in the banking industry held in April, was **more progress is needed in banks applying behavioural science to better understand the internal workings of their cultures**.

Why it's the worst of times for corporate culture in Australia

We shouldn't be surprised that media coverage in Australia continues to highlight cases of how some workplace cultures have led to large scale misconduct and unethical behaviour, as research shows we're lagging behind the rest of the world in taking meaningful action on high levels of known misconduct. [CEB Gartner's 2016 – 17 Global Trends in Misconduct research](#) suggests nearly **1 in 5 (19.3%) of employees in Australia have observed misconduct**, only lower than misconduct observation rates in Pakistan (25.6%) and Costa Rica (21.9%).

At the same time the latest [Thomson Reuters report on Culture and Conduct Risk 2018: Benchmarking 5 years of Implementation,](#) indicates **only half of companies in Australasia have approaches linking culture with conduct risk.** Whilst the majority of Australasian companies believe personal liability of managers for culture and conduct risk will increase, very few discard business opportunities due to these risks.

Figure 11: Spotlight analysis: Firms in Australasia

Definition of conduct risk
Forty-four of firms in Australasia have a separate working definition of conduct risk
- 44% in 2017
- 24% in 2016

Lagging the global rate of 66% in 2017

Regulatory framework
Fifty-six percent percent of firms in Australasia have a framework in place to address culture and conduct risk
- 56% in 2017
- 60% in 2016

Lagging the global rate of 71% in 2017

Accountability
Seventy-one percent of firms in Australasia think the regulatory focus on culture and/or conduct risk will increase the personal liability of senior managers
- 71% in 2017
- 64% in 2016

Greater than the global rate of 68% in 2017

Impact on business
Fifteen percent of firms in Australasia have discarded business opportunities due to culture or conduct risk concerns
- 15% in 2017
- 28% in 2016

Half the global rate of 30% in 2017

Source: Thomson Reuters Regulatory Intelligence – Culture and Conduct Risk 2018 survey

THOMSON REUTERS

Are Australian regulators and professional associations steering organisations in the right direction to manage corporate culture?

[The Australian Securities Exchange (ASX) Corporate Governance Council is currently seeking submissions](#) on proposals to update and issue a fourth edition of its Corporate Governance Principles and Recommendations,

including recommendations in how entities should "instil the desired culture" and "[a] listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and in a socially responsible manner."

Managing Culture: A good practice guide was published last December by the Institute of Internal Auditors - Australia (IIA-Australia). Created in collaboration with The Ethics Centre, Chartered Accountants ANZ and the Governance Institute of Australia, it was launched by John Price, Commissioner of Australian Securities and Investments Commission (ASIC). Price outlined ASIC's approach to corporate culture in a speech 19 July 2017, and ASIC has recently proposed monitoring the culture and compliance of the major banks by embedding agents within these organisations.

The Australian Prudential Regulation Authority (APRA) published an Information Paper on Culture Risk in late 2016 and are currently piloting APRA teams conducting onsite culture risk assessments at five unnamed financial services companies.

Let's step through some of the main statements underpinning their approaches and proposals.

ASIC: Culture is a set of shared values or assumptions. It's 'the way we do things around here'. Risk culture, to be more particular, describes the norms of behaviour that determine how an organisation identifies, understands, discusses and acts on risks. Although we think culture is vitally important for the organisations we regulate, we are not going to dictate the kind of culture a company has. It is an issue that companies themselves must address.	**Managing Culture: A good practice guide:** Culture is "the sum of its shared values, principles and behaviours", or "the way we do things around here". The risk culture of an organisation is the shared values and behaviours of individuals regarding the management of risk in an organisation. There is no 'one-size-fits-all' approach to culture, just as there is no 'one-size-fits-all' approach to governance or risk management. The culture will always need to be appropriate for the context in which the organisation is operating. Forging a culture that is aligned with business strategy is the role of management, with the board having oversight of implementation, but not responsibility for it. In organisations with strong ethical cultures, the systems and processes of the organisation will align with the ethical framework. Culture can be measured by looking at the extent to which the ethical framework of the organisation is perceived to be or is actually embedded within day-to-day practices. An ethical framework described as including espoused purpose, values and principles, that provides guidance on any decision making. Differing from a code of ethics or a code of conduct that takes espoused values and principles and applies them to specific circumstances.

APRA: Organisational culture is a system of shared values (that define what is important) and norms that define appropriate attitudes and behaviours for organisational members (how to feel and behave)'.

Risk culture is the norms and traditions of behaviour of individuals and of groups within an organisation that determine the way in which they identify, understand, discuss, and act on the risks the organisation confronts and the risks it takes.

An aspirational state was useful to guide and prioritise culture-specific initiatives.

Some organisations have begun programs in which internal audits include a report on cultural aspects of the business unit being reviewed. However, the potential lack of specialist behavioural assessment skills was raised as an issue by a number of institutions as a challenge that is yet to be satisfactorily addressed.

ASX: A listed entity should articulate and disclose its core values.

A listed entity should:
- have and disclose a whistleblower policy that encourages employees to come forward with concerns that the entity is not acting lawfully, ethically or in a socially responsible manner and provides suitable protections if they do; and
- ensure that the board is informed of any material concerns raised under that policy that call into question the culture of the organisation.

A listed entity should:
- have and disclose an anti-bribery and corruption policy; and
- ensure that the board is informed of any material breaches of that policy.

Add to the list of usual responsibilities of the board:
- defining the entity's purpose;
- approving the entity's statement of core values and code of conduct to underpin the desired culture within the entity;
- overseeing management in its implementation of the entity's business model, achievement of the entity's strategic objectives, instilling of the entity's values and performance generally; and
- ensuring that the entity's remuneration framework is aligned with the entity's purpose, values, strategic objectives and risk appetite;
  – to clarify that the information provided to the board by the senior executive team should not be limited to information about the financial performance of the entity, but also its compliance with material legal and regulatory requirements and any material misconduct that is inconsistent with the values or code of conduct of the entity.

Science and research supports a different definition from that of most Australian regulators and professional associations, that **"the way we do things around here" and "norms of behaviour" are the outcomes and symptoms of the culture, not the root cause - the culture itself**. Culture being those repeated signals people in groups process that influence their emotions and motivate their behaviour and decisions. Which APRA does acknowledge through references to the De Nederlandsche Bank (DNB) approaches.

Behaviour

Group dynamics

Mindset

"Behaviour and culture are more difficult to observe and less tangible than the financial or organisational aspects of an institution. One could liken the behaviour and culture of an organisation to an iceberg, of which only the tip is visible. The rest is submerged. Behaviour is the visible portion of the iceberg, given that it can be directly observed. But the tip of iceberg doesn't tell you what is concealed underneath. What is not visible to the eye are the motives underlying certain forms of behaviour."

These approaches in the main also fail to acknowledge the overwhelming evidence that **culture trumps compliance and ethical frameworks and policies, including espoused principles, values, codes of conduct and purpose.**

Sound "risk" and "ethical" cultures adds to the already confusing language for boards, executives and managers to navigate. One already littered with 'innovation cultures', 'digital cultures', 'safety cultures', 'customer-centric cultures' and 'learning cultures', ignoring that **a desirable culture where teams have trust based, open, supportive and cooperative relationships, achieves numerous positive outcomes.**

As human beings the factors that influence our decisions and behaviour are the same, no matter what industry or organisation we're working in, no matter what strategies we're implementing, no matter what the nature of the tasks we undertake and the decisions we make - about customers, risk or anything else.

As someone who has worked as an authorised officer for a government regulator, and consulted on compliance, ethics and problem gambling in the casino and gaming industry, I worry there isn't an accepted definition of a desirable core culture that is applicable, measurable and valuable for any organisation in any industry. Given scientific based definitions of culture not only aligns with global research on conditions that promote legal and ethical conduct. It correlates with known human needs and factors that also foster well-being, innovation, diversity, inclusion and productivity.

This lack of an accepted definition of a desirable core culture decreases the likelihood of organisations taking

meaningful action. Whilst making it challenging for boards, shareholders and regulators to hold them to account if they haven't.

As many high profile cases have demonstrated, 'win at all costs' strategies have historically contributed to wide scale misconduct. Another reason why strategies should align to the aspired culture, not the other way around.

There's a powerful paradox for organisations where people don't feel safe to raise risks and issues, have low trust in speaking the truth to management and others, or have been party to putting the organisation's interests ahead of its' obligations, customers and shareholders.

And it's that traditional audit and risk approaches to gathering real insights about its' culture will likely be defeated by that culture.

APRA is leading the conversations and the way in the application of a scientific based understanding of culture, with experts in organisational psychology already working onsite to assess culture, [“drawing on a wide range of sources, from the opinions of junior staff to first-hand observations of board meetings.”](#) What remains to be seen in the second half of this year when their pilots are completed, is how the narrow scope of reviewing “risk culture” impacted obtaining insights into root causes of poor decisions and behaviour. Also [proposing to embed agents within banks,](#) ASIC hasn't indicated if these staff will be experts in psychology and human behaviour, or traditional risk auditors.

In conclusion, Australian organisations cannot know if they need stronger corporate governance, compliance and ethical frameworks and what adjustments to make, without first using behavioural science to gain an understanding of which elements of their culture render these ineffective or may do so in the future.

And that's where organisational psychology and behavioural science professionals, internally and externally, must lead the design and implementation of approaches to analysing and improving workplace culture. Board membership also requires psychology and behavioural science expertise, to guide how to correctly interpret and act upon, cultural risks and issues, with regulators intending to hold them more accountable.

The rise of professional services workers and outsourcing, the gig economy, operating models based on ecosystems and platforms, collaborations and business partnerships, all bring inherent cultural complexities and potential conflicts of interest (think Arthur Anderson and the Enron scandal).

Meaning just as culture crosses organisational boundaries, so too must the accountability of boards and leadership teams, and any team assessing culture.

But none of the above will make a real difference, if we fail to collectively agree on a science based definition of organisational culture that informs what to effectively manage and measure.

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https://www.linkedin.com/pulse/group-social-relationship-skills-fuel-healthy-corporate-karen-walker/
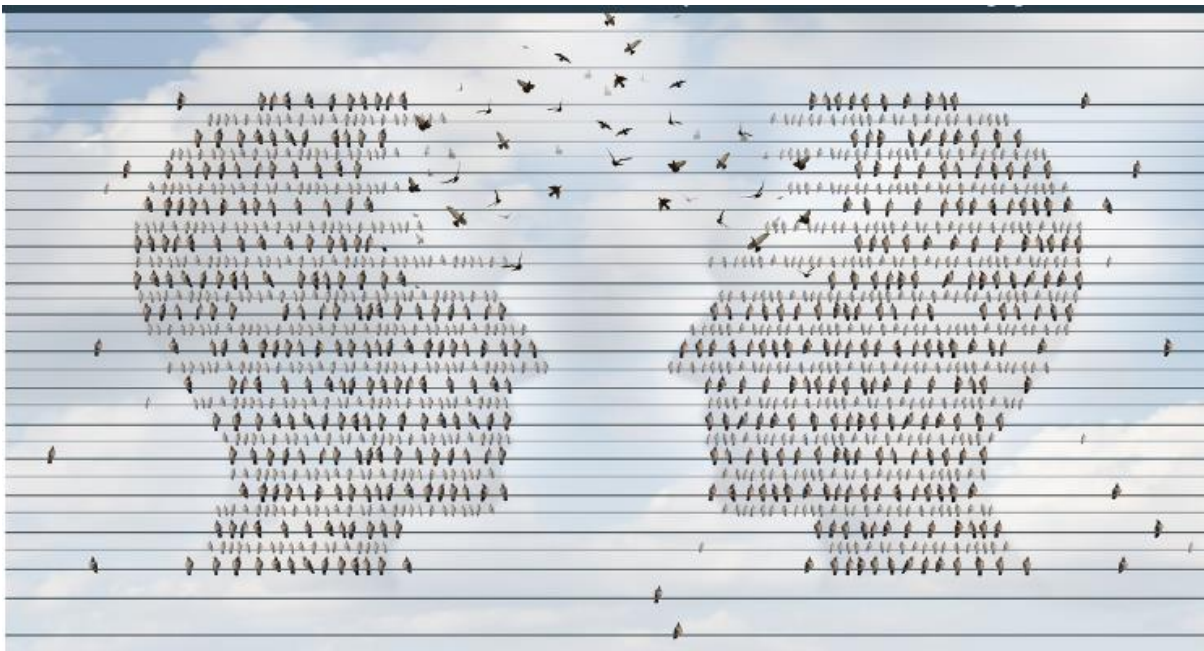
Shutterstock 335307500 #Ethics #Culture #Behaviour #Misconduct #SocialConnections #Teams #Compliance #Regulation #Governance

Group social relationship skills fuel healthy corporate cultures. Not espoused values, purpose, policies, rules of conduct & deterrents.

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Briefly recapping It's the best and the worst of times, for corporate culture in Australia. Decades of research in social neuroscience, psychology and behavioural science define culture, informing what to measure and how to change workplace culture.

Culture being those repeated signals that influence employees' emotions and motivate their behaviour and decisions.

Daniel Coyle, author of the bestseller The Culture Code, says culture in organisations is not about, "values and mission and accountability. Culture is not about soft stuff - it's about signalling. Because human brains are incredibly good at perceiving signals that we are safe (or not); whether we are being vulnerable by sharing accurate information (or not), and whether we are moving in the same direction (or not)."

On the whole when people commit - and bystanders fail to report - misconduct, unethical and unlawful behaviour in their workplace, it's not through ignorance of obligations and what is right, or because they're a bad apple. It's because their workplace repeatedly sent signals people in teams processed as reinforcing behaviours that contradicted the organisation's espoused purpose, values, obligations and code of conduct.

Scientific and other research explains the principal role culture plays in misconduct, unlawful and unethical behaviour in workplaces.

Cultures are shaped by the existence - or lack of - a specific set of skills

Coyle says he found when researching the world's most successful groups and organisations that,

> "cultures are created by a specific set of skills ... which tap into the power of our social brains to create interactions of group culture ... one of the most powerful forces on the planet. We sense its presence inside successful businesses, championship teams, and thriving families."

"Skill 1- Build Safety - explores how signals of connection generate bonds of belonging and identity.

Coyle's research and that of others, suggest this requires skills in effective listening; expressing gratitude; embracing the messenger (also not shooting them); demonstrating humility; creating spaces and times for people to develop social connections and relationships, not just work task focused interactions; facilitating two-way, learning focused negative feedback conversations; eliminating bad apples and not hiring them in the first place; and embracing fun - a fundamental sign of safety and connection".

A sense of belonging is a basic human need, and its absence for people in any part of their lives causes significant harm. The global epidemic of loneliness recently prompted the UK government to establish a Minister of Loneliness, and last year the former US Surgeon General Vivek Murthy asserted that loneliness was a growing health epidemic related to loss of life.

"Skill 2- Share Vulnerability- explains how habits of mutual risk drive trusting cooperation.

Coyle and others refer to skills in leaders often asking for help and admitting mistakes; consistently repeating expectations in ways that foster cooperation and helping behaviours; communicating negative news in person; effectively facilitating critical moments of group dynamics; questioning that builds trust to say more and share truths; generating candour whilst avoiding brutal honesty; handling the emotions of unpleasant truths; use of action oriented language; performance reviews separated from professional development conversations; flash mentoring / shadowing; creating opportunities for teams to take charge."

"Skill 3 - Establish Purpose - tells how narratives create shared goals and values.

Coyle shares case studies and research about the importance of skills in naming and ranking a few priorities; repetitive communication and testing of priorities; managing proficiency and creativity; using language nudges / catchphrases and artefacts that represent purpose, also translating abstract concepts of mission and vision into small, daily meaningful actions; measuring and celebrating important outcomes ahead of productivity type metrics.

The three skills work together from the bottom up, first building group connection and then channelling it into action."

What's surprising is many Australian regulators and professional associations approach to skills and culture revolve around capability in ethics, compliance, risk management and auditing, not psychology and behavioural science. Also defining culture as "the sum of its' shared values, principles and behaviours", "the way we do things around here" and "norms of behaviour", differing from how science view these as the outcomes and symptoms of the culture, not the culture itself.

What could it look like if a scientific and skill based approach to steering organisations towards healthy corporate cultures, was adopted by Australian regulatory and professional industry organisations?

The ASX Corporate Governance Council - composed of representatives from 20 Australian regulatory and professional industry organisations - is currently seeking submissions on proposals to update and issue a fourth edition of its Corporate Governance Principles and Recommendations. Let's step through what's changing and what's new, in relation to corporate culture.

- **Revision of Principle 3**, proposed to be re-worded as "**instil the desired culture**" and "**[a] listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and in a socially responsible manner**" respectively.

Instilling and continually reinforcing a desired culture sounds like something regimes do.

Two royal commissions in Australia, one recently completed and one underway, tell us Australians expect that what happens within Australian corporations and institutions should be a reflection of what we expect to happen within our communities and broader society. And we're able to articulate what that is, in simple humanistic terms, just as Coyle's research enabled him to do.

From the Knowledge Economy to the Human Economy tells how in the last century mature economies evolved from industrial economies to knowledge economies. Now we're transitioning to human economies, and with increasingly intelligent machines, successful companies will focus on what humans can uniquely do. "Heart, creativity, passion, character, and collaborative spirit - their humanity, in other words. The ability to leverage these strengths will be the source of one organisation's superiority over another."

If Australian regulators could agree on one humanistic based definition of a core culture applicable to every organisation, shared by all the various subcultures that exist within organisations, it would positively influence corporations and organisations to better reflect community expectations. Which go beyond just acting lawfully, ethically and responsibly.

Human beings as employees - unlike robots and artificial intelligence - arrive already pre-programmed to be part of successful teams and therefore organisations, removing any need to '**instil**' a desired culture. Social neuroscientist Matthew Lieberman in Social: Why Our Brains Are Wired to Connect, references studies that show how social capital in an organisation is tied to its economic success. Aligned with a seminal Harvard study indicating that strong cultures can increase net income 765% over ten years.

As Lieberman, Coyle and others explain, it's about building capability in social skills that acknowledge, rather than ignore, our pre-programmed human needs and motivators. These are the same, no matter what industry or organisation we're working in, no matter what strategies we're implementing.

About the use of the word '**reinforce**', research has highlighted the counterproductive effects - mistrust, concealment and erosion of cooperation - stringent systems of oversight, control, discipline and deterrents cause when used to reinforce culture. As David de Cremer says, "forgiveness should be part of your compliance strategy ... compliance should seize opportunities to create a trustworthy, high performing and innovative work culture."

One example of skill based view of culture is:

[a] listed entity should develop and continually coach people in skills that create safe, trust based, respectful, inclusive, open and co-operative team environments and relationships, and conveying consistent narratives about goals, values and social responsibility that meet community expectations.

As individuals with these skills, especially leaders and managers of teams and people, shape a culture that - according to research - results in innovative, productive, effective, healthy, motivated, engaged, ethical, lawful, humane and financially successful organisations.

- Proposed New Recommendation 3.1: **A listed entity should articulate and disclose its core values.**
- Amendments to the existing recommendation on **codes of conduct.** Requiring a listed entity to **disclose its code of conduct in full**; and requiring **the board to be informed of any material breaches of a listed entity's code of conduct by a director or senior executive** and of any other material breaches of the code that call into question the culture of the organisation; and
- including in the commentary: (a) a statement that with **appropriate training and reinforcement from senior management**, a listed entity's **code of conduct can help to instil a culture of acting lawfully, ethically and in a socially responsible manner**. (b) a statement encouraging a listed entity to **disclose in general terms the actions it has taken to enforce its code of conduct** (recognising that legal and other constraints may prevent it disclosing specific details of any individual action); and (c) a suggestion that a listed entity should review its code of conduct at least once every 3 years to ensure it remains "fit for purpose" and addresses any emerging conduct issues.

Science tells us that espoused values and codes of conduct do not represent an organisation's culture, and education in and enforcement of, espoused values and codes of conduct aren't influential motivators of human decisions and behaviour within organisations. Changing Company Culture Requires a Movement, Not a Mandate highlights effective cultural change isn't making statements about the future state culture, rather continually spotlighting examples of actions organisations hope to see more of within the culture.

Any breach of a code of conduct is potentially a symptom of a cultural issue, as such should be treated **as material and of interest to the board**, including the impact and scale of the issue.

A scientific, skills based view of culture could include something along the lines of:

A listed entity should articulate and disclose its skills development approach to culture, and its communication approach to examples of these skills in action.

- **Proposed New Recommendation 3.3:** A listed entity should: (a) have and disclose a **whistleblower policy** that encourages employees to come forward with concerns that the entity is not acting lawfully, ethically or in a socially responsible manner and provides suitable protections if they do; and (b) ensure that **the board is informed of any material concerns raised under that policy** that call into question the culture of the organisation.

Any use of a whistleblower policy and processes to report misconduct, unlawful or unethical behaviour represents a failure of the culture. That it isn't safe and/or its futile for employees to openly raise questionable observed behaviours with their management. Or their management are the drivers of and/or participants in, these behaviours. As such **all concerns raised under a whistleblower policy should be treated as a material concern and of interest to the board**.

CEB's report on global trends in misconduct states the majority of employees who report misconduct, do so to their direct manager, and only a small percentage use compliance program contacts or hotlines. Highlighting the importance of managers being trained in how to appropriately respond to any concerns and issues raised, including reports of misconduct, unlawful and unethical behaviour.

As Can Your Employees Really Speak Freely? points out relying on feedback through whistleblower processes and anonymous employee surveys, not only underscore the risks of speaking up and reinforces people's fears. It can set off a witch hunt and create difficulties in addressing issues, whilst protecting the identity of the people who raised them.

Workplace 'Silence Breakers', why aren't there more? details how silence is the accomplice to bullying, abuse, harassment and discrimination in some workplaces. The reasons why victims and bystanders don't speak up are complex, including actions by organisations that encourage secrecy and silence in addition to silencing individuals - primarily to protect the reputation of an accused person and the organisation.

The use of non-disparagement clauses as part of employment contracts, and also in settlement agreements with employees who have alleged they are victims or witnesses of unlawful behaviours, are not only a barrier to whistleblowing. They prevent appropriate action being taken by relevant government bodies which benefit the community. They're also a barrier to the organisation demonstrating its safe and worthwhile speaking up, encouraging others to follow suit. Non-disparagement clauses also reduce the likelihood of the organisation taking appropriate investigative action. As such, **boards should be informed of any employment contracts and employee settlement agreements with non-disparagement clauses,** as these are **potentially symptomatic of a cultural issue.**

Trauma is the psychological impact of bullying, abuse, harassment and discrimination, and it can foster shame, secrecy and silence, often enacted by the abuser, the victim and bystander - or all three. Victim blaming (rationalisation of the behaviour), gaslighting (undermining the credibility of victims) and diffusion of responsibility phenomenon (the larger the number of witnesses, the more likely people rely on someone else taking action), are challenges to these insidious and harmful behaviours being reported in the first instance. Then being handled appropriately when they are.

A scientific, skills based view of culture could include something like:

A listed entity should have and disclose a skills development approach to management encouraging and appropriately responding to their own knowledge, and any reports of, observed unlawful, unethical or socially irresponsible actions.

- **Proposed New Recommendation 3.4:** A listed entity should: (a) have and disclose **an anti-bribery and corruption policy**; and (b) ensure that **the board is informed of any material breaches of that policy**.

As with the whistleblower policy, a skills development approach to management encouraging and appropriately responding to their knowledge, and any reports of, observed bribery and corrupt actions, could be included. Any breaches of this policy are a symptom of a cultural issue, that the board should be informed of.

- Proposed amendments to **recommendation 1.1** (role of board and management) - **to add to the list of usual responsibilities of the board:**
- (a) d**efining the entity's purpose**; (b) **approving the entity's statement of core values and code of conduct to underpin the desired culture within the entity**;

As already highlighted, espoused purpose, core values and codes of conduct do not significantly influence culture, and this misses out on the board having any level of responsibility for those things that do, namely a scientific and skill based approach to culture.

- (c) **overseeing management in its implementation of the entity's business model, achievement of the entity's strategic objectives, instilling of the entity's values and performance generally**; and (c) **ensuring that the entity's remuneration framework is aligned with the entity's purpose, values, strategic objectives and risk appetite**;

Coyle's research, [The Overcommitted Organisation](#), [Sense of belonging = employees and their organisations thrive](#) and other research detailed in [The good, bad and the ugly of membership of multiple teams](#), highlight that today's ways of working can carry significant psychosocial risks associated with weakened social connections and relationships.

These risks often defeat the goals of increased productivity, agility, collaboration and innovation, that drive organisations to move to flatter, hyper-networked, team based and matrix-ed structures. And increasing the use of outsourced service providers, business partnerships, and leveraging the gig economy as resourcing strategies.

The latest [Thomson Reuters report on Culture and Conduct Risk 2018: Benchmarking 5 years of Implementation,](#) indicates that very few Australasian companies (15%) discard business opportunities due to culture risks.

The board's role in overseeing management could include:

Ensuring key decisions made and resultant actions taken by management, (a) enrich rather than worsen the organisation's culture, (b) are achievable with the organisation's current culture, (c) as informed by an appropriate assessment with insights into the current culture.

- Accompanying amendments to **recommendation 1.1** (role of board and management) **-** to clarify that the information provided to the board by the senior executive team **should not be limited to information about the financial performance of the entity, but also its compliance with material legal and regulatory requirements and any material misconduct that is inconsistent with the values or code of conduct of the entity;** and to provide additional guidance on the role and responsibilities of the chair.

Information provided to the board by the senior executive team should not be limited to information about the financial performance of the entity but,

must include information about the status of the culture of the entity.

If conducted using psychological and human behavioural based approaches, these assessments provide insights into why any misconduct, unlawful and unethical behaviour is occurring and what to do about it. In addition to providing an indication of the success or otherwise, of strategic decisions and their execution, and the organisation's performance generally.

The latest [Thomson Reuters report on Culture and Conduct Risk 2018: Benchmarking 5 years of Implementation,](#) also indicates that only half of companies in Australasia have approaches linking culture with conduct risk, although the majority of Australian companies believe personal liability of managers for culture and conduct risk will increase. For these reasons and others already raised, the following proposed changes should all have **references to culture** added**:**

- a change to **principle 4** to "**produce corporate reports of a high quality and integrity**" .... "in addition to giving the reader a reasonable understanding of the entity's business model, strategy, risks and opportunities, remuneration policies and practices and governance framework, as well as its financial performance":
- an amendment to the commentary to **principle 7 (recognise and manage risk)** stating that a sound risk management framework is based on an informed understanding of the key drivers of an entity's long term success and a thorough assessment of the material risks inherent in its business model and strategy and that it should address financial and non-financial risks, as well as risks with a short, medium or longer term horizon

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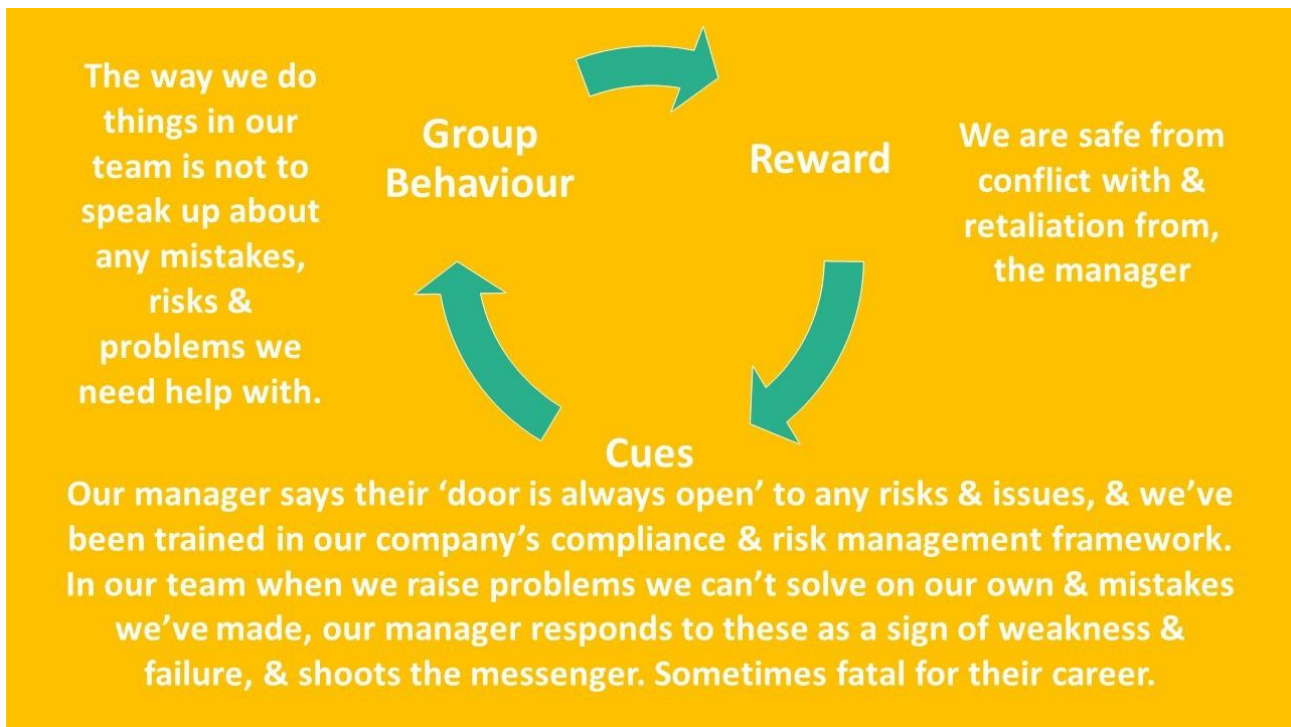
And finally, assessments of corporate cultures require expertise and approaches in psychology and human behavioural, that are substantially different from other types of internal audits. Which isn't acknowledged in the addition of a footnote to the commentary to **recommendation 7.3** (internal audit), which references the International Standards for the Professional Practice of Internal Auditing.

Public consultation is sought now on The ASX Corporate Governance Council's fourth edition of its Corporate Governance Principles & Recommendations, and submissions are due by Friday, 27 July 2018.

An opportunity for the biggest stakeholder - members of Australian communities - to provide their feedback on expectations about corporate culture in Australia.

https://www.linkedin.com/pulse/culture-why-way-we-do-things-around-here-karen-walker/

Culture = "why" not the "way" we do things around here

- Published on July 10, 2018

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Since Amy Edmondson's groundbreaking research on the importance and impacts of psychological safety, there's been numerous supporting studies and evidence highlighting why this is a key attribute - through its existence or lack thereof - that defines group and organisational culture.

And yet overwhelmingly we still read and hear that organisational culture is 'norms of behaviour', 'shared values and principles', and 'how we do things around here'.

Organisations which define, measure and manage cultures from a position of "the way we do things around here" against espoused values, policies and codes of conduct, would describe the pictured scenario as a culture of poor risk management. The organisation not appropriately sharing, communicating and reinforcing their values, principles and risk management frameworks.

But from a human behavioural perspective, it's nothing to do with risk management and people lacking ethics and principles, and everything to do with the signals and cues people responded to. The 'why' of their decision to remain silent on knowledge valuable to the organisation.

As psychologist Adam Blanch says, "the research is very clear that the biggest contributor to human behaviour is still genetic heritability – we are born with a "self", and our environment either encourages or inhibits its expression." Our behaviour therefore doesn't neatly equate to representing our personalities, 'who we think we are', and our values.

Blanch describes anxiety is a physical reaction in response to the emotion of fear due to a perceived threat or risk.

"People respond to threat in four basic ways – fight, flight, appease or freeze. Fight is when you believe you can defeat it and take it on. Flight is when you don't believe you can beat it and get the heck out of there. People usually appease when they don't feel confident to fight or able to flee, so they submit to or try to manage the demands of the person threatening them. When people can't successfully do any of these, and no help is available to them, they will usually "freeze", otherwise known as dissociating."

"Dissociation is quite a useful survival strategy as it often leads the predator to losing interest, and if it doesn't, it protects us psychologically because we are not really "there" to experience the abuse. Anxiety is part of the freeze response."

Psychiatrist Dr Judith Orloff explains why people showing physical signs of stress, anxiety and depression are particularly contagious. "There's a basic evolutionary reason for this: If something is causing stress in a person nearby, you need to be aware of it in case you need to escape. It's also beneficial for you to show your stress or anxiety so that others know to help."

"The really interesting thing about emotional contagion is that not only do you pick up on [stress in others], you actually then start to copy them," says sociologist Professor Nicholas Christakis.

So, let's revisit our scenario using a psychological and behavioural lens.

Anxiety within this team has become contagious, a collective response to a perceived threat to their safety. Resulting in group behaviour that disassociates them from the mandates of their manager and organisation to speak up about mistakes, risks and issues. Despite any strongly held personal beliefs about honesty they may have as individuals.

Many reports of widescale misconduct, unlawful and unethical behaviour in corporations and institutions, currently dominating Australian media headlines, have included corporations with poor

"risk cultures", and behavioural descriptions such as APRA's findings about the cultural themes at the Commonwealth Bank.

"A widespread sense of complacency, a reactive stance in dealing with risks, being insular and not learning from experiences and mistakes, and an overly collegial and collaborative working environment which lessened the opportunity for constructive criticism, timely decision-making and a focus on outcomes."

Could we better redefine some of these behaviours as indicators of a psychologically unsafe culture?

As part of a diverse career, Karen Walker has worked for a government regulator, as a senior operations manager, and consulted on compliance and ethics, including developing accredited industry training in the casino and gaming industry. In the past 18 years Karen's work has been in strategy execution roles, utilising expertise in leading and managing change and transformations in organisations, including cultural and behavioural change.

https://www.thriveglobal.com/stories/31102-sense-of-belonging-employees-their-organisations-thrive

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COMMUNITY

Sense of belonging = employees & their organisations thrive

Rising rates of loneliness in work is the canary warning of an approaching storm threatening the wellbeing of organisations & their people. The context of work is changing in ways that too often fail to meet a basic human need, a sense of belonging.

by

- Karen Walker, Leadership | Innovation | Organisational Change | Strategy Execution

https://livingnow.com.au/obstacles-belonging/

Social identification and organisational identification

People who share our values, passions and purpose, are people we're highly motivated to be around and be recognised as part of their social group. Social identity theory posits there are numerous types of groups we may identify with as being a member, such as gender, religion, political persuasions, nationality, social class, professions, organisations, hobby groups and sporting teams.

We derive a sense of self from those social groups we associate with and also those we dissociate from, part of defining who 'we think we are'.
When we identify as a member of an organisation or any social group we have a vested interest in its success, although our level of commitment can vary dependent on how aligned we are with a group's values, our level of emotional attachment and sense of belonging.

Strong levels of organisational identification (OI) is when employees feel a proud member of their organisation, whilst others may only feel connected with their division or immediate team. For some, their social identity as it relates to work is limited to being a member of their profession.

Benefits of organisational identity and a sense of belonging

Unsurprisingly research has identified a strong correlation between levels of OI and affective commitment (AC), a positive emotional attachment to an organisation that results in an employee's willingness to both remain and invest effort to achieve organisational goals. **Employees Who Identify with the Company Boost Financial Performance** notes the level of OI is directly related to employee and financial performance, and indirectly related to customer satisfaction. **Organizational belonging drives organizational engagement** meaning employees are willing to go above and beyond defined responsibilities, including exceeding customer and client expectations.

"Having a sense of belonging means acceptance as a member or part, and is a human need, just like the need for food and shelter. Feeling that you belong is most important in seeing value in life and in coping with challenges. A sense of belonging to a greater community improves your motivation, health, and happiness."

The rise of multi-team membership, work crossing organisational boundaries, the gig economy and work related exhaustion, can significantly hinder a sense of belonging.

The good, bad & the ugly of membership of multiple teams references research showing professionals now are on average members of four different teams. Resulting in weakened relationships and coherence within teams and projects, if time isn't spent on personal interactions that develop trust and familiarity that enable a sense of belonging. In **Tribes, Squads, Neighbourhoods and Confusion** Colin D Ellis also highlights that

reorganising and renaming teams and structures within organisations won't enhance team collaboration that improves project and operational delivery performance, if team members don't have a strong sense of belonging. Enhanced collaboration requires a strong social contract to be built between the members of a team.

The rise of the gig economy and temporary work means more workers have short term relationships with organisations that accentuate transactional relationships and obligations, rather than building a sense of affiliation and belonging.

Employee commitment to whom? speaks to the tensions facing professional service firm (PSF) and knowledge workers today who work across organisational boundaries of their employer, clients and collaborating business partners and suppliers. These workers can spend the majority of their time colocated and working with employees of other organisations, challenging which organisation they connect to emotionally.

Juggling competing commitments and a diversity of cultures when working for multiple teams and/or organisations can be exhausting, leading to a lack of social connection and belonging with any one organisation or team.

Burnout at Work Isn't Just About Exhaustion. It's Also About Loneliness reports that ~50% of people say they are often or always exhausted due to work, an increase of 32% over the past two decades. The emotional exhaustion associated with workplace burnout creates loneliness and significant harm.

"Loneliness, whether resulting from social isolation or exhaustion, has serious consequences. Research demonstrates that while obesity reduces longevity by 20%, drinking by 30% and smoking by 50%, loneliness reduces it by a whopping 70%. Loneliness increases the risk of strokes and coronary heart disease by 30%, the leading cause of death in developed countries.
Productivity suffers and other costs of the high level of disengagement associated with loneliness includes ~37% higher absenteeism, 49% more accidents, 16% lower profitability and 65% lower share price over time."

A regulator responds

Evidence of levels of employee disengagement, loneliness and workplace related mental health issues, and the associated costs to individuals, organisations and economies, has not resulted in organisations making changes that have improved current statistics.

It's heartening that the The Australian Securities and Investments Commission (ASIC) has responded to the findings of the Financial Services Royal Commission, announcing plans to strengthen governance rules to ensure companies, their boards and senior executives act in lawful, ethical and socially responsible ways. New rules will target culture and behaviour, introduce a 30% gender requirement for directors of ASX300 boards, also include a social licence to serve the wider community as well as shareholders.

Time will tell how much the ASIC can be a cultural change maker. Whether new rules will propel publicly listed organisations to consistently use a lens of building a sense of pride and belonging for their employees when considering the context of how their people work, and what their executive and management actions reveal about the character of their company.

An organisation's people create great customer experiences, products and services, they generate innovation and enable transformations that keep businesses competitive and sustainable. It's a no brainer that when employees thrive, so does the organisation.

— Published on June 26, 2018
WORK CULTURE, WELL-BEING, PRODUCTIVITY, MENTAL HEALTH AT WORK

https://www.linkedin.com/pulse/creating-movements-create-transformation-karen-walker/

Creating movements create transformation

shutterstock_150638384 #Culture #Transformation #SocialMovement #Leadership

- Published on December 10, 2017

Karen Walker
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Organisations can learn from the power of social movements like #MeToo when it comes to transformation, as like society organisations are human systems

Changing operating models, organisation charts and workplace design is often hailed as the fast-track to harnessing the collective power of employees, increased collaboration leading to innovation and better outcomes for customers and the organisation. Flatter structures with more autonomous, agile and cross-functional teams, including the Spotify operating model, are increasing in popularity.

Do these ever mobilise people to work together towards a shared purpose in the way social movements galvanise strangers into action?
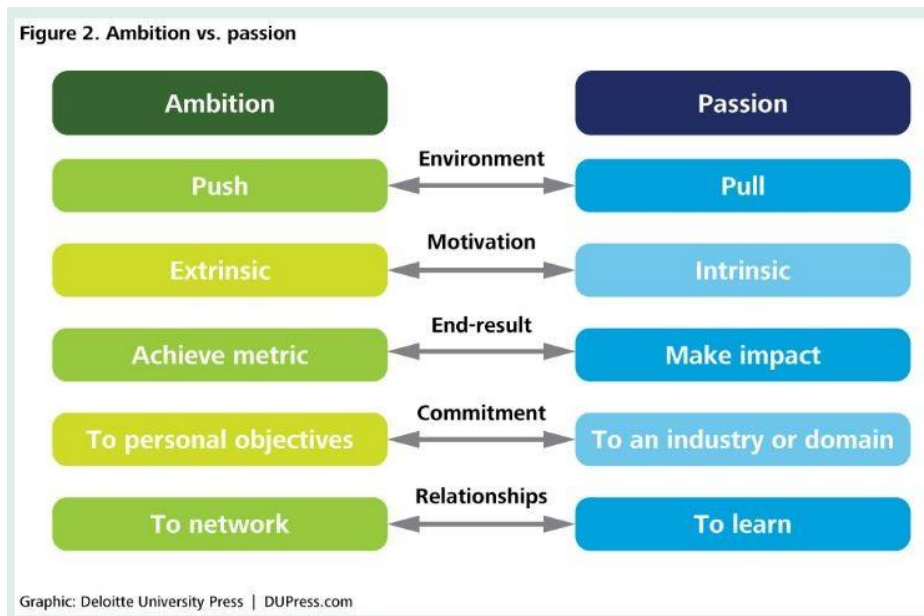
Passionate people, the cornerstone of social movements

Deloitte's research into passion highlights the difference between engaged employees versus those passionate about their work.

Passionate employees "not only do they seek out difficult challenges - they are committed to making a significant impact and regularly connect with others to gain the skills and insights to do so."

Deloitte view passionate workers as vital in a rapidly changing business environment, as they "can drive extreme and sustained performance improvement, have both personal resilience and an orientation toward learning and improvement" that help their organisation adapt and grow.

Deloitte's analysis highlighted only 13% of workers are both engaged and passionate, advising also how to avoid mistaking the ambitious for the passionate.

Figure 2. Ambition vs. passion

Ambition		Passion
Push	Environment	Pull
Extrinsic	Motivation	Intrinsic
Achieve metric	End-result	Make impact
To personal objectives	Commitment	To an industry or domain
To network	Relationships	To learn

Graphic: Deloitte University Press | DUPress.com

The passionate are usually not on official taskforces, seeking approval or buy-in, nor navigating formal structures, they just do it.

The self-serving focus of a leader or manager who is more ambitious than passionate about work hinders the actions of those striving to make a difference, likely resulting in the departure of the most passionate employees. A characteristic of the highly passionate is their mobility, frequently changing organisations in pursuit of making the biggest impact.

Mandates don't change culture

Mandating greater collaboration through cross-functional teams, use of collaborative technologies, office design and ways of working does not guarantee increasing employees passion for work.

Changing Company Culture Requires a Movement, Not a Mandate highlights how organisations struggle most with cultural change associated with transformations to become more adaptive and innovative, "someone with authority can demand compliance, but they can't dictate optimism, trust, conviction, or creativity."

Characteristics of social movements, like #MeToo:

- "Start with emotion, not action, a diffuse dissatisfaction with the status quo, where a voice arises that provides a positive vision and a path forward that's within the power of the crowd.

- Start small, beginning with a group of passionate enthusiasts who deliver a few modest wins that create momentum.
- Momentum really gathers force and scale once this group successfully co-opts existing networks and influencers."

How this translates for leaders creating a movement rather than a mandate to achieve cultural change:

- It's insufficient to just communicate the need and urgency for change, they provide an emotional frame connected to purpose, using a symbol - such as new corporate brand identity - to link emotions and purpose.
- Don't make statements about the future state culture, rather spotlight examples of actions they hope to see more of within the culture.
- Don't use top-down communication, they activate existing networks and enthusiasts to spread ideas.
- Don't expect the behaviours of enthusiasts creating a new subculture will overcome the existing dominant culture, they take steps to protect and transition to the new culture.
- Don't aim for harmony and a smooth transition, they know that cultural change creates friction where the dominant organisational design and culture may need to evolve.

Culture the driving force to shape structure

In [Why do company change processes seem to fail so often?](#) Jim Bright recommends that organisations view culture as the driving force to shape the structure of organisations, not as a reaction to structural changes.

"Effective structure emerges out of effective relationships and interactions of the component elements of the organisation.

Functional organisations work hard and continually on relationships, and from that iterative process, form emerges, that is intimately tailored to the needs of the particular organisation, with their particular staff, and not some abstract, idealised, historic or borrowed examples."

Create a movement from which structure emerges and evolves

Organisations like society are human systems, where significant change can be achieved through passionate employees enabling adaptiveness and growth. When embarking on a transformation it makes sense for leaders to first initiate a movement for cultural change, out of which the right shape and form emerges and evolves.

https://www.linkedin.com/pulse/good-bad-ugly-membership-multiple-teams-karen-walker/

The good, bad & the ugly of membership of multiple teams.

- Published on March 2, 2018

Karen Walker
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"Professionals are now members of four different teams on average", according to a recent benchmarking survey, "four teams with say 3-5 key goals each means 12-20 key initiatives to juggle and try to stay on top of."

Rise of multiple team membership

Today's prevalence of multiple team membership (MTM), also referred to as *multi-teaming*, involves teams crossing intra-organisational, geographical and organisational boundaries, with global, virtual and multi-organisational teams.

More than 70% of digitally mature organisations are organised around cross-functional teams according to MIT and Deloitte's 2017 report.

Distinct from occasional contributions and advice from consultants or other people, t*eam members* are defined as a group of individuals working interdependently towards shared outcomes they are jointly responsible for over a period of time.

How does multi-teaming impact individual, team and organisational performance?

Benefits of multi-teaming

The Overcommitted Organisation by Mark Mortensen and Heidi K. Gardner provides numerous reasons for the rise of multi-teaming:

- o Solving complex problems requires the collaboration of experts in multiple disciplines, being assigned across multiple projects optimises the use of knowledge workers' time and expertise when no one project or team requires 100% of their time.

- Market competitiveness plus technology enabling the ability to track the downtime of workers assigned to projects and initiatives, has increased pressure to better manage underutilisation of human resources.

- Multi-disciplined, cross-functional and multi-organisational teams enable diversified knowledge transfer, collaboration and the dissemination of best practices and learning across organisations that stimulate innovation, quality and efficiency.

- Prevalence of operating models and organisations structured around team and project based work, and the rise of freelancers as part of the gig economy, facilitate multi-teaming.

The dynamic relationship between multiple team membership and individual job performance also highlights

multi-teaming boosts the social capital of employees by increasing and diversifying interpersonal connections that provide access to knowledge, resources, information and political associations. All of which can be career enhancing.

Challenges of multi-teaming

Temporal misalignment occurs when teams share members but are out of sync with the frequency and timing of meetings and working sessions, including associated work effort to meet deadlines, to the extent that team members can't meet their obligations for all of their teams, all of the time. The Overcommitted Organisation describes the effects of juggling conflicting demands and priorities for members of multiple teams frequently experience.

One person likened it to being "slapped about" by different project leaders.

When a surprise problem jolts one project that "requires all hands on deck" from members shared with other projects, there's usually a flow on effect, workers having to put in extra hours and/or other projects not delivering.

Increasing the number of members shared by different teams, also increases co-ordination and overhead costs, reducing the productivity benefits of MTM.

As the ratio of shared team members increases so too do conflicting demands and priorities, projects more frequently missing out on requisite work effort, knowledge and expertise for activities, reducing the quality and capability benefits of MTM.

Multi-teaming is counterintuitive for Agile and Scrum teams, reliant on known team capacity on which to calculate velocity, rituals and rhythms of daily stand-ups and retrospectives. The cost of context switching between projects also takes the 'agile' out of Agile.

The Overcommitted Organisation list other challenges of:

- weakened relationships and coherence within teams and projects, if time isn't spent on personal interactions that develop trust and familiarity, and enable new members to understand every team's unique context.

- stress associated with over committed employees, who have to push back capacity issues to multiple team managers and/or work long hours

- over committed employees also create political tension about scarce, shared human resources

- over committed employees at best manage to do what they have to do, but don't have the time to share ideas and knowledge

- employees may feel commoditised, weakening their identification with their employer

Context switching is when individuals have to shift between two or more team contexts, the challenge being the frequency workers are required to do so (scheduled times and ad-hoc requests which research shows could be ~6 times daily) and also the degree of difference in team contexts.

Team contexts can vary in a number of ways, from working styles and personalities, to the nature of work, tasks, tools, technology, roles, locations, stakeholders and routines.

Multiple Team Membership: A Theoretical Model of Its Effects on Productivity and Learning for Individuals and Teams proposes there is a tipping point whereby benefits for individuals start to erode as the scale of context switching required - frequency and degree - increases.

Increased time required for individuals to refocus, re-immerse, catch-up, re-locate and change tools and roles between different teams and associated work, reduces the MTM productivity benefits of the dissemination of best practices and optimisation of resource management.

Increased scale and/or disparity of information received by individuals reduces time to process, incubate, reflect and integrate new information, limiting the MTM learning and knowledge transfer benefits.

Figure 3: Mechanisms Linking MTM-Driven Context-Switching to Individual Productivity and Learning
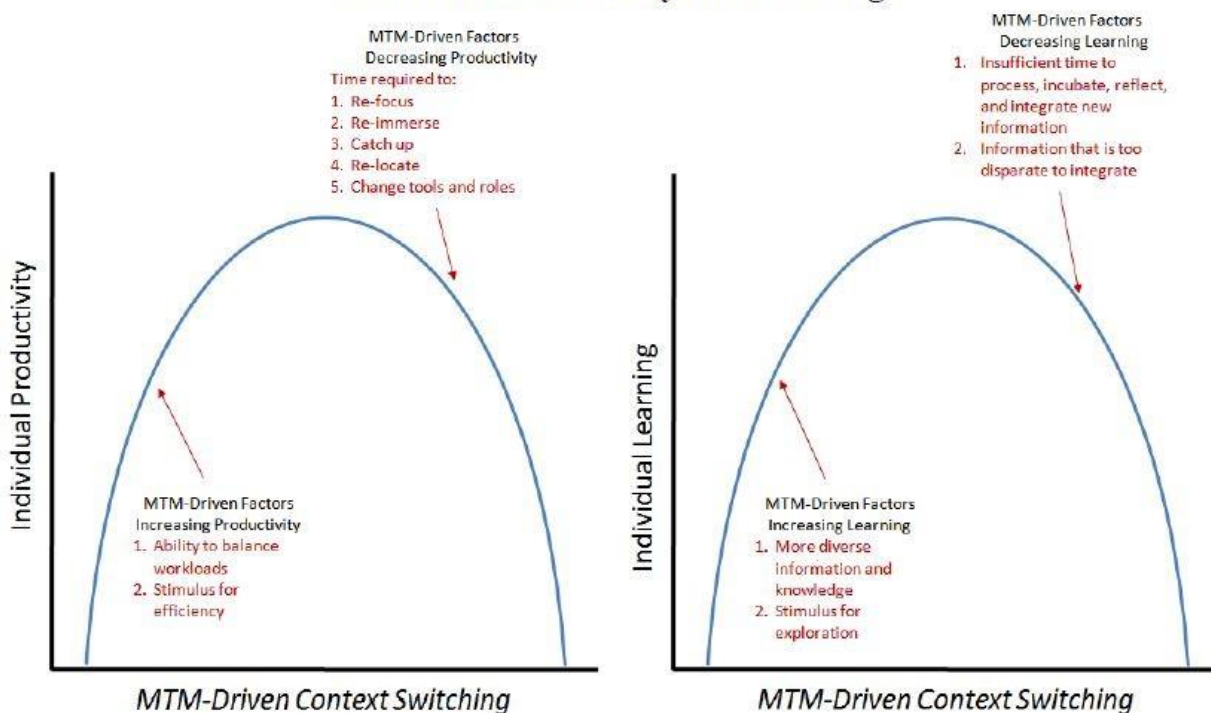
How to know when multiple team memberships is too much?

Understanding whether employees are overcommitted due to multi-teaming and the performance of individuals, teams and the organisation are being eroded, relies on the organisation actively measuring and understanding whether their employee's experience aligns with those of high performing teams.

Google's Project Aristotle recent extensive study of teams found that the most important characteristic for successful teams is psychological safety, a setting "in which everyone is safe to take risks, voice their opinions, and ask judgment-free questions.

A culture where managers provide air cover and create safe zones so employees can let down their guard." High-Performing Teams Need Psychological Safety. Here's How to Create It proposes:

"There's no team without trust. Emotions of trust, curiosity, confidence, and inspiration broaden the mind and help us build psychological, social, and physical resources.

We become more open-minded, resilient, motivated, and persistent when we feel safe.

Humor increases, as does solution-finding and divergent thinking - the cognitive process underlying creativity."

Project Aristotle also highlighted the importance of team members getting things done on time and meeting expectations, also having structure and clarity.

As The Overcommitted Organisation concludes, successful multi-teaming requires a significant investment of time and resources to get it right.

Time for teams and new members to develop trust based relationships. Time for individuals and teams to think, reflect, absorb and learn from a diversity of information and knowledge. Time for individuals to meet the obligations of all of their teams, and resources that enable this through coordination and navigation of competing priorities and risks associated with multi-teaming.