Culture driven governance: Why influencing behaviour is an essential governance strategy

By Karen Gately, Co-founder, Ryan Gately

- A cultural environment in which people feel not only safe to speak up but expected to, is essential to achieving an organisation's governance objectives.

- Every member of your team needs to be held accountable for doing their part to protect the interests of the organisation and its stakeholders.

- Inspire people to want to behave with integrity and contribute to the full extent of their potential, and governance standards are likely to be achieved.

Ego, greed, power, risk taking, responsibility, morality … the reasons people break the rules and fail to meet expected ethical standards are varied and at times complex. Influencing the way people choose to behave is essential to any organisation's ability to meet its governance obligations.

In Australia, the link between culture and governance is firmly on the minds of the regulators. The Australian Securities and Investments Commission (ASIC) has in recent years brought an especially strong focus to bear on organisational culture and its influence on how employees behave. Both ASIC and the Australian Prudential Regulation Authority (APRA) have emphasised corporate culture as a key area of risk.

The link between poor culture and poor conduct has driven both regulators to actively review company practices linked to culture. Critical decisions including incentives payments and other rewards are of particular concern. Whistleblowing policies and complaints processes have also been under the microscope.

Misconduct in the financial services industry provides recent example of the impact of poor organisational cultures on risk, compliance and organisational performance. In April 2015 top executives from Macquarie, ANZ, NAB and CBA faced a Senate inquiry to respond to questions about their financial planning and wealth divisions. The *Australian Financial Review* reported at the time, that the financial planning scandal at CBA alone led to 'thousands of clients losing hundreds of millions in retirement savings from receiving inappropriate financial advice.'

These cases and others like them have drawn intense public criticism of perceived lack accountability for behaviour at all levels of business. Customers and shareholders alike, expect leaders to create corporate cultures that ensure their interests and rights are protected. The pressure is on for boards and senior leaders to not only achieve superior financial results, but to ensure approaches taken are both ethical and prudent.

Desirable culture

A cultural environment in which people feel not only safe to speak up but expected to, is essential to achieving an organisation's governance objectives. Just as important is for people to have a deep sense of personal accountability and the courage to stand up for what is right. Reflect for a moment on the cultural environments you have observed have an enabling or detrimental impact.

Among the most common examples of cultures that undermine governance and ultimately business success are the following.

> **Creating a desirable workplace culture takes both a 'top down' and 'bottom up' strategy.**

No bad news. In these organisations people are expected to be optimistic and forward looking, to a fault. Little time or attention is given to the things that need to improve. People who raise concern are typically regarded as being pessimistic, obstructional or a non-team player. To succeed people soon learn to not talk about the things leaders don't want to hear.

Blame. While its critical to hold people accountable for the standard of their contribution and conduct, leaders who look to apportion blame for all issues or short comings, create an environment in which people do the same. When we constantly look outside of ourselves for the reasons things go wrong, we fail to bring the level of personal accountability needed to enable a whole team to thrive.

'Got ya'. Leaders who focus on catching people out doing the wrong thing, create a climate of fear and hesitation. When people feel the need to protect themselves from unfair punishment, they are most likely to play it safe and limit their contribution. They are entirely unlikely to put their hand up when things go wrong, or to ask for help.

'Do as I say, not as I do'. Reflect for a moment on when you have observed leaders espouse values or enforce policies they themselves fail to live up to. Cultures in which leaders say one thing and do another will inevitably struggle to establish the standards of integrity and conduct required to effectively govern a business.

Creating desirable culture

Creating a desirable workplace culture takes both a 'top down' and 'bottom up' strategy. Every member of your team needs to be held accountable for doing their part to protect the interests of the organisation and its stakeholders.

Lead from 'the top down'

As always in business, success begins with leadership. The most important role any leader can play to influence compliance and optimise results is to motivate people to want to make a positive difference to the organisation and the people they serve.

Every leader irrespective of their seniority has a responsibility to contribute to developing a desirable culture. To achieve high standards of compliance and effective controls, leaders need to place priority on a culture that inspires people to behave with integrity and assume responsibility.

The approaches encouraged and accepted at every level of the organisation are ultimately what drive success. Put simply, if you want people to do the right thing, and bring courage to their role, Leaders need to behave that way.

Responsible for the selection and performance of the CEO and leadership of the Board, the Chairman has ultimate opportunity to influence. The approaches taken, priorities held and decisions reached by the Chair and other Board members, have significant impact on the way the CEO

and their leadership team in turn think and behave.

Ultimately the way the chair allows the board to operate, and manages the CEO, sets the standard that can reasonably be expected from everyone else. Those who accept ineffective people leadership or allow unacceptable behaviour to go unaddressed are equally responsible for failed efforts to achieve acceptable standards of governance.

CEOs who effectively leverage the spirit and talent of their team to drive governance standards are those who should be rewarded. The CEO should be expected to listen to and learn from people at all levels of the organisation and adopt a collaborative approach to lifting commitment and performance. They should be expected to value and respect successful behaviour and the contributions people make to driving improvement and achieving results.

Among the most important steps you can take to ensure leaders have a positive impact on culture and governance include these:

1. Recruit and promote leaders who are culturally aligned. Never appoint to a leadership role someone who you doubt is capable of leading by example and holding people accountable to acceptable standards of behaviour. No matter how attractive their professional skills and qualifications, if they can't influence the standards of behaviour needed, keep looking for someone who can.

2. Reward leaders who take ownership. Hold up as an example those who demonstrate commitment to influencing a culture of trust, respect, integrity and accountability. Recognise and reward those who have a positive influence on the standard of conduct achieved by not only their team, but people across the organisation.

3. Teach leaders to manage behaviour. It's common for people to be promoted to leadership roles due to their technical strengths. All too often however they lack the leadership skills needed to succeed. It's essential to invest in developing the ability of leaders to set clear expectations and coach their team to behave successfully. Especially important is ensuring leaders are able to engage in tough conversations and influence the way people, think, feel and ultimately behave.

4. Address misalignment. Holding leaders accountable to behaving in ways others are expected to, is critical. An inconsistent approach to holding anyone accountable is damaging to culture, but it's especially so when the people being 'let off the hook' are in leadership positions.

Lead from 'the bottom up'

Inspiring people to take ownership for their own conduct is critical to driving governance standards. Influencing the decisions every person on the team makes and the actions they take is essential to any organisation's ability to meet its lawful obligations and effectively manage risk.

Leaders need to influence people to consistently think and behave in desirable ways; getting them involved is an important way of doing that. Being invited to participate and having the opportunity to share ideas or insights matters to how motivated most people feel to comply and strive.

Consider how much more likely you are to 'buy in', align with an idea or conform to an approach if you have been involved in its development. How much more likely are you to 'step up' and

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assume ownership and invest energy if you feel informed and consulted?

Inspire people to want to behave with integrity and contribute to the full extent of their potential, and governance standards are likely to be achieved. Among the most important steps any leader can take include these.

Empower every member of the team

Holding people accountable first requires that we empower them to take ownership of their role. It's not enough to simply expect people to be fully responsible they must also be allowed to be. Reflect on whether you have experienced or witnessed the disempowering impact of a micro manager. People soon stop thinking for themselves, making decisions and speaking up when constantly second-guessed and undermined.

Sharing in the process of decision-making and entrusting people to work autonomously within the boundaries laid down by policies and procedure, are important ways of empowering them. Only when people are truly empowered can they fairly be held accountable for the outcomes reached. Of course it matters to measure, assess and apply standards, as does coaching people to make good decisions and learn. But this shouldn't be at the expense of expecting and allowing people to take responsibility for the outcomes they impact.

Ensure clarity: Awareness and understanding

Clarity begins with defining what desirable behaviour looks like. Success ultimately depends on the

conscious awareness people have of not only what is expected, but also the standard of their own conduct. Never underestimate the extent to which people can be unaware of how their behaviours adversely impact other people or the organisation.

Getting people involved in initiatives such as reviewing policies, developing processes and implementing programs creates the opportunity for them to learn how things fit in and why certain behaviours matter. Designing approaches and dealing with challenges or obstacles that arise is invaluable experience that builds awareness, understanding and ultimately engagement.

With greater understanding of why policies and procedures matter, people are more likely to hold themselves and others accountable to those standards. A powerful influencer of governance standards is the courage people feel to speak up and challenge inappropriate conduct. Most people are more likely to do that when armed with knowledge and support.

Create connection

Human beings are fundamentally motivated by the need to belong — that is the need for acceptance through meaningful relationships. This need motivates most people to engage in behavior that will lead to approval. Leaders need to create an environment in which people feel a sense of belonging and therefore desire to do what is considered right.

Focus on building emotional ownership of the organisation and its mission. Help people to feel a personal

connection with the organisation and they are more likely to work hard to protect it. Focus on how every individual on the team is able to make a difference to enabling the organisation to thrive. Draw a clear line of sight between what you need to achieve and the behaviours that will allow you to get there.

Build trust and respect

Unquestionably the most critical foundations of any successful relationship are trust and respect. When people trust, and respect the leaders and colleagues they work with they are more likely to take ownership for the impact of their behaviour. Fundamentally people are more likely to take actions to cultivate successful relationships, when they care about people and are keen to gain approval.

Leaders are wise to purposefully invest in developing strong relationships across an organisation. Focus should be placed on the depth of trust and respect people feel. Ensure every member of your team understands the non-negotiable requirement to do their part to foster healthy working relationships. Support this objective by developing the ability of people to have open and honest conversations about behaviour.

Listen and learn

All too often leaders underestimate the power of the insights their team can provide. Spend time listening to the people on your team about what is working and what needs to improve. Invite people to share their perceptions of the changes needed to better enable the organisation to achieve its governance obligations.

Allow people to be open in sharing their views about the standards of behaviour they observe. Expect that they express their opinions with respect and sensitivity, but encourage also that people be completely honest. Listening to people is an important way of building trust. When we listen with the intention of gaining greater understanding, we demonstrate respect for the other person's contribution. ◤

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