“Compliance” won’t take root and grow in a toxic culture

Diagnosing and Dealing with Toxicity is a Cross-Functional Endeavour:
Think holistically about Integrity Management

SCCE ECEI Amsterdam 16 March 2020

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Agenda for today

1. Culture and culture risk, measurement and transformation
2. Seven Levels Model and the 7 Levels of Ethical Business Practice (EBP)
3. Elements of Ethical Business Practice and an example of (Self) Assessment – working across the organisation
What is Culture?

“The way things are done around here”

The culture of an organisation is a reflection of the values, beliefs and behaviours of the leaders of the group and the legacy of past leaders.

Influenced by context


Using data over a 10-year period of employee engagement surveys and company results, it found the following for organizations that possessed an engaged culture:

- 65% greater share-price increase
- 26% less employee turnover
- 100% more unsolicited employment applications
- 20% less absenteeism
- 15% greater employee productivity
- 30% greater customer satisfaction levels.

Queen’s University Centre for Business Venturing.

Organisational culture + human beings

Normalisation of deviance…

The Fudge Factor
Cognitive biases
Group Think

7 Levels of Ethical Business Practice

SERVICE
Service to Others, Humanity and the Planet, Ethics, Human Rights, Social Responsibility, Long-term Perspective, Compassion, Humility, Wisdom

MAKING A DIFFERENCE
Strategic Alliances and Collaborative Partnerships, Making a Difference, Sustainability, Collective Action, Employee Well-being (physical/emotional/mental/spiritual)

INTERNAL COHESION
Building Internal Community, Integrity, Shared Values, Shared Vision, Honesty, Fairness, Trust, Commitment, Leading By Example, Transparency, Openness, Meaning and Purpose, Clarity, Humour/ Fun

TRANSFORMATION
Continuous Improvement and Learning, Accountability, Information Sharing, Risk Taking, Equality, Diversity, Empowerment, Courage

SELF-ESTEEM
High Performance, Pride, Brand Image, Compliance Systems and Processes, Discipline and Enforcement, Policies and Procedures, Due Diligence, Ambition, Bureaucracy, Silo Mentality, Long-hours, Shame, Power, Information Hoarding, Complacency, Wilful Blindness

RELATIONSHIP
Harmonious Relationships, Respect, Listening, Loyalty, Manipulation, Empire-Building, Being Liked, Blame, Bullying/Harassment, Conflict Avoidance

SURVIVAL
Financial Stability, Profit, Results Orientation, Caution, Health & Safety, License to operate, Job Security / Insecurity, Short-Term Focus, Greed, Corruption, Control, Exploitation
## Aligned Organization- Sterling Bank (979)

<table>
<thead>
<tr>
<th>Level</th>
<th>Personal Values (PV)</th>
<th>Current Culture Values (CC)</th>
<th>Desired Culture Values (DC)</th>
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### Matches
- PV - CC 3
- CC - DC 8

### Values Plot
- Black Underline = PV & CC
- Orange = PV, CC & DC
- Blue = PV & DC
- P = Positive
- L = Potentially Limiting (white circle)
- I = Individual
- R = Relationship
- O = Organisational
- S = Societal

### Current Cultural Entropy
- 34%

### New Requests
- Community involvement
- Vision
- Organisational growth
- Being the best

### New Values
- Honesty
- Commitment
- Family/friendship
- Reliability
- Integrity
- Friendliness
- Responsibility
- Humour/fun
- Courtesy
- Trust

### Level Personal Values (PV) Current Culture Values (CC) Desired Culture Values (DC)
- IRS (P)=5-5-0 IRS (L)=0-0-0
- IRS (P)=2-2-5-1 IRS (L)=1-0-0-0
- IRS (P)=2-2-5-1 IRS (L)=0-0-0-0

### Continuous Learning
- Customer satisfaction
- Continuous improvement
- Customer service
- Employee engagement
- Leading by example
- Resourceful

### Misaligned Department (111)

<table>
<thead>
<tr>
<th>Level</th>
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### Matches
- PV - CC 1
- CC - DC 1
- PV - DC 1

### Current Cultural Entropy
- 24%
Low Cultural Health increases culture risk and lowers trust

<table>
<thead>
<tr>
<th>Cultural Health/Entropy</th>
<th>Most employees are</th>
<th>Potentially limiting values in current culture, for example</th>
<th>Culture Risk</th>
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<tbody>
<tr>
<td>10% or less</td>
<td>Highly Engaged</td>
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<td>Low Risk</td>
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<tr>
<td>11% to 20%</td>
<td>Engaged</td>
<td>Bureaucracy, Hierarchy, Confusion</td>
<td>Relatively Low Risk</td>
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<tr>
<td>21% to 30%</td>
<td>Becoming Disengaged</td>
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<td>Medium Risk</td>
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<td>31% to 40%</td>
<td>Disengaged</td>
<td>Bureaucracy, Hierarchy, Confusion, Control, Short-term focus, Silo-mentality, Long hours</td>
<td>High Risk</td>
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<tr>
<td>41% or more</td>
<td>Highly Disengaged</td>
<td>Bureaucracy, Short-term focus, Blame, Control, Confusion, Information Hoarding, Silo-mentality</td>
<td>Very High Risk</td>
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Ethical Business Practice & Regulation

- Commitment to a holistic approach to company culture based on properly identified core values.
- The belief that ethics is everyone’s responsibility & an effective ethical culture is good for business.
- A learning, just culture that can face issues and deal with them effectively.
- Compliance is balanced with ethics & integrity.
- Evidence of culture (transformation) can be produced via values assessments & other indicators.
EBP: Culture & Leadership Framework

- Articulated and inspirational social purpose
- Leaders committed to thoughtfully identified (ethical) values
- Accountable management with personalities and skills to continuously improve, promote open communication, make ethical decisions
- Encouragement of constructive conflict with no fear of reprisals: banish blame: just culture
- A collaborative atmosphere—work across functions, business units and cultures with curiosity and respect (diversity of thought and identity)
Systems, Processes, Structures Aligned with Purpose and Values

**EBP The Foundation**

**A belief that ethics is everyone’s responsibility**

<table>
<thead>
<tr>
<th>Indications:</th>
<th>In place</th>
<th>In progress</th>
<th>Absent</th>
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<tr>
<td>The “compliance” function is small and decentralised</td>
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<td>Management frequently discuss ethical issues in meetings</td>
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<td>The word compliance is not used in the dept name and job titles</td>
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<td>Some form of ethics ambassador or values champion network exists involving a variety of functions and levels</td>
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<td>There is a board level integrity/ethics sponsor</td>
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<td>Other (list):</td>
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Thoughtfully identified and clearly defined core (ethical) values that are regularly referred to and are in evidence throughout the organisation

**Indications**

- The values were chosen through a consultative process
- At least one of the values is an ethical value, and the others are consistent with ethical conduct
- You have conducted some form of inquiry to determine whether employees are aware of the values
- The values are mentioned when making difficult decisions
- Other (list):

EBP Assessment: Conscious commitment to continuous improvement

**Indications**

- Mistakes and or failures are seen as opportunities to learn, rather than blame
- Most people are not afraid to admit to their manager when they make a mistake
- Innovation is valued and encouraged
- There is a process for root cause analysis, and it is used
- It is common to collect and assess feedback after events/meetings

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Thank you for your attention