

#1 Performance or Integrity?

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In late-2015 Culture Navigator was asked a hypothetical by a client: What would financial institutions need to do to regain their customers' trust? Is it even possible?

At that time there was already a growing list of instances of failure, breaches of duty of care and disregard of professional codes of conduct, all of which demonstrated a level of disregard for the Financial Services Reform Act. The 2018 Financial Services Royal Commission brought to light further, and even more serious, evidence of disregard for customer and regulatory expectation of acceptable corporate behaviour. At the time we were supporting a strategic implementation of the FOFA reforms (ASIC's Future of Financial Advice) within a financial services company so, for us, the subject was front of

mind. We published our thoughts in an article about the choices facing the financial services industry – “Beyond Compliance – The Wisdom of a Creating a High Performing Culture”, Feb 2016. ([link](#))

When revisited in 2019, the advice we developed then is even more pertinent. We wanted to know ***what kind of organisational culture would ensure abuses of customer and regulatory expectations were aberrations rather than consistent examples of disregard? And more importantly, how might financial institutions go about genuinely lifting the level of professionalism and ethical conduct within their organisations?***

Australian financial institutions of all kinds will begin this year with a requirement to respond promptly and substantially to the Royal Commission report, which will doubtless focus largely on the risk culture of the institutions as indicated by the Interim Report released in September.

“Good culture and proper governance cannot be implemented by passing a law. Culture and governance are affected by rules, systems and practices but in the end, they depend upon people applying the right standards and doing their jobs properly.”¹

¹ Interim Report, Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, September 2018, page 320

The leadership of these organisations are also facing multiple challenges in the form of national and global circumstances that threaten disruption to performance – the global economy, new and highly competitive digital banks, compensation payouts, tightening mortgage practices, government intervention in super funds, global credit crunch, growing lack of trust by consumers of financial modelling ... and more.

For large enterprises it would, understandably, be tempting to put the culture question aside for the moment and maintain focus on the specific challenges. However, apart from being unacceptable to customers and regulatory bodies, the same dysfunctional cultures that enabled predatory behaviours with customers will hinder any attempts to reorganise to deal with a new and very different financial services market.

Boards and senior executives have to be particularly vigilant about establishing a new corporate approach to service delivery. These governance levels will need to develop demonstrable benchmarks that signal changed culture and rectification of the practices that have come under scrutiny.

The next level of temptation could be to simply roll out a raft of policies, procedures, regulations, oversight and compliance checking that, apart from having already proved to be inadequate to stopping bad behaviour, will stifle the organisation's ability to respond to challenges creatively, innovatively and most of all, quickly.

Difficult as it may seem, the culture question will have to be faced head on ... and at the same time as external pressures on the organisation are met and dealt with. It is not an either / or situation ... it will have to be both.

It will require an integrated view of all aspects of the organisation – markets, competition, regulation and governance, strategy, technology, workforce, finance, brand, structure, operating models ... there is no aspect of business that doesn't face exposure to risky behaviours.

Culture, in all these situations, plays a central role. When the proverbial fan is hit, it is culture that will decide the medium to long term outcome as it is the culture that defines the behaviour and decisions of the organisation.

In starting with the culture and what needs to change to realign the organisational purpose to customer service integrity, three aspects need to be addressed ... a change in thinking, a change in decision making and a change in specific behaviours.

In the process of directing effort to customer service integrity and changing mindsets, a lot of other important issues will be solved, simplified or re-envisioned. Indeed, the changes can become the way culture is transformed in real ways, in real work and in real situations. As each aspect of operations is aligned to a risk culture of integrity and responsibility, the systems and processes that define "how we do things around here" are brought into alignment. The result is a values shift plus changed compliance and regulatory frameworks.

“Changing culture in the Australian banks may not be easy and may take time. It cannot be assumed that entities will make desirable changes at all levels of the organisation. The move to balanced scorecards may be one step along the path of change, but scorecards of the kind described do not complete that journey.”²

What it will take is a very real commitment to embed both integrity and performance in a whole system organisational transformation. It will need the willingness to hold the pieces steady while a new system emerges. Mostly it will require courage to challenge the status quo and the tenacity to see it through.

For the leadership, it’s about holding integrity and performance as equal in value and working out how to make those two values work together ... an AND rather than an either / or proposition.

So, given the work must be done, it may just as well be done sustainably. No-one wants to see a repeat of last year’s Inquiry. Building a culture of integrity and performance is complex and challenging ... but not impossible. And the rewards and benefits are worth the effort.

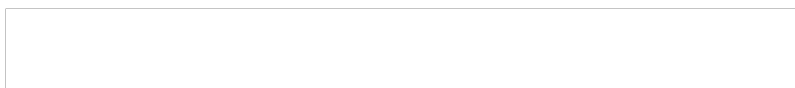
Who is Culture Navigator?

Dr Christina Kirk

Christina Kirk is a practising culture change and change transformation consultant who has been operating in the field for 25 years, primarily in large, global corporations. Her career includes being a Strategic Change partner in IBM, a Director in PwC Consulting and a General Manager in Fonterra. She holds a PhD in the delivery of culture change and is co-founder of Culture Navigator.

Gai Roper

Gai Roper is a specialist in working with values and behavioural change at leadership levels that enables culture transformation in large organisations. She holds a MAppSci in Social Ecology, has over 30 years’ experience in people and whole-system organisational change and culture transformation, has successfully led organisation-wide leadership development for Australian and global firms and is co-founder of Culture Navigator.



² Interim Report, Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, September 2018, page 317