




**VALUES² -
ETHICS FOR COMPETITIVE
ADVANTAGE**

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#NC2020




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Melinda was a Litigator, Professor of Law and Managing Director of her own business before joining QUTeX as a Professor of Practice.

She has custom-designed corporate education programs for a range of sectors including mining and resources, the legal and medical professions, government, banking and NGOs. She also has extensive international experience including projects in Bhutan, Myanmar, Thailand, The Czech Republic and Papua New Guinea.

Melinda teaches Negotiation and Business Law in the Graduate MBA and EMBA programs, is an Executive Coach and also leads the Ethical Decision-Making Masterclass series for QUTeX.



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Overview

- Why?
- What?
- How?
- The Future?

Why?
Hayne Royal Commission

***Recommendation 5.6 – Changing culture and governance**

All financial services entities should, as often as reasonably possible, take proper steps to:

- **assess the entity's culture** and its governance;
- **identify any problems with that culture and governance**;
- **deal with those problems**; and
- determine whether the changes it has made have been effective."

Reference: Final Report. Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Volume 1, p.36 (2019). Retrieved from <https://www.royalcommission.gov.au/sites/default/files/2019-02/firc-volume-1-final-report.pdf>

Why?

EY Forensic and Integrity Services interviewed 2550 executives from 55 countries and territories and said:

We found that many businesses have reached a certain level of maturity in their compliance programs, with the vast majority of executives interviewed aware of anti-corruption policies, procedures and intent from management. However, we see a mismatch between this awareness and employee behavior - and we continue to see ethical failures, business losses and consequent reputational damage. (p. 3)

Organizations should focus their efforts on improving the effectiveness of these programs by assessing the corporate culture, controls and governance from an integrity perspective. (p. 5)

Reference: EY. (2018). Integrity in the spotlight - the future of compliance, 15th Global Fraud Survey. Retrieved from <https://www.ey.com/Publication/vsturnover/easyglobal/fraud-survey-2018/2018-ey-global-fraud-survey-2018.pdf>

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Normative Ethics Theory

How do you lead a good life?
or
How ought we to live?



What's right?
Values and Principles
Divine command theory
Kantian universalism
Aristotle virtue ethics

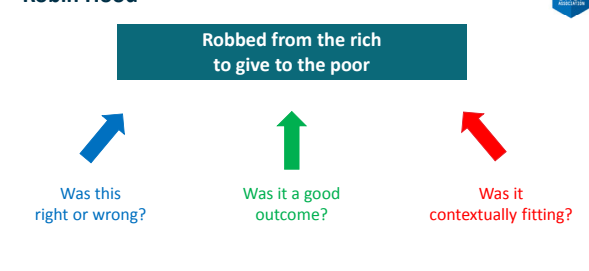
What's good?
Outcomes
Utilitarian thinking
John Stuart Mill
Jeremy Bentham

What's fitting?
Culture and Context
Ethical relativism

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Robin Hood

Robbed from the rich
to give to the poor



Was this right or wrong?

Was it a good outcome?

Was it contextually fitting?

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KPMG – September 2019



"The data shows that Australian retail investors are now keenly aware of the importance of reputation, transparency, ethical behaviour, values alignment, and social responsibility." p.3

"In fact, this survey indicates that boards and management have a green light from shareholders to pursue genuine efforts to become more transparent, more honest, more ethical, and more values-driven. This is an exciting finding." p.4



Boards can't shirk responsibility



achieving them. This is where ASIC's role is important. Wesfarmers is a case in point with the simple objective of providing satisfactory returns to shareholders, which it notes is only possible in the long term by looking after customers, staff, suppliers, the environment, suppliers and acting with integrity. This is a statement every director would support, including corporate veteran Graham Bradley. When he is reported as saying something different, he is referring to the classic divide between short-term demands of some shareholders and long-term performance. This point was taken up by royal commissioner Ken Hayne, who said: "Usually when these interests are opposed, it is because some shareholders have a short-term outlook. But the longer the company's other stakeholders will converge." Few boards would dispute the impact of climate change on their business, from BHP to Woolworths, which in its sustainability report noted the impact of climate change on food production and hence its costs. The impact of course is much broader still, right down to the amount of lighting in the supermarket. Bradley was reported on Wednesday as saying: "The case imposing new and wider obligations and purposes on companies and directors has not made. Indeed, this should be resisted." He told this column this "short term versus long term argument" and agreed with propositions put above. Bradley was speaking

<https://www.abc.net.au/business/boards-cant-shirk-responsibility>

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How Ethical Behaviour = Competitive Advantage



- Reduced litigation and settlements
- Reduced costs of internal fraud and theft
- Increased Social Licence - doing the right thing matters to taxpayers, employees and other stakeholders.
- Reduced reputational risk
- Good relationships with partners promotes integrative (optimal) bargains
- Psychological Safety improves employee productivity, creativity and loyalty and helps with recruitment

What are an ethical organisation's responsibilities?



Recognise anybody?



"Your evaluation is based on the next 30 seconds. Go!"

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Psychological Safety = Higher Value + Ethics



The BIG Idea:

A culture of psychological safety alongside high accountability will result in higher value and higher ethics.

The Research:

- Three in 10 employees strongly agree with the statement that their opinions count at work - *Gallup 2017*
- "By moving the ratio to six in 10 employees, organisations could realize a 27% reduction in **turnovers**, a 40% reduction in **safety** incidents and a 12% increase in **productivity**" - *Gallup 2017*
- It's not enough just to hire talent – you need to foster a psychologically safe climate for them to contribute their ideas, share information and report mistakes

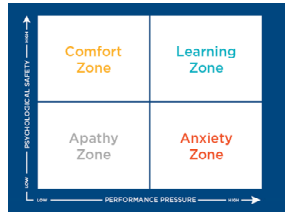


Figure 4.1. Psychological Safety and Accountability. Adapted from "The Fearless Organization" by A. Edmondson, 2018. Wiley.

Discussion...



What is rewarded in our shadow culture?

How safe is it to offer new ideas, ask questions and probe decision-making?

How do we privilege the learning space to promote a more agile and ethical culture?

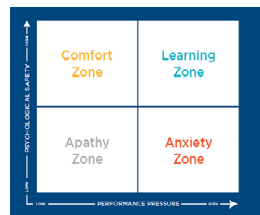


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The Future...

- 40% of traditional functions fit for automation
- Information Fiduciaries
- Trusted Advisers will need:
Professional Knowledge +
Digital Capabilities

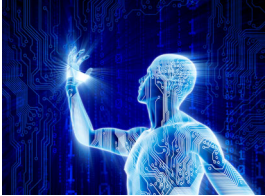






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Questions?



Thank you

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