
Good Governance

Leadership, Culture & Ethics

Webinar with Sarah Bolouri

August 19 2020



INTEGRITY
TRANSPARENCY
CONVICTION

FASEA Code of Ethics

Standards of Ethical behaviour	Standards of Client care	Standards of Quality process	Standards of Professional commitment	Our values
<p>Standard 1</p> <p>You must act in accordance with all applicable laws, including this Code, and not try to avoid or circumvent their intent.</p> <p>Standard 2</p> <p>You must act with integrity and in the best interests of each of your clients.</p> <p>Standard 3</p> <p>You must not advise, refer or act in any other manner where you have a conflict of interest or duty.</p>	<p>Standard 4</p> <p>You may act for a client only with the client's free, prior and informed consent. If required in the case of an existing client, the consent should be obtained as soon as practicable after this Code commences.</p> <p>Standard 5</p> <p>All advice and financial product recommendations that you give to a client must be in the best interests of the client and appropriate to the client's individual circumstances.</p> <p>You must be satisfied that the client understands your advice, and the benefits, costs and risks of the financial products that you recommend, and you must have reasonable grounds to be satisfied.</p> <p>Standard 6</p> <p>You must take into account the broad effects arising from the client acting on your advice and actively consider the clients broader, long-term interests and likely circumstances.</p>	<p>Standard 7</p> <p>The client must give free, prior and informed consent to all benefits you and your principal will receive in connection with acting for the client, including any fees for services that may be charged. If required in the case of an existing client, the consent should be obtained as soon as practicable after this Code commences.</p> <p>Except where expressly permitted by the Corporations Act 2001, you may not receive any benefits, in connection with acting for a client, that derive from a third party other than your principal.</p> <p>You must satisfy yourself that any fees and charges that the client must pay to you or your principal, and any benefits that you or your principal receive, in connection with acting for the client are fair and reasonable, and represent value for money for the client.</p> <p>Standard 8</p> <p>You must ensure that your records of clients, including former clients, are kept in a form that is complete and accurate.</p> <p>Standard 9</p> <p>All advice you give, and all products you recommend, to a client must be offered in good faith and with competence and be neither misleading nor deceptive.</p>	<p>Standard 10</p> <p>You must develop, maintain and apply a high level of relevant knowledge and skills.</p> <p>Standard 11</p> <p>You must cooperate with ASIC and monitoring bodies in any investigation of a breach or potential breach of this Code.</p> <p>Standard 12</p> <p>Individually and in cooperation with peers, you must uphold and promote the ethical standards of the profession, and hold each other accountable for the protection of the public interest.</p>	<p>A relevant provider must always act to realise and promote the values of:</p> <ul style="list-style-type: none"> • Trustworthiness • Competence • Honesty • Fairness • Diligence

A relevant provider is defined in the Corporations Act 2001 (s 910A) as an individual authorised to provide personal advice to retail clients in relation to relevant financial products.

This Code and the Standards within it

- make expectations clear and explicit
- are a matter of legal obligation for all financial advisers, whatever their employment circumstance
- is intended to shape every aspect of your professional conduct
- lays the foundations for a true profession to emerge
- The ability to show self-regulation by identifying and calling out issues where they exist is an important component of a profession.

"[T]hose who formerly provided a commercial service, are now committed to offering a professional service".(Intro to Code)

Values: Competence + Honesty + Fairness + Diligence = Trustworthiness

Culture can be viewed as a shared, internalised version of the pre-dominant values and acceptable standards in a workplace.

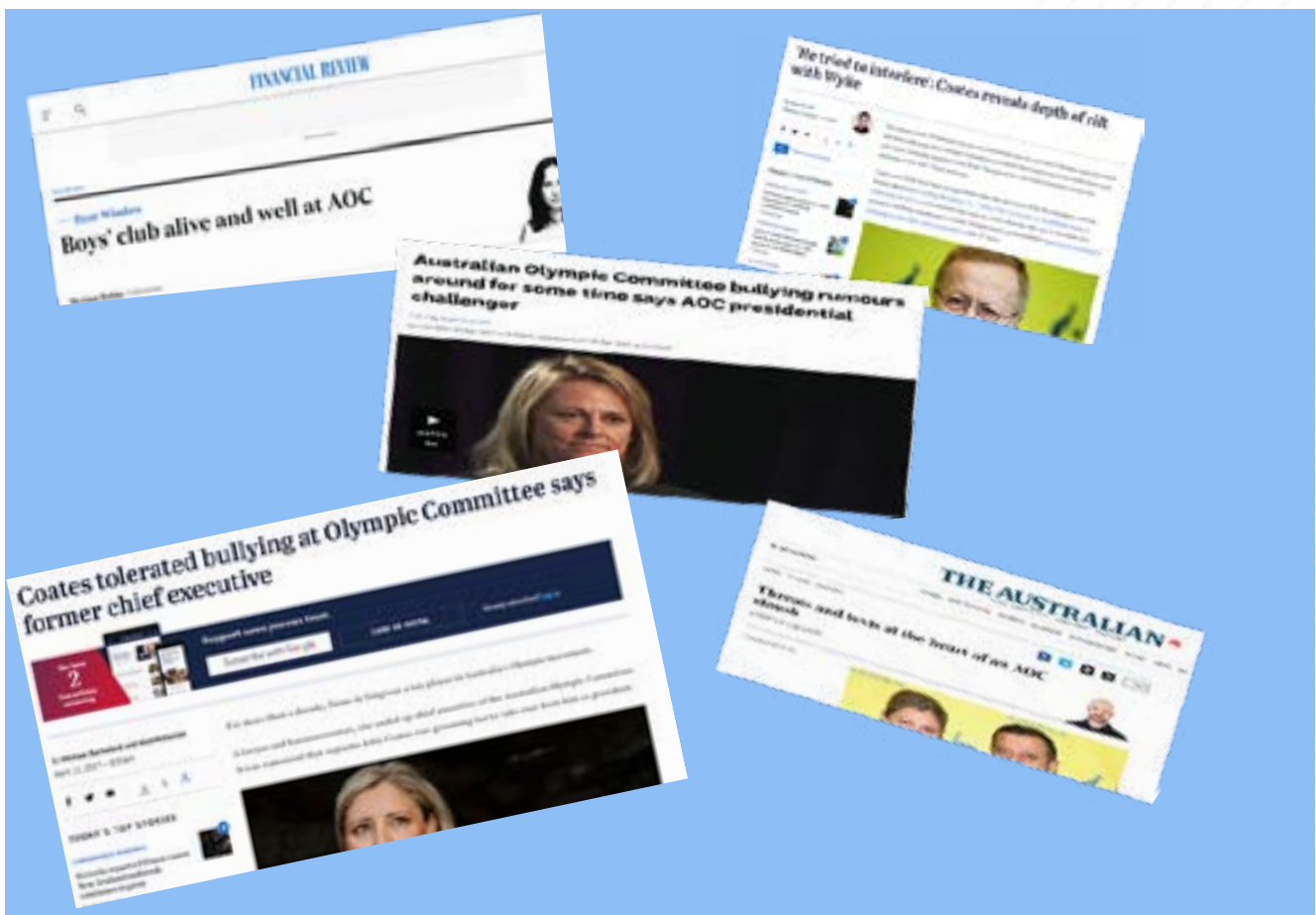
You bring your workplace culture to your client relationships.

A Financial Advisor practice like any organisation takes its culture from its leader/s.

QUESTION: Who are you as a leader/principal? Strengths? Any weak areas? Bad habits?

When leadership fails & culture is poor

CASE STUDY: The Australian Olympic Committee



Article Links:

- <https://www.theaustralian.com.au/nation/inquirer/threats-and-texts-at-the-heart-of-an-aoc-stoush/news-story/ad70fd99cfd708b45034320bf16ef905>
- <https://www.theaustralian.com.au/sport/olympics/one-statistic-sums-up-the-aoc-culture-under-john-coates/news-story/1232aebdf3d011316f33a24d929d65b4>
- <https://www.smh.com.au/sport/he-tried-to-interfere-coates-reveals-depth-of-rift-with-wylie-20200223-p543jb.html>
- <https://www.abc.net.au/news/2017-04-24/danni-roche-says-olympic-bullying-rumours-around-for-some-time/8468224>
- <https://www.smh.com.au/sport/coates-tolerated-bullying-at-olympic-committee-says-former-chief-executive-20170421-gvpf8g.html>

What went wrong: Individual traits/flaws and behaviour of John Coates:

- Refused to work with individuals
- No collab leadership
- Bullying of CEO
- Never led by example (talked the talk but didn't walk the walk)
- Boys club – lack of Gender balance

Became systemic issues (lack of positive ethical culture).

Findings of Independent Review included a clash of cultures between idealists and pragmatists; “the AOC values are not widely recognised by staff, nor do they resonate strongly with them”.

Ethics Centre Report: <http://aoc-cdn.s3.amazonaws.com/corporate/live/files/dmfile/Independent-Review-of-the-AOCs-workplace-culture.pdf>

Shadow Values

“Shadow values are an expression of the unstated operating culture of an organisation. They are a feature of all organisational cultures but their level of significance and influence corresponds to the level of misalignment of an organisation’s culture with its ethical framework. They are seeded, developed and grown in environments where organisations are experiencing stress – whether through bearing the impacts of change or a general lack of focus on maintaining and supporting the alignment of culture with the ethical framework. At their best, they throw into relief the shape of the sanctioned organisational values. At their worst, they are destructive mutations. Shadow values are evidenced through behaviours and practices – in the way people treat each other, how decisions are made, and how work gets done. They are best thought of as the ‘implicit’ values that exist beneath the formally sanctioned organisational values”.

<http://aoc-cdn.s3.amazonaws.com/corporate/live/files/dmfile/Independent-Review-of-the-AOCs-workplace-culture.pdf>

“Stating the ethical framework alone, however, is insufficient. Once the ethical framework has been established, it needs to be embedded throughout the organisation.³³ That is, it needs to be embedded within the purpose, strategy and business models; it needs to be interpreted into policies and systems; and it needs to be translated into expected behaviours, so that employees understand how the purpose, values and principles can be effectively lived in day-to-day decision-making. It also needs to be widely and consistently communicated, including through codes of ethics/conduct, and reinforced through recruitment, performance management and rewards”. From Managing Culture Guide

What is the point of Mission and Values Statements that sound “warm and fuzzy” without having a real, ongoing application in the systems and processes of the business?

QUESTION: How thoroughly does your firm’s Mission or Values statement reflect in everyday activities?

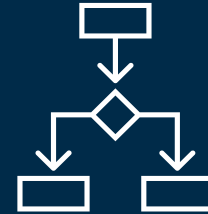


The Challenge

In 2017 a troubled AOC, reeling after a succession of negative events including allegations of bullying, cultural dysfunction and a fractured leadership, was in need of cultural repair.

Peak sporting body, The Australian Olympic Committee had experienced massive upheaval and a series of negative events that had impacted their culture and staff morale. Following a changeover of leadership the new CEO faced an uphill challenge of addressing the issues and finding a pathway forward that would inspire and unite the athletes, staff, stakeholders and the broader public, renewing confidence and trust.

The AOC contracted The Ethics Centre to conduct a culture review and provide key recommendations to enable the new leadership to rebuild a strong culture based on the AOC values and principles.



The Outcome

In a radical act of transparency, the AOC publically released our review and undertook a commitment to implement all 17 recommendations for change.

Over two months the TEC team performed a detailed audit of the organisation, interviewing staff and external stakeholders, and reviewing a number of AOC policies and governing documents.

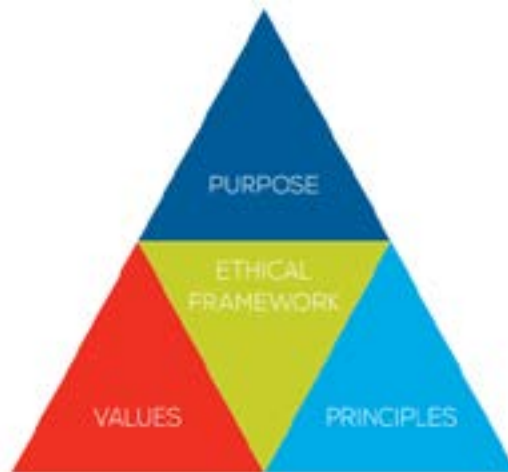
The resulting 64 page comprehensive report contained 17 specific recommendations, including a review of the AOC's governance model and the appointment of a dedicated people and culture resource.

The AOC made a public commitment to its implementation, showing determination to address underlying issues and take positive steps towards improving their organisational culture.

Source: <https://ethics.org.au/casestudy/australian-olympic-committee-case-study/>

Rules & Compliance Versus Ethical Framework & Culture

One method for achieving coherence and consistency of organisational conduct is to build a strong and comprehensive 'scaffold' of rules and regulations that bind and shape individual decision-makers when acting on behalf of the organisation. These rules and regulations depend upon compliance and limit or remove the capacity of individuals and groups to exercise judgement and discretion when making decisions. In their most extreme form, rules and regulations might be designed with the intention of defining and constraining the totality of all decision making. It is the overreliance on this scaffolding that has led regulators to increase their focus on culture". - from Managing Culture



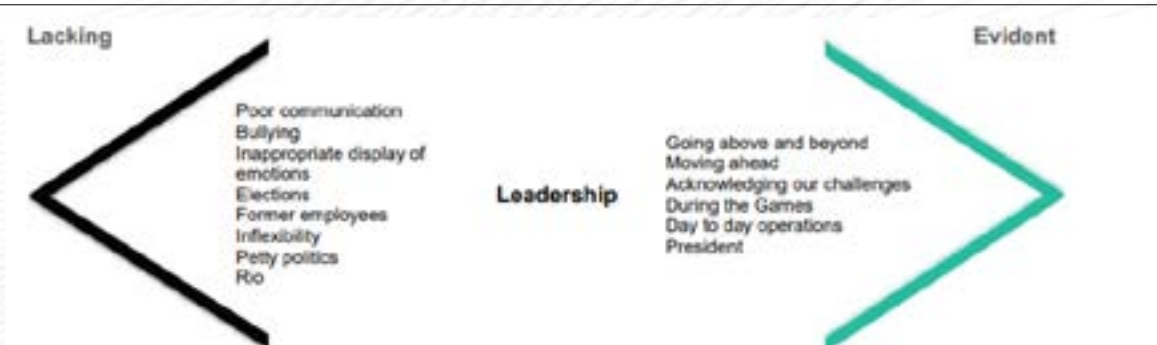
Compliance may not be enough ...

"Nigel Jeffares, who lost retirement savings of \$370,000, describes what has happened to the 400 Sherwin clients as "elder abuse at a corporate level".

Jeffares points out that, apart from Sherwin and Robertson, there were other employees who were key administrators and are still in the financial services industry. Some don't mention their connection with Sherwin."

- <https://www.moneymag.com.au/avoid-dodgy-financial-planner>
- <https://www.accountantsdaily.com.au/smsf/13776-asic-hands-down-6-year-ban-over-dodgy-smsf-advice>
- <https://www.moneymanagement.com.au/news/financial-planning/perth-adviser-banned-four-years>

Values: Evident vs Lacking Activity



Take one Value from your practice and describe what it looks like if it is Evident or Lacking.

Purpose and Principles

Purpose describes why an organisation exists. It's aspirational and provides meaning. It fuels passion and creates a binding culture. It is the shared language, stories and practices that underpin everything the organisation does. The purpose statement is a centrepiece of that 'core ideology'. Principles are an expression of what is 'right'. Their task is to shape the means by which one obtains the things that are good. If values tell us where to go, principles tell us how to there. From Managing Culture Guide

A good Ethical Framework will be:

- Practical – able to be applied in practice and with consistency
- Authentic – it will 'ring true'
- Stable – it will not change much (in its essence) over the long term
- Understandable – by all of those required to apply it in practice.

ACTIVITY Refer to p23 of the Guide "Embedding the Culture"

Is your Practice prepared to answer these questions?

- Is the business strategy in line with the desired purpose, values and principles?
- Is the risk appetite set in line with the desired values and principles, and how is performance against the stated risk appetite monitored?
- Are product development and product pricing decisions aligned?
- Are credit policies aligned with the desired values and principles?
- How are customer and supplier complaints responded to?
- How are problems and mistakes identified and fixed, including breaches?
- Are the appropriate delegated authorities in place, and are these procedures complied with? How are conflicts of interest identified and assessed?
- Does the recruitment process support hiring people whose ethics, values and principles are in line with the organisation?
- Does the induction and training offered enable staff to connect to the values and principles, and desired culture, and reinforce the desired culture?
- Is the appropriate incentive and remuneration structure in place? Does it have any unintended consequences? Is the performance management process robust? Does it support both the values and principles of the organisation, and is it linked with the incentives that are in place?



Ethical Dilemmas

If the Framework is in place and the Culture is strong no Financial Adviser is alone in facing a decision – the path is clear with the support of the whole organisation: to choose what is in line with your Purpose, Values and Principles.