

Whatever it Takes

BY STEVE SIMPSON CSP

It would be difficult to find an adult in Australia who was not aware of the AWB oil-for-food scandal. At the time of writing this article, AWB has lost more than a third of its market capitalisation and according to some experts, may lose up to two thirds of its value should it lose its wheat export monopoly.

According to the *Age* newspaper, if the Cole inquiry into AWB recommends charges against the company, the defence will be that AWB acted in the interests of shareholders and wheat growers when allegedly contravening the UN oil-for-food sanctions.

So, in the 'interests' of shareholders and the company, \$290 million of kickbacks are paid.

In 2004, Monash Sustainability Enterprises (MSE) conducted research on governance of material business ethics issues across the ASX 200. The study identified companies with high material exposure to ethical risks, and then measured the quality of governance systems in place. MSE identified 36 companies, including AWB, whose governance of business ethics risks did not achieve predefined benchmarks. Since this research, six of the 36 companies have been implicated in serious ethical conduct issues.

In the *Age* newspaper article, journalist Doug Holmes writes "the challenge now is to change corporate culture".

Rewarding Values

In the same week that the above was reported in the *Age* newspaper, John MacFarlane, CEO of the ANZ Bank, gave an address at the Melbourne Business School.

In the address, MacFarlane proposed that running a business for the benefit of shareholders alone isn't enough to create a sustainable future. He sees business leaders as having the responsibility to build companies in a way that benefits all stakeholders. This means much more than the proclamation of company values, or centrally driven corporate responsibility programs.

And here is the rub according to the ANZ boss—people are looking for meaning and the opportunity to work for companies that stand for something beyond making money and maximising shareholder returns.

MacFarlane went on to explain that organisations need to create a culture that encourages, recognises and rewards all its people for responding to the needs and interests of all stakeholders. At the ANZ, this has been translated into an organisation wide programme called *Breakout*, which is framed around five values. People are encouraged to use these values as a framework for their actions and decisions. The bank talks openly about 'living our values' and 'making values based decisions'.

The Contrast

It's not my intention here to debate whether or not the ANZ has achieved its goals from the *Breakout* programme. Nonetheless, the irony of the AWB scandal when

considered alongside the ANZ programme cannot go unnoticed!

Survival and growth are probably the key drivers of any leadership team. There is no doubt these were key drivers behind decisions made by leaders at AWB.

However, survival and growth decisions should be made within the context of what the organisation stands for—because in the absence of this, it's survival and growth at any cost.

Crafting the right culture

Many businesses pay lip service to 'soft' issues such as culture and values. Yet ironically, there is now plenty of evidence that shows culture as the key determinant of bottom-line performance.

One of the primary reasons leaders pay lip service to culture is that people do not have a practical understanding of the concept. In our work with organisations, this major issue is overcome by teaching people about the concept of UGRs®—or unwritten ground rules.

UGRs are people's perceptions of 'this is the way we do things around here'. UGRs are created from people's perceptions of the alignment between what is said and what is done.

I've recently reviewed the AWB web site, which is an interesting exercise! The introduction to the corporate governance statement is as follows:

AWB's board and management are committed to conducting the business of the AWB Group in accordance with a strong corporate governance framework and rigorous standards of ethical conduct.

Under the section titled 'Corporate Ethics and Code of Conduct', the paper states:

The boards of AWB Limited and AWB are committed to clearly promoting and demonstrating that their business affairs and operations are at all times being conducted legally, ethically and in accordance with the highest standards of integrity and propriety.

In the case of AWB, I'd guess a UGR would be 'around here, we have a corporate governance document in place; our job is to win business at any cost'.



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