Chapter 9 – Organisational culture change program

Official policies specify what management want to happen. Corporate culture determines what actually happens, and which rules are obeyed, bent or ignored.

(Committee of Sponsoring Organisations for the Treadway Commission, 1992)

The topics covered in this chapter are:

- Why organisational culture change matters
- How to change organisational culture
- Monitoring progress
- Best-practice target

Why organisational culture change matters

Being an organisation that is truly free of fraud and corruption is an ideal worth striving for. This requires a workforce of employees who are fraud aware and fraud resistant. While you may conduct pre-employment screening of applicants, once a person is employed and working in the organisation their integrity will be influenced by what they find within your organisation. Similarly, your organisation may generally be ethical, but that will not prevent fraud from external sources or from individuals who resist that culture. Hence it is important to have a culture of integrity that is resistant to fraud and corruption within your organisation.

To maintain an ethical organisational culture requires constant work. An integrated organisational culture change program will ensure a well-informed workforce with a greater capacity to recognise and respond to the risks of fraud and corruption. The end result will be an organisation with a strong ethical corporate culture that is better equipped to detect and prevent wrongdoing.

How to change organisational culture

Creating an environment that resists fraud and corruption and rewards integrity requires a range of strategies.

The organisational change process can be grouped into three sets of activities:

- Educating and training regarding ethics and standards
- Setting ethical standards
- Enforcing ethical standards.

These are not to be executed in a linear process but should occur concurrently.

Setting standards

Every organisation sets standards to achieve a range of outcomes. Documenting and advertising these standards demonstrates to its stakeholders that the organisation has high performance expectations of itself and its staff and that it can be held accountable for these. Performance standards are documented and advertised through key documents such as mission statements, strategic plans, organisation-wide policies and procedures, standards, performance reviews, discipline processes and, critically, a code of conduct. An ethical culture should be embedded in performance standards.

Standards are also set through the attitudes espoused and behaviours demonstrated by those at the top of the organisation. Management's commitment to the program sets the tone, with senior executives leading by example and participating in the program. The involvement of management is a key factor in the success of culture change programs. If the CEO or senior managers regularly disregard the organisation's rules or do not respond to suspected wrongdoing, they cannot reasonably expect others to uphold the rules.

Enforcing the standards

This starts with regular monitoring to identify breaches. Good internal controls, especially complaint management systems, will have record-keeping processes built into them to assist with this. When a breach is found, subject to the CCC's requirements explained in Chapter 7, take action as quickly as possible. Start with an effective investigation, prior to initiating the appropriate actions in relation to anyone found to be at fault. Commit to continual improvement by feeding back lessons learned and preventative actions taken into the internal controls and the organisational change process to reduce the likelihood of a recurrence.

Enforce all anti-corruption messages fairly and fearlessly. How the organisation reacts to suspected fraud or corruption is a vital factor in the success of your culture change program. Actions speak louder than policies and procedures. If the messages are not upheld by appropriate actions at the crucial moment, much of your effort in changing attitudes and behaviours will be wasted.

Educating and training

Culture change is largely dependent on providing sufficient information and education.

Start by planning a program of communication. Include a variety of messages and mechanisms and be sure that you engage with all of your employees regardless of how long they have been within the organisation, their seniority or their role. For example, use inductions for new starters, in-depth training for specific roles that are assessed as having greater inherent risks, and reminder mechanisms like newsletters for existing employees.

Take a "job life-cycle" approach to communicating with your staff about the issue of fraud and corruption. This includes engagement during:

- Recruitment and selection processes – ensure job advertisements, key selection criteria and promotional materials carry essential information about the values and ethical standards of the organisation to prospective employees.
- Induction – make certain that new officers understand their obligations by providing suitably structured induction programs. Induction training is an opportunity to provide all new personnel with first-hand notice of the organisation's attitude towards fraud and corruption.
- Ongoing employment – as a minimum, the CEO is required to ensure that all employees are given access to appropriate education and training about public sector ethics (PSE Act section 12K and section 21). This is to include:
  - the operation of the PSE Act, and
  - the application of ethics principles and obligations to the public officials; and
  - the contents of the code of conduct, and
  - the rights and obligations of the officials in relation to contraventions of the code of conduct.

The content and time allowed for any training session will depend on the audience and the size and function of the organisation. Induction in a small organisation may involve a one-on-one discussion between a manager and a new employee; larger organisations may offer a series of information sessions over a period of time.

Provide broad programs for all staff that foster an ethical organisational culture. Include training in the detection, identification and prevention of fraud and corruption.

Provide regular targeted education including specialist and specific training for high-risk functions and for different staff groups such as those responsible for audit, purchasing, financial functions or investigations.

It is acknowledged that larger, geographically dispersed and remote organisations face particular challenges to ensure that all staff receive the same quality training. However, corrupt conduct can inflict significant harm to your organisation so ensure that quality training is implemented.

Table 9.1 lists a range of programs to consider for different staff groups.

Awareness of ethical principles and ethical decision-making skills are essential elements of fraud and corruption control. Staff development programs should build on the code of conduct and include relevant scenarios or case studies that encourage participation and link the training to everyday work situations.

The following tips specific to training in ethics may be helpful:

- Ensure that participants sign an attendance sheet at the beginning and at the end of the session. It is important to be able to establish that the organisation provided comprehensive training, and which staff were there for the entire session.
- Consider an opening address by the CEO or a senior executive – this will communicate to attendees the seriousness being placed on the training.
- Always consider the profile of your audience and seek innovative training mechanisms to ensure the training is understood.
- Take a positive approach and outline the benefits of an integrity regime.
- Avoid any implication that participants are unethical.
- Use case studies to illustrate points and generate discussion.
- Encourage participation.
- Use a variety of visual aids.
- Ensure that participants acknowledge in writing the receipt of any policy or code of conduct.
- Use evaluation sheets to provide feedback and drive program improvement.

Table 9.1: Sample Education and Training program

Audience:	Message:	Mechanism	Frequency:	Supported by
Job applicants	Organisation's stance on fraud and corruption Code of conduct	Material in position descriptions and applicants' packs	On application	Links to code of conduct on website
New starters including temps, volunteers and contractors	Organisation's values, policies, code of conduct; reporting arrangements, PIDs How to respond to suspicions of fraud and corruption	Induction sessions NB: Senior managers should be involved Need written acknowledgment of receipt of policies and procedures	In first week of employment	Policies and procedures Orientation manual Promotional brochures Intranet Self-tutoring guides
Senior managers Board members Elected officials	Risk areas identified in risk assessment Importance of modelling Case studies and techniques to further develop ethical decision-making skills Code of conduct	In-house sessions External providers including registered training providers and accredited courses Mentoring Professional development courses Tertiary education	On appointment When policies systems or legislation change If fraud, corruption or corrupt conduct occurs	Risk management process Policies and procedures Job ads and position descriptions Performance reviews Required as part of professional development or employment contract Consultation
All supervisors	How to deal with complaints received or fraud detected Handling PIDs	In-house sessions CCC, Ombudsman External providers including registered training providers and accredited courses Mentoring	Every two years When policies, systems or legislation change	Policies and procedures CCC brochures PID guides
All officers including elected officials	Refresher on code of conduct and PIDs Any changes to policies etc. in last year Refresher on ethical decision-making skills Fraud and corruption	In-house sessions External providers Professional development courses Staff meetings	Every year online When policies, systems or legislation change If fraud, corruption or corrupt conduct occurs	Risk management process Policies and procedures Performance reviews Articles in newsletters and on intranet Posters and brochures
Employees who work in high-risk functional areas identified in the organisation risk assessment	Policies and procedures Internal controls	Supervision In-house sessions External providers Self-tutoring Professional development courses Staff meetings	Every year When policies, systems or legislation change If fraud, corruption or corrupt conduct occurs	Risk assessments Policies and procedures Performance reviews

Officers responsible for detection, investigation and prevention: Internal audit Corporate governance HR, Legal	Policy development Industrial relations Human resources Evidence collection Investigation techniques Witness statements Corporate governance Risk management	Registered training providers of accredited courses Programs sponsored by professional bodies Tertiary education	Predetermine at recruitment and selection On appointment When policies, systems or legislation change When risks or fraud identified	Prerequisite qualification Mandatory as part of professional development

Constantly reinforce the messages

Apply reinforcement techniques that help institutionalise ethics, so the effects of the training remain. Focus on a range of fraud and corruption issues and use all reasonable communication means to ensure that control and prevention principles remain always at the forefront of employees' minds. Here are some suggestions:

- Implement a communication plan to promote the organisation's values and reinforce the messages provided by the ethical development programs. (See Chapter 10 for more about communication plans.) Consider:
  - organisation publications (including the organisation's annual report)
  - simple policy statements or policy briefs on at-risk areas, broadcast by email
  - material in the organisation's internal newsletters
  - regular updating of relevant information on the organisation's intranet
  - flyers, brochures and posters
  - screensavers and logon notices
  - reports on the outcomes of investigations (where appropriate).
- Find innovative ways of delivering the organisation's integrity-building messages. Search for new training products and delivery methods. Talk to other organisations to see what has worked for them. Use both formal and informal linkages to share information (such as the Corruption Prevention Network Queensland and Transparency International). The CCC has a range of material on its website <www.ccc.qld.gov.au> with links to other resources.
- Use real-life examples and situations that personalise the issues.
- Engage in "ethics conversations" and "hypotheticals", including fraud examples. Small groups and team meetings are perfect places for conversations that provide immediacy and relevance, and can be more effective than giving a lecture.
- Reward and recognise ethical behaviour. Take time to congratulate officers for a job well done or for their vigilance in detecting fraud and corruption. Focus on the positive steps the organisation has taken to minimise risk.
- After any investigation, develop an action plan or prevention response to minimise the risk of similar events in the future. Always involve the relevant employees in developing these plans so they gain a sense of ownership.

Monitoring progress

Informed employees who can recognise and deal with fraud and corruption are your best line of defence against serious fraud or corrupt activities occurring in your organisation. Well informed employees can also help to improve your organisation by identifying areas where there is reduced performance or unnecessarily expensive activities. These situations may also harbour corrupt conduct.

Conversely, failure of internal controls can indicate a failure of the organisation's culture change program. Reviewing the causes of internal control breakdowns due to human error or deliberate action, will give insights into the overall success of fraud and corruption control endeavours, and of an organisation's culture change program.

Where breaches of the internal controls are detected it will be important to review these using a multi-layered approach, considering:

- Were the initial and ongoing modes and content of communication faulty or misdirected?
- Were the designs ineffective or subject to redundancy due to redesigned systems?
- Were the key staff:
  - improperly trained
  - not supervised correctly
  - subject to negative sub-cultures working against the integrity endeavours
  - negligent or lazy?

The cause of failure to fully realise culture change may arise from any one, or a combination of, factors in the above list. Additionally, the causes for a breakdown in your attempts to change your organisation's culture may come from issues that are not on this list.

The important thing is to ensure you have reliable monitoring processes in place that will gather information from a range of sources and in a variety of ways over time.

Consider staff surveys to seek feedback on fraud awareness, employees' attitudes, and the quality of control supervision and monitoring.

The Public Service Commission's annual Working for Queensland survey can also provide some useful information regarding the workplace culture.

Best-practice target

(1) Set and document the expected minimum standards of behaviour through mission statements, strategic plans, the code of conduct, organisation-wide policies and procedures; and standards, performance reviews and discipline processes.

(2) Ensure that senior executives and management set the tone through their attitudes and behaviours, leading by example and participating in the program.

(3) Reinforce the standards through the use of good internal controls, and by monitoring to identify breaches.

(4) Act as quickly as possible when a breach is found, starting with an effective investigation, initiating the appropriate actions in relation to anyone found to be at fault, and using lessons learned to continually improve the internal controls and the organisational change process to reduce the likelihood of a recurrence.

(5) The organisation should have an effective communication, education and training program that brings fraud and corruption control to the attention of all officers.

(6) A series of different programs should be developed to suit different groups or operational cultures within the organisation. These should take a variety of formats and be placed in different contexts

including considerations such as regional, educational, language and literacy differences to be most effective.

(7) Specialist training in fraud awareness should be provided for groups such as investigators, and those performing identified high-risk functions.

(8) Complementary best-practice guides should be developed for particular activities (e.g. complaints management, procurement, internet use). These may assist in identifying potential improvements to operational practices and control arrangements.

(9) Systems should be in operation to monitor and evaluate education and training programs.

(10) The organisation should regularly assess its culture through a range of monitoring activities.

Additional readings

- CCC Advisory series provides information about the corruption risks associated with a range of topics, and strategies to prevent corruption:
  - Post separation employment
  - Social media and the public officer
  - Use of official resources
  - Conflciting commitments
  - Disposal of assets
  - Lobbying
  - Gifts and benefits
  - Management of public records
  - Information security and handling
  - Procurement and contract management
  - Sponsorship management

  <www.ccc.qld.gov.au/corruption-prevention/corruption-prevention-advisories>

- *Giving Voice to Values*, Yale University Press, 2012

- *Educating for Values-Driven Leadership: Giving Voice To Values Across the Curriculum,*
  The United Nations Principles for Responsible Management Education Book Collection, 2013 (ed: Mary C. Gentile)

Checklist: Organisational culture change program

The following questions are indicative only. Each organisation should develop its own checklist to reflect its specific needs and risk environment. The checklist should be re-examined and updated periodically, as part of the organisation's program of fraud and corruption control appraisal.

Legislative requirements

☐ Is ethical decision-making training provided at induction and at regular intervals? (PSE Act sections 12K, 21)

☐ Is information on provision of ethics training included in the annual report? (PSE Act sections 12M(2) and 23)

Recommended Best Practice

☐ Does the organisation's induction program:
  - ☐ address fraud and corruption issues?
  - ☐ include a statement from the CEO stating the organisation's attitude to fraud and corruption?
  - ☐ cover relevant legislation?
  - ☐ include details about key integrity policies and procedures such as:

    - o dealing with conflicts of interest
    - o gifts and benefits
    - o undertaking secondary or external employment
    - o purchasing and tendering
    - o contract management
    - o sponsorship management
    - o reporting corrupt conduct

    - o using official resources
    - o disposing of scrap and low-value assets
    - o using corporate credit cards
    - o using Internet and email
    - o electronic and information fraud
    - o managing public records
    - o handling confidential information

☐ Does the organisation have a structured education and training program to assist employees recognise, detect and prevent fraud and corruption?

☐ Is there an ongoing education and training program to address:
  - ☐ specific needs as they arise?
  - ☐ specific organisational functions (e.g. audit, investigations, PIDs)?

☐ Does the program take advantage of a variety of communication channels?

☐ Is the program evaluated regularly to determine its effectiveness?
  - ☐ If not, will it be evaluated in the future?
  - ☐ If so, have the results of the evaluations been acted upon?

☐ Are ethical considerations included in staff performance reviews?