



Organisational Culture and Values





THE POWER OF ONE

The Power of One calls on all CAs to place ethical leadership at the heart of their professional responsibilities, to shape the culture and values of their organisations, to help re-establish ethics at the core of business practices and to rebuild public trust in business.

In turn, ICAS is committed to providing new resources and support for members on ethics. Since 2015, ICAS has published a series of publications, guidance and resources as part of the Power of One initiative.

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Executive Summary

- In recent years trust in business, and indeed in wider society, has been eroded.
- To rebuild trust, organisations need to be trustworthy. There is a need for the leaders of all organisations to engender an ethical culture where the integrity of the organisation's employees is seen to transcend all other business objectives and strategies. Organisations need to drive trust and ethical behaviour is key.
- An organisation is a collection of individuals; for an organisation to successfully meet its stated values, individuals at all levels within the organisation need to exhibit them and live by them.
- It is essential to establish an appropriate 'tone at the top'.
- It is equally important for this tone to be cascaded down through the rest of the organisation, and embraced by all those who work in it. A culture of 'doing the right thing' needs to be prevalent at all levels within the organisation.
- To help facilitate this, there is a need for alignment between the values of an organisation and those of its employees. Additionally, the alignment of the personal objectives and remuneration of individuals with their organisation's values, long-term purpose and strategy, is a key component to improving behaviour and helping rebuild public confidence. It is therefore essential that employees are involved in the process of determining an entity's values – the employees need to feel empowered and part of the process.
- CAs, especially those in senior positions, have a key role to play in establishing and embedding values in an organisation.



- Where the culture is not appropriate within an organisation, CAs at all levels - whether they are newly qualified or have many years of experience - can be a key catalyst for change. Clearly, the more senior the CA is in an organisation, the easier it will be to influence change, but every CA has their part to play.
 - Organisational leaders should be listening to all those whom they lead. In particular, there is some evidence that the younger generation has a stronger interest than previous generations in organisations pursuing long-term, sustainable goals; this younger generation may therefore have a key role to play in determining the success of organisations in the long-term. 5
 - Organisational values, once determined, should serve as a means of guiding decision making within an organisation. Directors of large UK companies now need to report on how they have fulfilled their Section 172 responsibilities – this should assist Boards in ensuring that, not only do they comply with their statutory duties, but also that shareholder, employee and other stakeholder considerations are properly considered in the Board's deliberations.
 - Values need to be lived and breathed by everyone within an organisation – they should serve as the benchmark against which the behaviour of the organisation, and also individuals within that organisation, are measured. An organisation's values also need to be kept under review, to ensure that they remain fit for purpose.
 - Whistleblowing / 'speak up' mechanisms within organisations are vitally important – empowering and supporting individuals to have the confidence to promote good behaviour, influence others, and 'speak up' if they encounter ethical issues, without fear of retaliation. Speaking up allows issues to be dealt with at the earliest opportunity before they escalate. However, if someone speaks up but nobody listens, then the speaking up will not be effective. There is therefore a need for managers to 'listen up' to concerns and then take action to investigate the issue. Where possible, there should also be transparency to all employees about the outcomes of investigations, providing evidence where appropriate, so that people will have confidence that concerns are taken seriously and valued – providing real examples, on a no names basis, can allow people to see the culture in action.
 - Organisations must value their employees. The adoption, promotion and embedding of a culture of fairness, including respect for values of equality, diversity and inclusion, is an important element of an effective ethical culture within an organisation. Furthermore, many organisations will highlight their health and safety, wellbeing, and training – but it is essential that organisations adhere to these policies in practice. How an organisation treats its employees, and how employees feel towards their organisation, can highlight the truth about the organisation's culture.
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Introduction – Values and corporate culture

In recent years, there has been a decline in public trust and an increase in public scepticism, not just in business, but in many of our institutions. In the 2020 Edelman Trust Barometer, (an annual report which ranks the trust of society in its institutions -government, business, media, NGOs), the UK was ranked as “distrusted” with Edelman’s “general population” scoring the UK an “average percentage trust” of 42%ⁱ against the global average of 54%. The UK was also “distrusted” in business with an “average percentage trust” of 47% against the global average of 58%ⁱⁱ

Despite the corporate rhetoric about championing ethical goals, it is clear the reality of organisational culture can be quite different, with some companies failing to live up to their stated values. Values are expressive of human traits; people have their own unique set of values which are moulded by a number of different factors throughout their lives. Corporate entities purport to have values and marketing departments go to great pains to highlight those values - words such as honesty, integrity, and trust are often widely publicised.

However, just as an individual has to ‘walk the talk’, it is not good enough for organisations just to have words emblazoned on their advertising material. It is all too easy for an organisation to say it has a code of ethics (or conduct) with which all staff must comply; the challenge for each organisation is ensuring the people in such entities actually live these values.

Organisations are fundamentally a collection of individuals. In some cases, those individuals are spread out over a number of locations across the globe; for the leaders of organisations with such a disparate workforce to be able to say that their organisation has successfully met its stated values, there is a need to ensure that those disparate individuals collectively live them. A key factor that assists individuals in living up to stated values is the mind-set of each person taking full responsibility for their own actions. This is highlighted in the ICAS The Power of One - Personal responsibility and ethical leadershipⁱⁱⁱ publication. However, whilst this is a major factor, there is little doubt that the culture in an organisation also plays a crucial role. There is a need to engender a culture where the integrity of the organisation, and that of its employees, is seen as key and where the values are used to influence and shape that culture appropriately, as well as minimising the risk of sub-cultures developing. Corporate values therefore need to be properly set, clearly stated and always lived.

Still a need to learn the lessons

The Parliamentary Commission on Banking Standards was established in 2012^{iv}, and its subsequent report highlighted the failings of the banking industry in the lead up to the financial crisis, as well as other scandals. The Senior Managers and Certification Regime (SMCR) subsequently came into force for banks in March 2016, enabling the financial regulators “to fine or sanction senior bankers for misconduct that occurs in their areas of responsibility”^v. From December 2019^{vi}, the SMCR was extended to cover almost all financial services firms.

The banking industry was certainly not alone in the need to address failings highlighted by the financial crisis. Short termism was common in the City, highlighted by the findings and recommendations of **The Kay Review of Equity Markets and Long-Term Decision Making** (July 2012). In his speech at the Final Report Launch, Professor John Kay noted: And so we have created a world in which trading and transactions have replaced trust and confidence, in which people look more and more to what each other is doing and less and less to the long term fundamental value of their activities.^{vii}

Together, these reports emphasised the importance of individual and personal responsibility, and of ‘trust’. However, since the publication of these reports, and particularly between 2016 and 2019, the UK witnessed a series of high-profile corporate collapses. In response, three audit reviews were commissioned by the UK government which resulted in extensive recommendations for the UK audit regulator and the audit sector:

- Sir John Kingman’s Independent Review of the Financial Reporting Council (FRC) - the UK

regulator of auditors, accountants and actuaries (Report published - December 2018)^{viii} ;

- The Competition and Markets Authority (CMA) review to consider the operation of the UK audit market (Report published - April 2019)^{ix} ; and
- Sir Donald Brydon’s Independent Review into the quality and effectiveness of audit (Report published - December 2019)^x .

It is therefore clear that there is still a need to consider and review the ethical principles upon which we do business and what is acceptable in terms of best business practice. A refocus on ethical principles and behaviour is not only desirable, but is mandatory, if we are to mitigate the risk of bad business practices continuing to occur in the future. In properly functioning capital markets, business, and society in general, trust is fundamental. Once lost, it is very difficult to regain. As discussed in the ICAS **The Power of One - Personal Reputation**^{xi} paper, it takes a lifetime to build a reputation and brand – it only takes one wrong move to destroy it.

What will be the catalyst of this initiative? It is true that the culture within some organisations will need to change, and in certain entities efforts are already underway. However, organisations themselves cannot be the catalyst. There is the need to recognise the important role that is played by individuals within organisations; it is the values and behaviours of those individuals that will determine the culture within an organisation. Ultimately, the most important catalyst is the individual, either alone or as part of a group, seeking to ensure ethical behaviour within an organisation.

It is also recognised that the alignment of the objectives and remuneration of individuals with their organisation's values, long-term purpose and strategy, is a key component to improving behaviour and helping rebuild public confidence. If individuals are incentivised only to reach a particular short-term financial target, there is a danger that they will work towards that, regardless of the long-term implications of their actions. Individuals therefore need to be motivated to help safeguard their organisation's sustained growth over the long-term, and not be remunerated by schemes that only meet short-term goals. The Board of Directors are the custodians of their organisation, and need to focus on this stewardship role to ensure the long-term success and reputation of their organisation.

Tone at the top – the fundamental building block

Strong governance underpins a healthy culture, and boards should demonstrate good practice in the boardroom and promote good governance throughout the business. ^{xii}

Sir Winfried Bischoff, Chairman (2014 to 2019),
Financial Reporting Council

Although granted a legal persona in law, a company is not a living person and therefore cannot have integrity, or even an ethical mind-set. That is why it is essential for the leaders of an organisation to establish a set of clear unambiguous values. These values lead to behavioural traits and serve as the basis for the manner in which everyone in the organisation is expected to behave. The ‘tone at the top’, that is, at the boardroom table, is widely seen as the fundamental building block.^{xiii} And this is as true for SMEs – where a ‘boardroom table’ may be less prevalent for directors’ meetings - as it is for major public companies.

The Board must take responsibility for defining the culture of an organisation, and the CEO, or equivalent, is then responsible for implementing and embedding that culture. Leadership is the prime shaping force; however, it is individual decision making and action which lies at the heart of promoting ethics and corporate values within an entity, and effecting change. It is imperative that those in charge of organisations, regardless of size, not only set the appropriate tone, but also lead by example and ‘walk the talk’.

In 2018, the FRC published an updated version of the **UK Corporate Governance Code**. It stated in the Executive Summary of its Annual Review of the **UK Corporate Governance Code**^{xiv} (published January 2020):

There were a number of factors that informed our review of corporate governance during 2017-18 which resulted in the 2018 Code. These included: a continuing lack of trust in business, high profile corporate failures, lingering concerns that companies gave little thought to long-term sustainability; and, more generally, the impact of companies on wider society.

Principle B within Section 1: “Board Leadership and Company Purpose” of the **UK Corporate Governance Code** (July 2018 version)^{xv} states:

B. The board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

This Principle highlights that directors should not only set and observe the company’s values and standards, but also ‘live’ by them. ‘Comply or explain’ reporting is required of companies regarding their application of the **UK Corporate Governance Code**.

Whilst the **UK Corporate Governance Code** is applicable to all companies with a premium listing,

(whether incorporated in the UK or elsewhere) in 2018, the FRC also published **The Wates Corporate Governance Principles for Large Private Companies**^{xvi} to “encourage high standards of corporate governance in the UK’s largest private companies reflecting the significant impact that these companies have on employees, suppliers, customers and others, irrespective of their legal status”. It applies to all companies that satisfy either or both of the following conditions: more than 2,000 employees; a turnover of more than £200 million, and a balance sheet of more than £2 billion. This adopts a similar approach to the UK Corporate Governance Code with its Principle One:

Purpose and Leadership - An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

The Board must also be mindful that, whilst an entity’s culture is often developed over years, it can be changed over a relatively short timeframe by a change at the top of the organisation. How can an organisation’s culture be sustained if, for example, a new chief executive can completely change the culture of an organisation within a short period of time or the ‘balance of power’ between the CEO and the Chair is wrongly set, with the CEO becoming too dominant (a particular danger in a short-termism culture)?

Ultimately, it is the Board which must take responsibility for monitoring the organisation’s culture on an on-going basis. Board members need to challenge each other and support each other. The Board must take ethics seriously if they are to ensure the long-term sustainability of their organisation.

The monitoring of culture must start with the senior business leaders – in the case of listed companies, the Chair and CEO.

The Chair is with the CEO regularly, and is in the business more than the Non-Executive Directors

(NEDs), and is therefore best placed to sense when things may be changing. Indeed, the Chair, and the CEO, should be the authors of their own respective statements for the annual report, rather than having these written for them; this would not only demonstrate that they truly know their organisation, but also is their opportunity to share their tone with the users of the annual report.

Because of their importance in shaping the tone from the top, it is vital that the Chair/CEO relationship is functioning well. If the Chair/CEO relationship is not working, the role of the board is open to challenge - which is where the Senior Independent Director (SID) has an important role to play.

Under the UK unitary board structure, non-executive directors have the same legal responsibilities as their executive colleagues, despite not being engaged in the operations of the entity on a full-time basis. How then can non-executive directors best get a feel for the actual application of values in the entity, rather than merely placing reliance on information that is provided to them at board level? One way would be to gain consent from the executive directors to visit various company sites to seek to gather first hand evidence. There can be no better evidence on how the company’s values are applied in practice, and gathering perspectives from across the organisation could help identify disconnects between perceived and actual culture.

All company directors, irrespective of their company’s size, have a duty under Section 172 of the Companies Act 2006 to promote the long-term success of their company. Acting for the benefit of shareholders is not the directors’ sole duty. Directors must also have regard to the interests of a range of stakeholders (including employees, suppliers, customers, the community and environment) as part of the board’s decision-making process. If organisations do not do what is right for their employees, customers and other stakeholders, they will not survive in the longer-term. For example, the adoption, promotion and embedding of a culture of equality, diversity and inclusion should be a priority. Organisations also

need to engender a supportive and collaborative environment where people are encouraged to ‘speak up’ if they have concerns and are willing to do so without fear of retaliation or detriment.

The Companies (Miscellaneous Reporting) Regulations 2018, and, for premium listed companies, the **UK Corporate Governance Code**, require the directors of large ^{xvii} UK companies to report how they have fulfilled their duty to Section 172, and how shareholder, employee and other stakeholder interests have been considered in the board’s deliberations.

However, all other businesses, including entities in the public and third sectors also have to be cognizant of their accountability to their respective stakeholders.

Ultimately, the Chair of the Board has the key responsibility for the culture of the organisation; but so also do the shareholders to whom the Board of Directors are ultimately accountable. Initiatives to try to encourage institutional shareholders to get better engaged with the companies in which they invest include the FRC’s Stewardship Code (first published in 2010). Following a recommendation in Sir John Kingman’s Independent Review^{xviii} for the Stewardship Code to focus on “outcomes and effectiveness, not on policy statements”, the revised **UK Stewardship Code 2020** became effective from 1 January 2020^{xix} with the FRC stating:

The new Code sets high expectations of those investing money on behalf of UK savers and pensioners. In particular, the new Code establishes a clear benchmark for stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The updated Stewardship Code now has twelve principles including a focus on purpose, strategy and

culture, and integration of environmental, social and governance (ESG) issues when assessing investments.

The accountancy profession also has a key role to play, and must also lead by example. Some of the largest employers in the UK are the large accountancy firms. These firms also operate globally and have to seek to ensure that there is a global consistency in the level of service quality provided to clients. Their values serve as a means of seeking to ensure that there is consistency of service throughout the firm’s operations. Indeed, the auditors of the UK’s largest companies are themselves held to account for their governance structures and procedures. In 2007, at the request of the FRC, the ICAEW established an independent working group, under the chairmanship of ICAS Past President, Norman Murray, to develop a governance code for audit firms. The **UK Audit Firm Governance Code** was first published in 2010, and has since been revised in 2016.^{xx} It applies to firms auditing 20 or more listed companies.^{xxi} Eight firms currently apply the code.^{xxii} These firms have publicly committed themselves to this code, and must publicly report how, in practice, they have adhered to each of the principles of the code, or explain why they have not.

The FRC’s Audit Firm Monitoring And Supervision (AFMAS)^{xxiii} framework seeks evidence from the six largest audit firms in four areas: leadership and governance; values and behaviours; business models and financial soundness; and risk management and control. For example, in July 2019 ^{xxiv}, the FRC wrote to the firms asking for regular information to enable the FRC “to understand and assess the design and effectiveness of the policies and procedures the firms have in place to facilitate the reporting of and response to non-financial conduct matters” including information “in relation to internal whistle-blowing, grievances, disciplinary matters and complaints from individuals outside the firm.”

Corporate culture – an organisation's guiding force

Corporate culture is an organisation's guiding force. ^{xxv} Ultimately, this is what it is all about – seeking to ensure that everyone within an organisation behaves properly within defined parameters. However, how are the organisation's values derived?

Additionally, once set, how do you get a disparate collection of individual personal values to line up behind a desired set of corporate values? Organisations are a collection of individuals, and furthermore, for large multi-national businesses, these individuals are scattered across the globe with different societal cultures and beliefs. Corporate values often have ethical connotations, but it is the individuals working within organisations who ultimately determine whether or not their organisation adheres to their stated ethical values.

Each person will come to an organisation with their own moral code. One objective of the organisation's set of values should be to ensure that each person understands how to behave appropriately when representing the organisation. This is not an easy task. Should all employees be involved in seeking to determine an organisation's values, or should these be determined by senior management and imposed on the organisation? A helpful approach is undoubtedly to get buy-in from an organisation's employees by involving them in the process of establishing the organisation's values.

Such an approach is to be encouraged and indeed is essential to ensure that employees feel empowered and part of the process. There will be greater challenges to certain businesses e.g. multi-national businesses in doing so, but such challenges are not insurmountable.

Principles D and E within Section 1: "Board Leadership and Company Purpose" introduced to the 2018 UK Corporate Governance Code^{xxvi} state:

- D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.
- E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

This is explained further in the provisions:

The board should understand the views of the company's other key stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making. The board should keep engagement mechanisms under review so that they remain effective. For engagement with the workforce, one or a combination of the following methods should be used:

- a director appointed from the workforce;
- a formal workforce advisory panel;
- a designated non-executive director.

If the board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that they are effective.

The Wates Corporate Governance Principles for Large Private Companies ^{xxvii} also states within the Guidance to its First Principle:

Directors should act with integrity and lead by example, setting the tone from the top, building positive relationships with all stakeholders, particularly the workforce.

In today's world, it also needs to be recognised that there is wider stakeholder interest in the impact of business on the economy, communities, and society; as a result, this needs to be considered when organisational values are being developed.

Organisations occupy an important place in society, providing goods, services and places of work; however, as we have seen, society can also be adversely impacted by an organisation's actions.

Organisational leaders should be listening to all those whom they lead. In particular, there is some evidence that the younger generation has a stronger interest than previous generations in organisations pursuing long- term, sustainable, goals.^{xxviii} The younger generation therefore may have a key role to play in helping organisations realise long- term success.

There are therefore both 'top-down' and 'bottom up' influences at play in the process of determining values, which can make it a difficult process, and certainly not easily achieved in the shorter term. Nevertheless, in order for values to be properly set and embedded, everyone within the organisation must take ownership of them. The way to ensure this happens is to involve the employees in the development of the organisation's values. This gains employee buy-in and prevents feelings that values have been imposed, increasing the probability that they will actually be followed. ^{xxix}

Successful corporate values – properly set, clearly stated and always lived

For many organisations, it appears that values are merely a PR tool to be placed on the entity's website and delivered through the annual report – words such as accountability, fairness, honesty, quality, and truth, are often found amongst the marketing material. Existing employees are told about them when they are introduced, and new employees are informed about them at their induction training, but generally there is no follow up, or reminder, to successfully embed the values into the organisation.

It has also been acknowledged that there is an information gap. One of the difficulties faced by organisations is proving to investors, the general public, and indeed themselves that they are actually 'doing what they say on the tin'. Organisational culture can be very difficult to measure; however organisations will have to overcome this difficulty in order to provide the information which is much sought after by stakeholders. This is evidenced in the FRC's report Annual Review of the UK Corporate Governance Code^{xxx} (published January 2020) with the FRC summarising:

Many companies are grappling with defining purpose and what an effective culture means with too many substituting slogans or marketing lines for a clear purpose. There is insufficient consideration of the importance of culture and strategy, or the views of stakeholders. Following the FRC's 2016 report on culture, companies should be commenting on culture and now explain how they are monitoring and assessing it.

It is therefore essential that organisations must have not only a clear and succinct statement of values and ethical principles; they must also clearly articulate to stakeholders how these values and principles relate to the current organisational culture and leadership.

A culture of 'doing the right thing' needs to exist at all levels within the organisation. Therefore, just as there is a need to establish an appropriate 'tone at the top', it is equally important for this tone to be cascaded down through the rest of the organisation, and embraced by all those who work in it. The organisation's values and ethical principles need to be promoted by the Board to influence all in the organisation to adopt and live them. They are essentially the company's moral code. Board members need to consider the company's values and challenge executives, not only in relation to their financial goals, but also as to whether the decisions they are making, and the way in which they are implementing them, are also in line with the organisation's values.

But then there's the actual living of the organisation's values on a routine, daily basis. Looked at like this, particularly in a large multinational organisation, it cannot all be down to the Board, although the right tone at the top is absolutely essential. All members of the Board, and management (the tone in the middle), must take every opportunity to behave in a manner which reflects that tone and the company's values – they must take responsibility for setting the tone in the first place, and for living and breathing the values in all their actions.

There also needs to be 'grassroots' support encouraged through regular communications – confidential 'speak up' channels and open forums. Communication encourages employee engagement. An organisation is perceived, and remembered, by the way its employees behave. It is important that the desired culture becomes embedded as part of an individual's daily habits - not just signposted at induction and forgotten about. The same principles apply in all sizes of organisation – in fact, the task of

properly embedding appropriate values may be easier in a smaller organisation. Regardless of size, the key to a successful organisation is guiding the habits of all the individuals working within it towards common ethical goals.

A code of ethics and values can be helpful as part of a framework for embedding the importance of trust and integrity across an organisation. A code can assist in communicating expectations on standards of behaviour - individuals can refer to it for guidance, and can also be held accountable against it. Codes of ethics need to be achievable, enforceable, and enforced. The transparency of a published code can also be an effective means of informing an organisation's internal and external stakeholders of its ethics and values, as well as being a useful catalyst for change. Also, as noted earlier, rewards should not just be based on financial performance. Aligning individuals' objectives, and remuneration, with the organisation's long-term strategy, and values, could assist in moving business behaviour forwards.

Organisations must also value their employees. Many organisations will highlight their employee welfare policies – such as health and safety, wellbeing and training – but it is essential that the organisation actually stands by these policies in practice. How an organisation treats its employees, and how employees feel towards their organisation, can highlight the truth about the organisation's culture.

Organisations should adopt, promote and embed a culture of fairness, including respect for values of equality, diversity and inclusion. Organisations should understand the areas within their business that could be enhanced to promote equality, diversity and inclusion including:

- The employee lifecycle, from advertising for vacant roles through to the departure of the employee.
- The organisation's policies and procedures across people, processes and technology.
- The organisation's working practices and office culture.

- The organisation's client offerings and how the organisation demonstrates its values to its clients and others.

The February 2020 **Ethnic Diversity Enriching Business Leadership - An update report from The Parker Review**^{xxxii} by Sir John Parker, EY and the Department of Business, Energy & Industrial Strategy (BEIS), reported "slow progress on ethnic diversity of FTSE Boards." ^{xxxii} - "37% of FTSE 100 companies surveyed* (31 out of 83 companies) - do not have any ethnic minority representation on their boards."

On publication of the FRC's 2019 Key Facts and Trends in the Accountancy Profession report^{xxxiii}, the FRC stated that "the accountancy profession needs to lead by example on diversity". The FRC's Chief Executive, Sir Jon Thompson, said:

The business case for improved diversity has been made and now it's time for the audit and accountancy profession to take further positive action. While it is encouraging to see more firms implementing diversity and inclusion strategies and more women, ethnic minority groups and disabled people being appointed to middle management roles, more needs to be done to ensure the firms are not limiting access to the most senior roles. ^{xxxiv}

A culture of equality, diversity and inclusion improves the quality of life for the individual concerned and also brings benefits to organisations. It enables higher employee performance and an enhanced employer reputation that attracts talented employees, as well as an enhanced reputation with customers, suppliers and society as a whole.

As discussed in the ICAS research **Speak up? Listen Up? Whistleblow?** ^{xxxv}, whistleblowing / 'speak up' mechanisms within organisations are vitally important - encouraging and empowering individuals to have the confidence to promote good behaviour, influence others, and 'speak up' if they encounter ethical issues, including behaviours or practices that

may demonstrate a lack of equality, diversity and inclusion. Speaking up allows issues to be dealt with at the earliest opportunity before they escalate. Speaking up needs to be normalised and viewed as beneficial for the organisation rather than being regarded as troublesome. Whistleblowing / 'speak up' policies and procedures should be clear, with employees receiving training on how to use them. They need to be visible, anonymous and confidential. If possible, ethics should be separate from human resources so that there is more independent oversight.

The importance of listening also needs to be emphasised. If someone speaks up but nobody listens, then the speaking up will not be effective. There is a need for managers to 'listen up' – to listen to concerns and then take action to investigate the issue. Sometimes an investigation will show that there are no issues, sometimes people will be mistaken, but they need to know that matters will be investigated so that issues of concern do come to light. Concerns raised should be investigated promptly, with feedback being provided to the employee. Where possible, there should be transparency to all employees about the outcomes of investigations, providing evidence where appropriate, so that people will have confidence that concerns are taken seriously and valued – providing real examples, on a no names basis, can allow people to see the culture in action.

Policies should also be in place to instigate disciplinary action against those who retaliate against the whistle-blower. Employees ought to feel that they have the ability to 'speak up' without retaliation, and that they will be supported - publicising the promotion of a whistleblower can speak volumes about the true values of an organisation.

The **2021 ICAS Code of Ethics** (paragraph 200.5 A3) ^{xxxvi} specifically states: "To the extent that they are able to do so, taking into account their position and seniority in the organisation, accountants are expected to encourage and promote an ethics-based culture in the organisation." Examples of actions include engendering a supportive and collaborative environment where people are encouraged to 'speak up' if they have concerns; and promoting and upholding a culture of fairness, including respect for values of equality, diversity and inclusion.

Conclusion

An organisation's values provide an image of the organisation and what it stands for to the outside world. If individuals within organisations live up to the organisation's published values then this will engender trust among their stakeholders. Organisations which are trusted are likely to see more repeat business, have the potential to charge a premium for their products or services, and will be seen as a good place to work by existing and prospective employees. The importance of trust in business must not be understated. Properly set and embedded values 'add value, not just protect value'.

CONSIDER:

Values properly set?

- Do we have values?
- Are my organisation's values fit for purpose? Are they up-to-date and relevant?
- Do our organisational values consider our stakeholders?
- Is the integrity of my organisation, and its employees, key to our culture? Does an ethical culture transcend all our other business objectives and strategies?
- Is there appropriate 'tone from the top', and 'tone in the middle'?
- Does the Board take responsibility for an ethical culture? Do they challenge, and support, each other?
- What do we do to generate 'grassroots' support? How do we engage employees in setting the organisation's values?
- Have we sought the views of our owners (whether institutional investors, private investors or family shareholders), and other stakeholders, on our values?

Values clearly stated?

- Do we have a Code of Ethics (or Conduct)?
- Are employees accountable against this Code?
- Do we have anonymous and confidential channels for communication?
- Do we have open channels for communication, such as an 'open door policy' or 'town hall' meetings?
- Do we have effective whistleblowing/ 'speak up' mechanisms?
- Do our employees know about our whistleblowing/ 'speak up' mechanisms? Do we have induction and training in how to use them?
- Do managers understand they also need to 'listen up'?

Values always lived?

- Does my organisation 'walk the talk'?
- Are my organisation's values 'always lived' by all employees, at all levels, within the organisation?
- Are decisions being guided by the organisation's values?
- Are wider stakeholders - shareholders, employees, and other stakeholders - properly considered in the Board's deliberations?
- Are we confident that our values will be upheld throughout the organisation, even where doing so may lead to financial loss or short term reputational damage?
- Do the senior business leaders - the Chair, the CEO, the MD or the CFO - write their own statements for the annual report?
- Is the organisation's reward policy aligned with the organisation's values and long-term purpose and strategy?

- Are my organisation's values driving short term, poor behaviour, rather than sustainability in the longer term?
- Do we value our employees - their health and safety, their wellbeing, and their training needs?
- ~~Do~~ we promote and embed a culture of fairness, including respect for values of equality, diversity and inclusion?
- Do our employees like working for our organisation? What is our labour turnover rate?
- Do we promptly investigate concerns raised by those who whistleblow/ 'speak up'?
- Do we provide feedback on how complaints and concerns have been dealt with?
- Do we assure our staff that they will not be retaliated against if they 'speak up'?
- If anyone does retaliate, do we take action against them to show that we do not tolerate such behaviour?
- Do we publicise the promotion of a whistleblower?
- How do we measure our corporate culture?
- Do we take action against senior people who do not uphold the organisation's values?
- Do we do what we say we do?

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It should be noted that the above individuals were acting in their personal capacity and were not representing the organisation for which they work.

THE POWER OF ONE

Published November 2020 ICAS
© 2020
ISBN: 978-1-909883-69-7
EAN: 9781909883697

First published September 2017

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