An organisation survives and evolves mostly through gradual shifts in leadership, strategies, systems, processes and other circumstances. What people feel, think and believe is reflected and shaped by the way they go about their business. It is important that you understand the culture that is created. In understanding it, it is important to look at behaviour as this is what determines real change. Get it wrong and it can have a serious impact on your reputation and the potential future of the business.

Culture is made up of human interactions—and because humans are involved change can be complex. The right attitude and values can be worth more than the number of rules you put in place. What people actually do matters more than what they say or believe.

Robert Smith, Director, Business Compliance & Ethics, Serco Group Plc
The Serco Story

To illustrate this I would like to give a real example of what happened to Serco and the key lessons we have learnt as a result. I am not saying what we have done is right—it is certainly not perfect, nor is it the only way to do it—but it is the journey we took given the situation we were in. The reflections are my own but I hope they are helpful in evolving and shaping the culture where you work.

SERCO'S CHALLENGE

Serco is a leading provider of public services. Our customers are governments or others operating in the public sector. We aspire to be the best-managed business in the sectors where we work, namely: Justice and Immigration, Defence, Transport, Citizens Services and Health. And we do this internationally in four regions: North America; UK & Europe; Middle East; Australia and New Zealand.

In summary, we are a diverse, international service focused company that does some interesting but also some really challenging things.

Serco was for many years a very successful company. We talked about being a values-driven organisation and one which had built a strong reputation with the governments and customers we worked with. We recognised reputation risk on our risk register, so the last thing we wanted were public headlines in 2013 that alleged overbilling and misreporting of data on two important UK Government contracts.

The impact was significant, with a significant drop in share price and a large number of senior leadership changes. It also triggered a significant step towards change for the organisation. Working with the UK Government we commenced a process of corporate renewal which focused on:

• People and specifically recruiting new senior managers;
• Transparency in relation to customer relationships and clarity on delivery of commitments;
• Governance and Systems specifically around internal controls, oversight and monitoring;
• And then the area I led on—culture and ethics.

It is this last area, culture and ethics, that I want to focus on.
Pinpointing the Organisational Culture Issues that Led to the Scandals

Our first step was to ask NAVEX Global’s Advisory Services division to do a cultural assessment. The findings hit home hard. The plus points were that they found no evidence of an endemic corrupt culture, and that everywhere they went they were impressed by a strong commitment to customer service.

But in their final report, the NAVEX Global team concluded that a number of factors could collectively create an environment in which employees may be tempted to make unethical decisions. These factors were about our organisational culture. At the heart of it was the pressure we were putting people under. The pressure to deliver financial results, pressure to win new business, and pressure created through poor implementation of enterprise wide systems. This pressure was building in an environment that was not conducive to hearing or appropriately responding to bad news.

If you consider these as possible filters through which the “tone from the top” had to fight, there was a lot of “noise” impacting the business and diluting the intentions that our code and governing principles set out.

The obvious immediate response is to look at our ethics and compliance programme—and there were improvements needed—but the reality was it was about values-based leadership.

What We’ve Done to Address Our Organisational Culture

Roger Steare in his book ‘Ethicability’ makes an important point....

“When we apply ethics to any aspect of life, we can try to blame ‘the system’ when things go wrong, but ultimately we are all responsible for our individual and collective behaviour. At work, we face significant conflicts of interest, which constantly need resolving. But if we succeed in making good decisions and doing the right thing, the rewards are exceptional.”

Whilst I wouldn’t advise it, what a crisis does do is give you senior management attention and not just lip service. Lip service doesn’t deliver. Buy-in and real commitment does. If all you have is lip service please tell our story because believe me you don’t want a crisis.

With senior management commitment we drove a number of changes. One significant change was in the leadership of the organisation which brought momentum to a number of initiatives. It brought strategic focus and definition of purpose. We completely reviewed and refreshed our core processes, ensuring we had the right foundations, and strengthened honest and transparent reporting with the ethical issues that were raised. We also ensured we responded in a considered and supportive way.

We deepened our focus on communicating and raising awareness of our purpose and values. Specifically, we refreshed our Governing Principles—Trust, Care, Innovation, Pride—and aligned these with our business purpose, strategy and objectives. To bring these to life we launched a booklet ‘People Make It Happen’ which explores the dos and don’ts of the ethical behaviours we expect in living our corporate values.

The aim is to get people to think about those behaviours that demonstrate that the value is thriving and those that would be contradictory to the spirit of the value. The objective being to ensure the values support delivery of business objectives and form the basis of key decisions managers and leaders make.
We then aligned policies, systems and processes with our values and strengthened our governance structure. For me this was about “joining the dots.” We completely rewrote our code of conduct with a focus on the language used and added a strapline, “Know it. Use it. Live it.” We created several versions, including a full code as well as a short, sharp, fun “at a glance” version of our code of conduct, which is given to all staff, which they do appear to read. We also developed animated videos explaining each part of the code of conduct. This forms the basis of ongoing employee training. We changed our language on whistleblowing to ‘speak up’ and re-focused training around developing business ethics as a recognised competency and skill.

We put over 4,000 leaders and managers through a full day’s course looking at the role of business ethics and their role in establishing the right organisational culture. It focused on how the behaviour of leaders, often only visible through the decisions they make, directly impacts the culture around them.

To make ethical decision making practical and easy to understand, we introduced a simple decision making tool for those more difficult questions we are often faced with.
Six Essentials for Creating a Visionary Organisational Culture

A lot of water has passed under the bridge since a crisis rocked our organisation, and there is still a journey ahead. So, what have we learned? What do we think is essential for creating a visionary organisational culture? There are six key pieces of advice I would like to share with you.

1. **Read the Signs:** Business integrity and reputational management must be considered as key risks.
   
   It is amazing how much information we have at our fingertips and how little we use it. Or when we do people don’t listen because it doesn’t fit in with the focus of the moment.

   When we looked back to the year before our crisis our viewpoint survey was trending in the wrong direction. So the signs were telling us something but the focus was elsewhere as the NAVEX Global culture assessment a year later was to demonstrate.

   Business integrity or reputational management must be considered as a key risk. If you get it wrong the impact can be huge. In recognising it as a risk you need to be clear on the controls you want in place to manage or mitigate the risk and also how you want to measure it. So if you don’t measure, find a way of measuring and if you measure then do something with the information, don’t just ignore it as it will become a useless tick box exercise.

   We have reviewed what we measure and take it seriously. We have created a culture index within our annual employment engagement survey ‘viewpoint’ to help manage reputational risk and provide a signpost for management if attention is needed somewhere.

   I am pleased to say that our last employee engagement survey has shown a positive step forward.

2. **Be Careful What You Wish For:** Business results cannot come at the expense of ethical behaviours.
   
   Organisations are made up of good apples. There may be the occasional bad one but rarely do you find a bad barrel. So the question to ask is what makes a good person do something that they would not normally do?

   To understand this you need to understand the pressures you are putting people under. The NAVEX Global report showed us we were placing good people in situations where they were more likely to make unethical decisions. Creating a workplace environment where someone is pushed to say, ‘I don’t care how you do it, just do it’ won’t drive the right organisational culture.

   We need to remember that for most front line staff they don’t see their leaders regularly. Their leaders spend probably 80% of their time in meetings making decisions. So what their front-line staff see is the outcome of their leaders’ decisions. Therefore, to drive the right organisational culture you need strong and transparent values-based decision making. Reminding people of their accountability at the point of decision or action is the single most powerful force to influence organisational behaviour.

   Visible values will serve as a deterrent to wrong behaviours by reminding people what the standard is and having this reflected in decisions made by leaders will embed them.

3. **Lip Service Isn’t Enough:** Tone from the top must be more than just words.

   Organisational culture needs top-down support and bottom-up buy-in so you must be credible and consistent. To achieve this it must be more than just words. Spouting values in front of the cameras is pointless if you don’t follow through when the cameras are switched off. It should be irrelevant whether the microphone is on or not.

   You must be honest and consistent about the values and standards you stand for. This must start at the top. If the words are not followed up by actions then people will see the cracks. A crack at the top of the organisation will become a chasm at the grass roots.
“Bolt In” Not “Bolt On”: Embedding ethical behaviours demonstrates that how you get business results matters.

If “how” things are done is seen as less important than “what” is done, then values and cultures will not flourish. That is, are you clear on what is expected? Once you are clear, these principles must be embedded into the systems and processes of the business – be that recruitment, remunerations, personal development, brand etc.

You also need to ensure that this aligns with the strategy and objectives of the business. It is important therefore that it is bolted into the business as an integral part of the DNA of the organisation, rather than an exercise that is bolted onto the side.

I am pleased to say that our last employee engagement survey has shown a positive step forward.

Have “The Conversation”: Help your organisation get real and relevant in raising and addressing cultural issues—and celebrating progress.

People are often more receptive to changes in the “way we do things around here” when those changes are recommended or shared by colleagues. Equally, people need to be confident that they can turn to their supervisor to address a potential problem. Just like politics, culture is local.

This is about making it real and relevant. In a diverse organisation like Serco it is important that whilst we all do different things they can be done in a way that reflects what we stand for as an organisation. Having good conversations allows managers and leaders the time to explore what the values and behaviours mean for them, their colleagues and other stakeholders. It helps keep their consciences sharp, and the importance of values in decision making and engagement front of mind.

Part of this is also about telling stories, not about the penalties for noncompliance but rather a celebration of stories, be they big or small, where individuals and teams have lived the values—making it relevant to everyone.

At the heart of this is the importance of transparency. If people see real transparency, they are more likely to believe what you say. So conversations need to be both internal and external and be honest. If there is bad news put it on the table. You need to understand the problems you are facing before you can address them.

Culture Change: It’s not just a “phase you are going through”.

Organisational culture is not a tick box exercise that you review when you have a crisis. The challenge for me now is to keep it on the agenda. Our crisis meant that a number of senior individuals left the company. Their replacements are keen to do a good job but they don’t have the scars from the crisis and are positively challenging elements of what has been done.

To keep what we have done alive is about finding and explaining its business relevance. How does it support delivery of our objectives, or better control risk?

To ensure people still listen I have set myself a rule not to mention the word ‘ethics’. It infers the soft stuff and many don’t get it or see it as relevant. The best I have come up with is business integrity – people recognise the need for integrity in business, it’s easier for them to relate to a culture of business integrity and in delivering this aligning it with our business objectives.

For a long time we always thought of culture as the soft stuff. We have been through a number of battles and culture is definitely not the soft stuff.
Final Thoughts

We have had the NAVEX Global team complete some follow up reviews. The last one completed last summer found that many factors identified in their initial report have been addressed. They found that 91% of managers in 2015, and 85% of all staff, either agreed or strongly agreed that Serco is committed to ethical business conduct. There remain areas for further improvement, and plans are included in our business integrity strategy.

Culture is the biggest single determinant of behaviours in any organisation, and it is on those behaviours that reputation is founded. Reputation risk is as important and as serious as strategic, operational or financial risks. To manage this risk every employee must understand what is expected of them.

Serco is entrusted to bringing better services to people’s lives—I and my colleagues can make or break this commitment. The journey we have taken has seen significant change. The combination of new leaders, clear purpose and values, solid processes, open communications have all helped reinvigorate, actively build and contribute to a sustainable culture, and reflects the values we truly want to stand by.

It is not an easy journey. But when it is right the impact is immeasurable.

ABOUT THE AUTHOR

Robert Smith, Director, Business Compliance & Ethics, Serco Group Plc

Robert has spent over 15 years reforming Serco’s policies and management systems, improving ethical behaviour within the workplace and ensuring regulatory compliance with national laws and regulations. Robert set up Serco’s Corporate Assurance Group, reporting to the plc board. This group was created to ensure policies better reflected the cultural and ethical values of the business, as well as developing a more risk based approach to setting company standards and controls.

Robert has led programmes focused on anti-bribery and corruption ethics, as well as elements of ethical compliance covering business conduct and standards of behaviour, anti-corruption and competitive behaviour. He also has considerable knowledge covering human rights, corporate responsibility management and developing codes of conduct.

ABOUT SERCO GROUP

Serco makes a difference to the lives of millions of people around the world. Our customers are national and local governments and leading companies. We have more than 50 years experience of helping them to achieve their goals. By focusing on the needs of the people they serve, we enable our customers to deliver better outcomes. Our frontline delivery involves us in vital areas of public life, including providing safe transport, finding sustainable jobs for the long-term unemployed, helping patients recover more quickly, improving the local environment, rehabilitating offenders, protecting borders and supporting the armed forces. Visit: www.serco.com for further details.

ABOUT NAVEX GLOBAL

NAVEX Global’s comprehensive suite of ethics and compliance software, content and services helps organizations protect their people, reputation and bottom line. Trusted by 95 of the FORTUNE 100 and more than 12,500 clients, our solutions are informed by the largest ethics and compliance community in the world.