



ASIC

Australian Securities & Investments Commission

Book launch: 'Managing Culture: A good practice guide'

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*Book launch 'Managing Culture: A good practice guide'¹, The Ethics Centre, Sydney
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CHECK AGAINST DELIVERY

Introduction

Thank you for inviting me to speak at this event today.

I was offered the opportunity to write the foreword for this book, and I am pleased to be able to also add some words to today's launch of the book.

ASIC's interest in culture

ASIC's regulatory interest in culture is linked to our mandate and primarily relates to conduct. This should not surprise anyone – ASIC is a conduct and disclosure regulator. Importantly, ASIC sees culture (the way we do things around here) as a key driver of behaviour within the business community. Other strong influences on behaviour include remuneration structures and the likelihood and consequences of being caught doing the wrong thing. All of these matters are of keen interest to us as a regulator.

We focus on conduct through the lens of fair outcomes for consumers and investors, including:

¹ A joint publication by The Institute of Internal Auditors Australia, The Ethics Centre, Chartered Accountants Australia & New Zealand, Governance Institute of Australia

- customers and investors being treated fairly
- financial products performing in the way that customers and investors have been led to believe they will
- financial services firms taking into account the behavioural biases held by consumers and information imbalances.

We are tasked with making sure there is an appropriate standard of transparency and appropriate regard for consumers, as set by the laws we administer.

Why culture matters to business

Companies should be interested in culture because many studies have found that good culture is good for business and for generating long-term shareholder value. Good culture enhances brand loyalty and bolsters reputation, which has a very real financial impact.

Organisational culture can either support or damage the relationship between a company and its customers. This book explores how to support this relationship, and strengthen and build transparency, confidence and trust.

Opportunities for influencing culture

Although we think culture is vitally important for the organisations we regulate, we are not going to dictate the kind of culture a company has. Culture is at the heart of how an organisation and its staff think and behave. It is an issue that companies themselves must address.

Instead, we see a role for ourselves in influencing behaviour change.

So how do we encourage culture change?

We have outlined in our [four-year corporate plan](#) that we are incorporating consideration of a firm's culture into our risk-based surveillance reviews of the entities we regulate. Culture is relevant to who we want to look at as part of regulatory work and how hard we look.

We are particularly focused on things like remuneration structures, conflicts of interest, complaints handling, treatment of whistleblowers, and timeliness of breach reporting to ASIC and we are particularly interested in companies in the financial services and credit industries.

By speaking about culture, by supporting a good practice guide like this book today, by turning attention to culture related issues in our surveillance work, we are encouraging firms to shine the light on their own culture and see if it is sufficiently fit for purpose, and customer centric at its heart.

The tone from the top, to the middle, to the front line

I'd like to turn to one aspect of culture in particular. We think a company's board, senior executives and management play a critical role in relation to culture and conduct.

The board plays a critical role in providing oversight, and holding the executive management to account on culture issues. The board also plays a role influencing culture, leading by example and ensuring the right governance framework and controls are in place.

The board's effectiveness at doing so plays its way out into the executive team and the middle of the organisation and on to the frontline.

As discussed in this book, monitoring culture may be a challenging ask for directors who are not involved in the daily operations of a company.

However, at the heart of the responsibility at the top is the need to know, the need to understand, the need to check and change course if necessary, all with a clear view out to the customer the company serves.

As a leader, do you:

- Check that the firm's stated values match the actual outcomes experienced by customers, employees, suppliers etc.?
- Ensure that an examination of culture is a regular topic for discussion and a feature of board and audit committee agendas?
- Discuss the inevitable tensions between the numerous competing interests that arise when running a business, for example, managing the profit line against your customer's needs?
- Set expectations about the sort of strategic and practical outcomes you expect and want to achieve from levers such as remuneration, performance management, customer-centric product design, communication channels?
- Encourage interaction across the organisation so that information can flow to those who hold key director and management roles, to give them a chance to consider and act on culture?
- Engage with external stakeholders such as customers, suppliers, and regulators, and ask about how the company's culture is playing out in their interactions?
- Identify key indicator data relevant to culture and track to see how various indicators change or move together?
- Have a way of learning from errors and mistakes so your organisation benefits from disclosure and encourages psychologically safe workpractices, where staff are comfortable to speak up and raise issues as they see them?

Conclusion

Having drawn your attention to the responsibilities of leaders, I endorse the positioning taken in this book, that a multidisciplinary approach to governance and management of culture is critical to its success.

As a regulator, we are one of the players in this system, with our own set of responsibilities and motivations.

Culture is not something we want to regulate with black letter law. We know it isn't feasible to check over every company's shoulder to test their culture, or dictate how a business should be run.

But as the corporate regulator, we see the very real impact of poor culture through misconduct, scandals and poor outcomes for investors and consumers. That is why we are talking about culture here today and why we encourage publications such as this.