

PAPER

# UNETHICAL LEADERSHIP

WHY GOOD PEOPLE DO  
TERRIBLE THINGS IN  
BUSINESS

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## DECISION TIME

Late May in 2015, high above the sparkling waters of Darling Harbour, the CEO of the Commonwealth Bank Of Australia, Ian Narev and one of his Group Executives, Matt Comyn were catching up for their regular one-on-one meeting. Mr Comyn ran the Retail Bank for the CBA.

The Retail Bank was the largest division within the most valuable listed company in Australia at the time. With close to 10 million customers, the Retail Bank dwarfed much of the rest of the organisation. On its own, the Retail Bank would have been the 5th biggest organisation in the country, touching almost 50% of all financial transactions occurring each day and raking in \$4b in annual earnings for the big yellow bank. Matt Comyn's team consisted of some 30,000 employees distributing home loans, credit cards and savings accounts through more than 1,000 physical branches and their massive network of call centres across the country.

The discussion reportedly turned to a recent audit finding. Internal risk assessments had identified a problem with over 150,000 customers who had been sold insurance on credit cards or loans. The problem was that none of these people were actually able to receive benefits from them.



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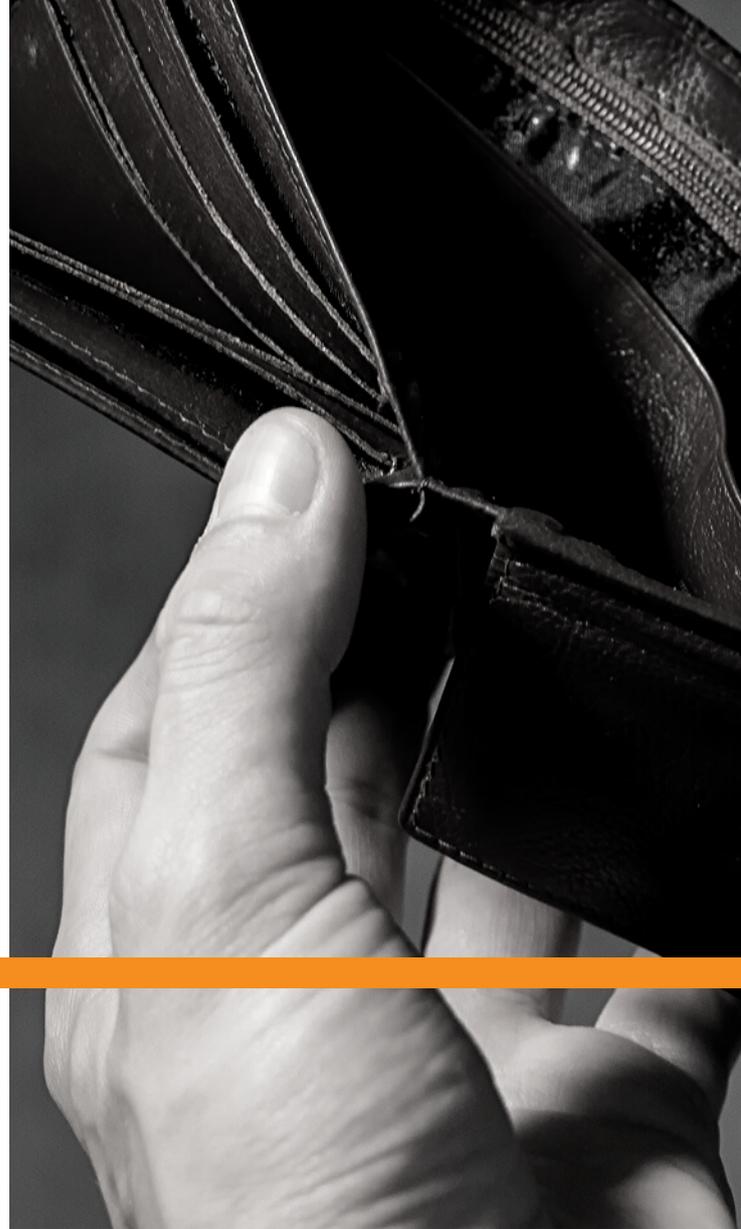


These products, like many other insurance products, included exclusions. Specifically, these products excluded certain types of people from making a claim, such as full time students or the unemployed.

Despite this, 150,000 people who were categorised as excluded, had been sold these insurance products and had paid a total of \$45m in insurance premiums. Mr Comyn brought this finding to Mr Narev and wanted his CEO to support his proposal to suspend the sale of these products immediately. While selling an insurance product that can never be claimed on is highly profitable, much like a rigged game at a small-town carnival.

Mr Comyn thought it was wrong to continue this practice. He felt it best to shelve the product until the risks that had been identified in the audit process could be fully worked through. CBA's values in 2015 included Integrity, Accountability and Service and selling people a product that they were actually excluded from being able to use wouldn't pass many regulatory or consumer integrity tests. Now that the audit process had picked it up, it was a no brainer to stop selling it and to fix the problems.

Sadly, Mr Narev disagreed. The decision was made in this meeting and in subsequent discussion on the topic that the organisation didn't really want to question how it was making money. The focus was on making as much as possible. Actually, Mr Narev reportedly told Matt Comyn to "temper your sense of justice". On that day, Ian Narev sent a clear signal to his right-hand man: Put performance before purpose.



On the back of Royal Commissions and constant subsequent scandals, it has never before been so clear, so obvious and so public, that businesses are delivering results in unethical ways. Sometimes these are small, isolated challenges. Sometimes, they are massive.

Such as Westpac's 23 million breaches of important anti-money laundering and counter-terrorism laws. The investigation by AUSTRAC identified that nearly 3,000 transactions were linked to child exploitation and child trafficking.

This was despite Senior Management at Westpac being warned of the risks of their systems more than 18 months earlier.

Like CBA, Westpac made a decision to keep the money flowing despite clear ethical red-flags. These are not isolated incidences. There was negligent financial advice given to thousands of customers. Millions of illegal fees charged, even to people who had passed away, misleading the regulator and destroying people's lives. All the while, the profits kept flowing in.

As Clare O'Neil MP so elegantly put it:

"IF YOU STEAL FROM A BANK, YOU GO TO JAIL. YET IT SEEMS THAT IF A BANKER STEALS FROM YOU, THEY GET A BONUS AT THE END OF THE YEAR AND A GOLD WATCH WHEN THEY RETIRE."



The banks are not alone. Directors sitting on the Boards of many large organisations are finding themselves seemingly unable to ensure they deliver the performance their shareholders require without straying outside the boundaries of ethical behaviour.

This is not to say the Boards, nor even the Senior Executives of these organisations are nefariously plotting and scheming to find ways to break the law. But it is happening on their watch, so how does this happen?

This is something we have observed externally working with clients and internally with experience within such organisations. A gap seems to emerge between what we set out and intended to deliver and what actually occurs.

While the performance metrics have been closely scrutinised and managed to hit the target, the grand vision and purpose we aspired toward has become distorted or destroyed.

Why do we make the numbers but miss the meaning?

One of the biggest reasons for this is due to the Two Worlds of Business.

World. The world of real and measurable things.

Reporting on how many widgets you sold, the margin you made, the dollars you spent and the people you employed are all objective measurements. They can be calculated, documented and objectively agreed upon. We can report these numbers to others and use them to compare our organisation to other organisations.

We can make clear comparisons: "We sold 5,000,000 widgets at a \$2 margin and made \$10,000,000 allowing us to return \$1.85 per share to each of our shareholders this year. Well done us!"

Due to the objective and comparable nature of the Tangible World, many organisations rely on these numbers to report their Performance.

The tangible report of success or failure. But when it comes to the Intangible World, measurement and objectivity become much more difficult. The Intangible World consists of more abstract drivers such as values, feelings, emotions, culture and relationships. These intangible forces are equally, if not more, powerful when compared with the tangible counterparts. They impact on what, how and why we do what we do.

Values can guide us through complex and challenging decisions. Emotions, such as love and fear, can drive us to make choices that are seemingly irrational to others. The unspoken power of culture can steer good people to do terrible things to ensure they 'fit in' to an abstract social construct. This Intangible World is incredibly powerful and impactful in our lives.



Businesses know this is important, that is why they have spent millions on culture surveys. Many run pulse checks to ask people how they are feeling. Employee Net Promoter scores to see if their employees would recommend this as a place to work.

Organisations across the globe have worked to try to measure and report on their culture and values. They have endeavoured to take the Intangible world and turn it into a Tangible measure they can track, compare and report on to their Board.

Clearly this has failed.

The objective measures for the Commonwealth Bank in 2008, amid the realisation of possibly the worst transgressions by employees, was ranked amongst the Best Practice

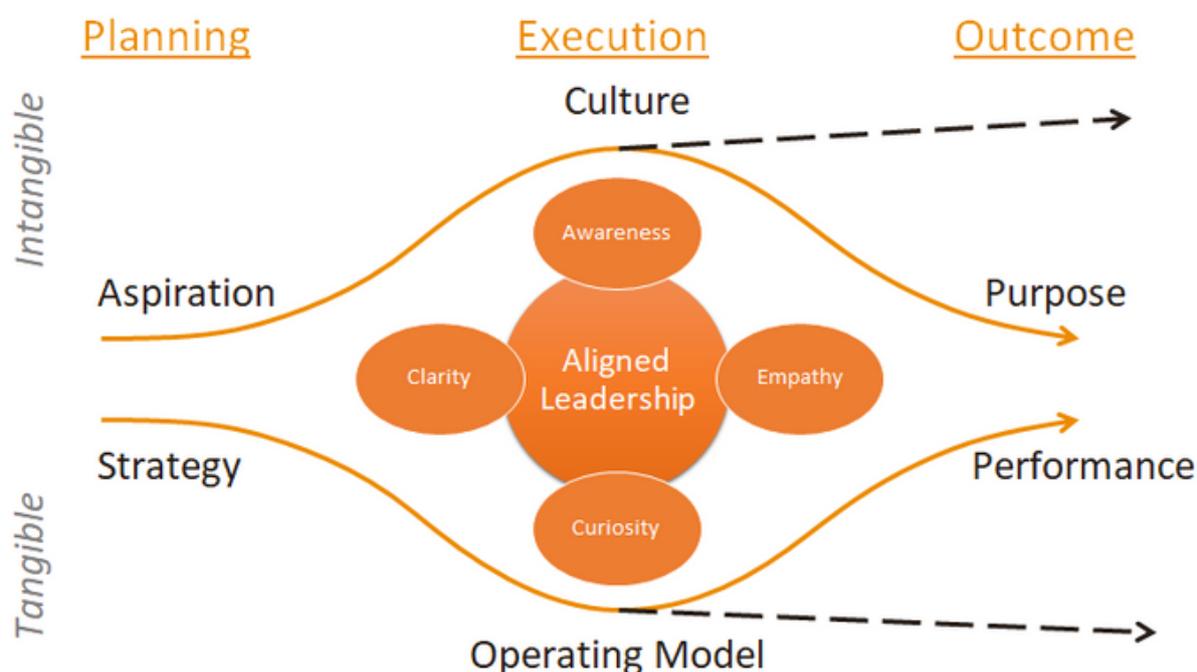


globally on Gallup's Worldwide Benchmark. It took a shock of the Royal Commission to drop CBA's employee engagement score from close to the Top 10% globally at 78% in March 2017, to a low of 72% by March 2018.

Not surprising given the negative reports and scandalous admissions that fronted newspapers across the country. However, this also clearly shows that they are measuring the wrong things. The culture that created, allowed or simply tolerated the highly unethical behaviour was objectively measured as nearing global best practice!

What is clear from our experience and research is that the complex and abstract nature of the Intangible World means we cannot rely on metrics and measures to understand it. We cannot hope a survey will tell us about our culture any more than we can expect a spreadsheet to tell a love story, or a set of numbers to illuminate the subjective beauty of a piece of art.

You cannot understand the Intangible World using a Tangible language. What businesses need is a greater understanding spread throughout their organisation of what this world is, why it is important, and most of all, how to effectively support and provide leadership in this space. They need people leaders who are monitoring, interrogating and influencing the Intangible World as equally proficiently as they are doing with spreadsheets and operational changes on the Tangible World.



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This is where we need Aligned Leadership. The key elements of Aligned Leadership are Clarity, Awareness, Empathy and Curiosity. These elements need to be embedded as leadership behaviours throughout the organisation.

This is the clear path to ensure we can remain aligned from planning to outcomes. That we execute in a way that delivers Purposeful Performance.

- Without Clarity of the aspiration and strategic intent of the organisation, people within the business have no compass to guide them through complex, challenging and ambiguous times.
- Without leadership Awareness of the impacts of culture on individual performance and decision making, we leave behaviour to chance and simply hope people are doing the right things in the right ways.
- Without Empathy and understanding of the true impacts the organisation has on people's lives inside and outside the business, it is easy for business to become a game based on rules instead of the moral and ethical obligation to do what is right.
- Without Curiosity, leaders aren't able to identify misalignment, they don't see the small cracks forming in the foundations and are unable to see the incremental changes needed to realign for purposeful performance.
- Without Aligned Leadership, your business doesn't have the ability to address the challenges that arise and to constantly adjust the actions and behaviours as they happen, small issues become the new norm and quickly fester into larger problems.

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Sadly, too many Boards and Executive Teams are developing world class strategic plans combined with beautifully scripted vision statements full of emotive language and inspiring possibility.

Yet without clarity, awareness, empathy and curiosity embedded throughout their businesses, even the best plans can quickly become distorted. We need Aligned Leadership develop as a set of skills deployed by your people in everyday execution.

You need many people deep in the belly of the business who are hearing the small murmurs that become rumbling earthquakes. People that are staring into the eyes of customers and understanding the human impact.

We need your businesses to deliver Purposeful Performance. Meaning the people within your business need clarity of purpose, empathy & human understanding, and most of all, they need to be empowered with ethical & moral leadership.

# THE ALIGNED LEADERSHIP

## PROGRAM

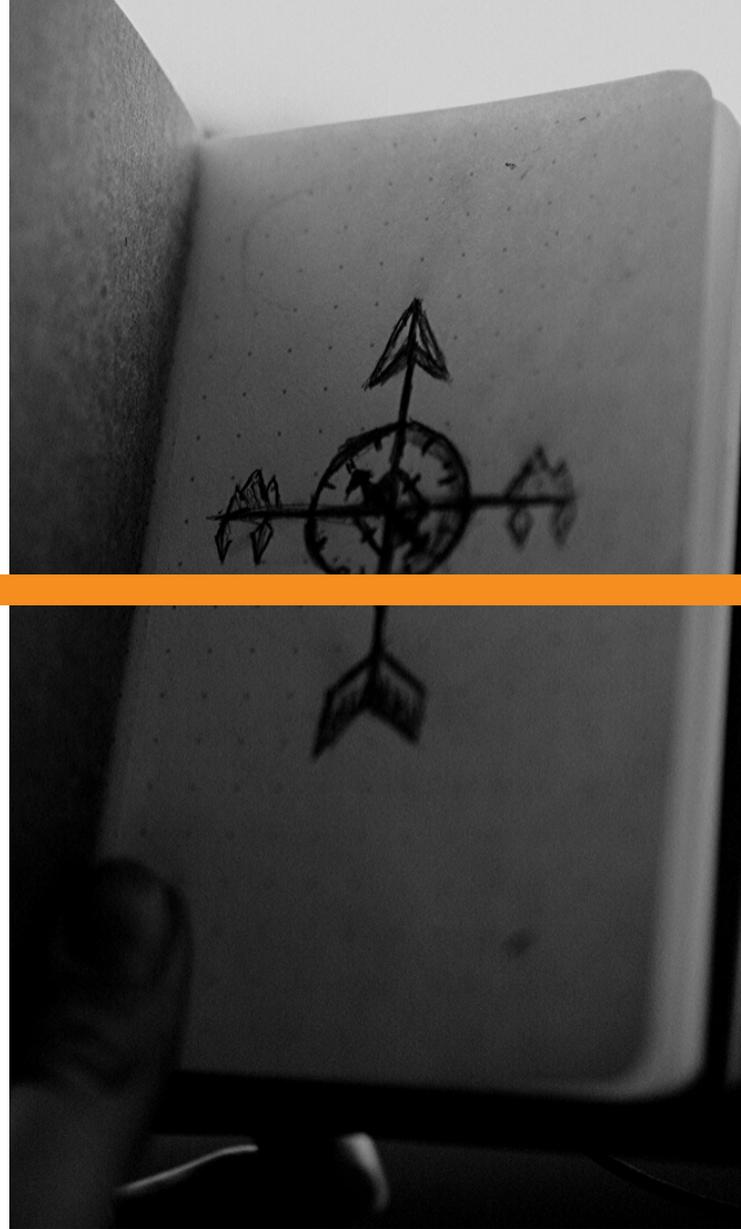
Many organisations implement skills and leadership training to help improve culture and drive peak performance. But too many fail to deliver the desired results.

The most successful organisations know the key is an aligned leadership team who can deliver both the strategic performance and values-based purpose of the organisation.

Aligned leadership is not about fostering individual experts, it is building a team with clarity and empathy.

## DELIVERING PURPOSEFUL PERFORMANCE

The highest performing leadership teams are the custodians for delivering the organisational strategy while embodying the culture and behaviours aligned to the vision and values.



As a team, an Aligned Leadership team develops strong foundations of trust, shared understanding and continuous curiosity.

When embedded within the leadership team, Aligned Leadership becomes the standard for values-based behaviours and operational excellence.

Leaders motivate with empathy, not authority. They embrace crucial conversations with honesty. They inspire with clarity of purpose and consistency in delivery.



# PROGRAM OVERVIEW

## 5 CORE COMPONENTS

The program is designed to be delivered across 5 workshop sessions for the leadership team with integrated 1:1 coaching for individuals.

Each session is between 1-3 hrs and provides detailed content, tools & frameworks, practical application and progress review of implementation.

### **1. Leading with Empathy**

Exploring the shortcuts used by the brain, we identify how assumptions and mental models shape our perceptions. We then explore the power of empathy and perspective taking through simple, practical processes.

### **2. Crucial Conversations**

This session supports leaders with tips to be more engaged listeners. We then develop skills to respond, not react in conflict situations and tools to provide powerful, thoughtful feedback.

### **3. Curious Leadership**

To succeed in a complex world, modern leaders need to explore with curiosity. This session improves the ability for open exploration of business drivers and cultural influences on performance.

### **4. High Performance Culture**

Leaders are the custodians of the values in action. This session breaks down the key elements of trust, understanding and challenge required to develop a high performance culture.

### **5. Embedding Beliefs & Rituals**

Actions shape reality. This session provides leaders with the critical skills to identify misalignment as individuals, a team and an organisation. It helps embed individual commitments and shared accountability for outcomes.

# PAST CLIENTS

Speaking - Training - Workshops - Coaching

"Thought inspiring, provoking and interesting. Took you through the emotional journey of using empathy in your business"

- Robbie Cooke, CEO, Tyro Payments

"Fantastic both in content and delivery. I was looking for someone to open up other ways of approaching leadership and looking at our business environment and they delivered!- Michaela Flanagan, Head of Branch Operations, Swiss Re

"I can honestly say it was one of the best sessions I have been a part of. The content was unique & very interactive. I highly recommend Empathic Consulting to build empathy & understanding to drive performance."

- Daniel Markovski, Group Sales Manager, Nova

"They engaged people who I didn't think would ever respond, let alone take away actions. Post this session, I observed genuine behaviour changes. This was one of the best things I have done for the team."

- Rochelle Eldridge, Executive Manager, CBA

**tyro**

**NOVA**  
ENTERTAINMENT

**CommonwealthBank**

**BHP**

**Applied**  
Medical



**ADAPT**  
**OVATE**

**bulbeckgroup**

**strategy&**  
Part of the PwC Network



**Swiss Re**

**QBE**



For more information on how Empathic Consulting can support with specific programs and the key steps to implementation, contact:

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