

crime and punishment

Organisational culture is now a legal responsibility, as well as a social and ethical one, writes **KERRY FALLON HORGAN**.

In May, Australian companies became criminally liable for their organisational culture under new provisions in the Criminal Code in relation to Federal Anti-Discrimination Laws.

The director of the St James Ethics Centre, Dr Simon Longstaff, has described the new provisions as “a powerful tool and a wake-up call” to companies to create ethical cultures.

However, he also says that change “must be based on people wanting to do the right thing for its own sake, not simply to generate a defence”.

Unfortunately most organisational leaders are still trying to play golf, not realising that they are now on a tennis court—that the rules and tools of the game have changed.

Organisational culture is a matter of social, ethical and now legal responsibility. If leaders can internalise the basic ethical principles and apply the new rules they will find that it makes good business sense.

Yet many continue to treat people as economic commodities to be done away with as part of their cost-cutting measures. Their focus is lamentably short term as they seek to achieve quick-fix bottom-line results.

Constant downsizing, restructuring and re-engineering have meant that fewer people are expected to do more with ever-decreasing resources. This has resulted in greater stress and absenteeism, and plummeting commitment and effectiveness.

Unfortunately, even where there is no threat of retrenchment, people often suffer from bullying, sexual harassment, discrimination and other forms of human rights abuse in the workplace.

Many workplace cultures remain rigid, disempowering, controlling, distrustful, uncommunicative and uncaring. Such organisations are characterised by addictive, workaholic, discriminatory behaviours which take their toll on employees at huge financial cost to the organisation.

Add to this the detrimental effect on relationships outside the workplace and the

lack of time for personal and community interests, and you have a lot of dysfunctional people who cannot possibly realise their full potential in the workplace.

The business incentives for change are increasing. In the US, for example, the Mitsubishi Motors Manufacturing of America settled a sexual harassment suit brought by the Equal Employment Opportunity Commission with a payment totalling \$A66 million.

Australia's changes to the Criminal Code can only be an added incentive for leaders to create ethical organisational cultures here.

At the very least organisations need to be places where people feel physically and emotionally safe. At their best they can be places where the whole person flourishes—mentally, physically, emotionally and spiritually.

■ **KERRY FALLON HORGAN** is managing partner of Flexibility At Work, a change and diversity management consultancy. She is the co-author of *Time On, Time Out: Flexible Work Solutions to Keep Your Life in Balance*. E-mail: kerry@flexibility.com.au or visit: www.flexibility.com.au

WHERE IT HURTS MOST

Companies that do not comply with new Equal Opportunity legislation risk the bottom line as well as their hard-earned reputations.

Under the new Equal Opportunity for Women in the Workplace

Act, employers with 100 or more staff had until April 1 last year to put in place a new ‘workplace program’ for affirmative action.

In May, they were supposed to report on the results of that program to the Equal Opportunity Agency.

But what is the cost for those who, through ignorance or neglect, have not complied with the provisions of this legislation? Can it be quantified?

In fact, the cost of lost reputation runs into hundreds of thousands of dollars.

Employers who do not comply can be named in parliament and are in danger of losing market share and profits. They also encounter an opportunity cost when good people decline to join the organisation because of its poor EEO reputation.

The effects within the organisation are also significant, including lost productivity because of lower morale and employee commitment.

On the other hand, a reputation for good

diversity practices is one of the factors that makes an organisation an employer of choice, allowing it to reap the positive business outcomes that come with that.

The direct and specific link between positive equal opportunity practices and increased profits has been well documented.

A Harvard research study conducted over an 11-year period found that organisations that valued inclusiveness had eight times the employment growth and four times the sales of those who focused only on shareholder profit.

Other US research found that company share prices increased significantly after the announcement of best practice in affirmative action.

There is also considerable evidence that investors and lenders favour ‘ethical’ organisations in the longer term. In the US, socially responsible investment, or SRI, is growing at a faster rate than other forms of investment. In Australia, this form of investment has recently gained prominence, with a number of institutional investors setting up SRI funds.

Clearly, the bottom-line benefits of developing and implementing a successful equal opportunity program cannot be ignored.

■ **KERRY FALLON HORGAN**