

## **The Monsters in our midst**

For centuries, dominant and aggressive men (yes it is overwhelmingly men) have abused the power and influence bestowed by leadership roles. Not only rich and entitled corporate titans; think of rogue entertainers, military officers, politicians, doctors and religious leaders.

Perhaps we shouldn't be surprised by this. Plenty of work has been done profiling the habits and behaviours of leaders – positive and negative. That research demonstrates, among other things, that there can be a lack of accountability at the top of organisations, a focus on short term performance rather than ethics, and a difficulty in speaking 'truth to power'. These phenomena are particularly toxic in organisations marked by a seemingly "anointed" caste, that appears to act with relative impunity. Examples abound in the finance, sport and entertainment industries.

None of this is new, and efforts have increased to embed safeguards in organisations and in society, including changes to the UK Equality Act requiring employers to take "reasonable steps" to prevent sexual harassment of their employees. Increasing diversity on boards and in organisations should help, and whistleblowing legislation and culture is heralded as a major advance. But there's still an elephant in the room or perhaps a monster in our midst. Too often when someone senior is accused of wrongdoing, the initial reaction includes a denial and a statement that the organisation's number one priority (is that really so?) is the safety of staff/clients etc. This initial reaction is followed by an internal inquiry that seems to take forever. During this period brave victims emerge, resulting in more victims coming forward and the emergence of more extensive (and possibly more egregious) allegations. These developments discredit the organisation's initial handling of the matter and lead to potential legal exposure, and permanent reputational harm, for all involved.

It is important to understand the severity of the conduct. We're not talking here about a chance remark, a careless comment or a wandering hand – even if those were ever (wrongly) acceptable. We're talking about conduct that has always been out of bounds – both legally and in terms of societal norms and judgement; sexual assault, fraud and deception, systematic bullying and abuse of power.

The most worrying aspect of this familiar playbook is that often the allegations come as no surprise. There may have been rumours, accusations, HR investigations, Board discussions. Maybe warnings had been issued, maybe a bonus was deferred, maybe a note on a file. But too often the results are Non-Disclosure Agreements (NDAs). And it is not hard to see why – the first reaction is to protect the organisation. Do the right thing but don't acknowledge any wrongdoing. Settle, but don't admit liability.

The list of affected organisations is long, and it contains many household names and companies with formerly sterling reputations. Ask yourself whether any have emerged from the process with real credit or their public images truly intact?

There is a better way. It doesn't require major capex or a new AI system (although there is a role for technology). At GCEA Advisors we help organisations recover from, or ideally prevent, serious misconduct. Here are some of the steps we encourage clients to take:

- The Chair must take a direct interest in the conduct of key personnel. Yes, the CEO leads the business, but the Chair has the independence, experience and objectivity to ask difficult questions and expect proper answers. Chairs rightly fear emergency succession processes, but they would choose one every time over a lasting and debilitating conduct crisis.
- The Senior Independent Director, or equivalent, should play an important and complementary role (and ensure that the Chair's own conduct is beyond reproach).
- Codes of Conduct are essential and are now expected. But they must be followed – they are very necessary, but insufficient on their own.
- Employee remuneration and career advancement should be linked not only to commercial performance, but also to adherence to the code and compliance policies. Most organisations say they do this, our evidence is that too few employees believe it to be true.
- Apply zero tolerance right up to, and arguably especially at, the top. No-one is above the rules.
- Boards must assess the application of a zero tolerance policy. Many organisations claim to have it, but have rarely taken action against senior people under it. Perhaps they don't really accept that there

has been wrongdoing, or perhaps they preach, but don't really have, zero tolerance.

- Training is vital, at all levels, but it must be more than a mere 'tick box' online exercise. We advocate dilemma studies with discussion and eye contact – the difference is amazing! Concentrating on behaviours is key.
- Ask your people! Not by pulse survey or organised poll, useful though they can be. Let the Board loose in the canteen.
- Make your own exit interviews meaningful and encourage complete honesty – don't wait for what Glassdoor says.
- Keep a central register of signed NDAs, differentiating between entirely routine ones (deal confidentiality etc) and those used in settlements or compromise arrangements. We think the Chair should sign them. Too many, you say? Gotcha!
- Strengthen awareness, communication and monitoring of whistleblower processes. Again, the gap between what organisations say they do, and leadership's actual awareness, can be sobering.
- We advocate "iron bar linkage" between a code of conduct, demonstrable consequences and transparency.

The list above is not a toolkit, or prescriptive, but it might leave you with the idea that we care about helping organisations to eliminate the monsters in their midst much, much, earlier in their offending journey.