



Information Overload

Issue 36, August 2005

Welcome:

Welcome to this month's edition of Information Overload. This month we have a look at your workplace. Do we take the workplace for granted? And ask, to what extent are we, the jobs that we do and the results that we achieve affected by corporate culture. We hope you enjoy reading. As always, if you have any suggestions or would like to see us cover any other topics, we would love to hear from you. Just send an e-mail to training@iea.com.au;

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Marketing & Training Coordinator

In this Issue we will be looking at:

- Leadership style and corporate culture
- Corporate culture and Unethical Behaviour
- Getting away with it – or perhaps not
- So why do people do it?
- A Thought to ponder.

Leadership style and corporate culture

When does corporate culture mirror that of the leadership? Do you work for an organisation that leads by example – in more ways than one? Do you work for an organisation where it appears to be OK to do whatever you want “because everyone does it” or do you work for an organisation where the leadership style is one of “do as I say, not as I do.” Corporate culture can be classified in many ways, including:

- *Individualism vs. collectivism* - which refers to the extent to which people are expected to stand up for themselves, or alternatively act predominantly as a member of the group or organization.
- *Masculinity vs. Femininity* - refers to the value placed on traditionally male or female values. Male values for example include competitiveness, assertiveness, ambition, and the accumulation of wealth and material possessions.
- *Tough Guy Macho Culture* - Feedback is quick and the rewards are high. This often applies to fast moving financial activities such as brokerage, and can be a very stressful culture in which to operate.
- *The Work Hard/Play Hard Culture* - is characterized by few risks being taken, all with rapid feedback. This is typical in large organizations, which strive for high quality customer service. It is often characterized by team meetings, jargon and buzzwords.
- *The Bet your Company Culture* - where big stakes decisions are taken, but it may be years before the results are known. Typically, these might involve development or exploration projects, which take years to come to fruition, such as oil prospecting or military aviation.

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- *The Process Culture* - occurs in organizations where there is little or no feedback. People become bogged down with how things are done not with what is to be achieved. This is often associated with bureaucracies. Whilst it is easy to criticize these cultures for being over cautious or bogged down in red tape, they do produce consistent results, which is ideal in, for example, public services.
- *Power Culture* - which concentrates power in a few pairs of hands. Control radiates from the center like a web. Power Cultures have few rules and little bureaucracy; swift decisions can ensue.
- *Role Culture* - people have clearly delegated authorities within a highly defined structure. Typically, these organizations form hierarchical bureaucracies. Power derives from a person's position and little scope exists for expert power.
- By contrast, in a *Task Culture*, teams are formed to solve particular problems. Power derives from expertise so long as a team requires expertise. These cultures often feature the multiple reporting lines of a matrix structure.
- A *Person Culture* exists where all individuals believe themselves superior to the organization. Survival can become difficult for such organizations, since the concept of an organization suggests that a group of like-minded individuals pursue the organizational goals. Some professional partnerships can operate as person cultures, because each partner brings a peculiar expertise and clientele to the firm.
- (taken from wikipedia – <http://en.wikipedia.org>)

Whilst some types of corporate culture appears to attract people who are willing to further their own careers and/or bank balances through whatever means, ultimately it is the responsibility of the individual whether they conform to the corporate culture or not.

Corporate Culture and Unethical Behaviour

- Unauthorised personal use of corporate assets and equipment. This can include everything from “borrowing” the company car to run personal errands, to the use of the printer and photocopier to make copies of your job application;
- Asset purchases for personal use;
- Payroll fraud;
- Falsely claiming sick leave or excessive absenteeism.
- Running a private business during work hours;
- You have received gifts that you have not brought to the attention of the management;
- Conflicts of interest where you are in a position to directly influence or award contracts to a company in which you have personal interests;
- Theft of stock, equipment or money;
- False invoicing.
- Credit / expense card abuse – including the use of credit cards to receive frequent flyer points;
- Inappropriate use of the Internet and email; It is estimated that more than 200 workers in Australia have been dismissed and a further 900 suspended as a result of internet misuse since 1998 (predominantly accessing pornographic web sites and forwarding inappropriate emails), according to ongoing monitoring by the software company Surfcontrol. *Human Resources*, 23rd August 2005 edition, p22 “Policing the internet”
- Poor time management – this includes the usual late arrivals and additional time during lunchbreaks, but can also include excessive “smoke breaks” and time taken for personal matters including the use of the Internet, email and telephone for personal use, and the effect that has on productivity.

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Of course, some of these items may seem to be very minor infractions. Arriving a few minutes late to work every morning, or taking an extra half an hour over lunchtime hardly seems to be a major cause for concern for any organisation. However, if you add to that all the time each individual then spends chatting to work colleagues, reading and sending personal email and surfing the net for personal reasons, added up over a year multiplied by the number of staff can result in a significant loss of productivity and therefore revenue to the organisation who pays you. But the culture of your organisation may be one that knows that a person cannot be productive every minute of every day, and has factored this into its operating costs. What is perhaps harder to factor in is the deliberate theft of things other than time.

Despite operating in the one of toughest corporate governance regimes in recent history, Australian Boards and company management are not as vigilant as perhaps they ought to be. In the 2004 Fraud Survey conducted by KPMG, Gary Gill said that financial reporting fraud was identified as the most costly form of fraud – with 27,000 incidents involving \$457 million, the average loss equated to \$2.1 million. In the retail sector it is said that 99% of all fraudulent activities involved the theft of inventory or equipment, whilst the financial sector 72% of fraudulent activities involved the misappropriation of funds, and an additional 24% involved cheque forgery. Of all the misappropriated funds, only 21% had been recovered (to date). It was also very interesting to note that of the people who had been found to have misappropriated funds for their own use, 7% had prior convictions, which does beg the question – where were the pre-employment checks and were they exhaustive? *(Figures taken from the 6th biennial survey of the Australian Public Sector – April 2002 – March 2004 conducted by KPMG). Also reported in Human Resources 23rd August 2005, p4*

Getting away with it – or perhaps not.

The problem organisations seem to face in getting their money back is a simple one. They simply do not have enough evidence to back up the accusations, but they also fear the threat of counter suits which might backfire and cost even more money according to the “Insider threat study” which was carried out by the U.S. Secret Service and Carnegie Mellon University Software Engineering Institute’s CERT coordination centre. In all they looked at 23 cases carried out by 26 insiders between 1996 and 2002, 87% of which were simple attacks using legitimate end user commands.

There have been some very high profile cases in recent times involving senior management and large sums of money, including of course – Enron, Martha Stewart, HIH and world com. But these appear to be the tip of the proverbial iceberg.

- On September 6, 2002 the NY times reported the Health South CEO – Richard Scrushy sold most of his stock just weeks before the company revealed regulatory concerns. The SEC sues the organisation in March 2003 accusing Health South of overstating earnings. In June 2005 – Richard Scrushy is acquitted of all charges in the \$2.7 billion accounting fraud. He was the first CEO charged with violating the Sarbanes Oxley Act.
- September 3 2003 – New York’s Attorney General Eliot Spitzer files a complaint against Canary Capital Partners alleging the hedge fund performed illegal trades using mutual fund shares. On Jan 13, 2004 – The SEC announces it has found abuses at 13 out of 15 Wall St brokerages probed in the sale of the shares. The investigation eventually resulted in nearly \$2 billion in fines and other payments.
- On February 6 2002, as investors concerned about complex accounting dump the stock, TYCO CEO L. Dennis Kozlowski reassures investors “Our accounting is

sound and appropriate and we will put that in a public filing.” On June 17, 2005 Kozlowski is found guilty of 12 counts of grand larceny, 1 count of conspiracy, 1 count of violating business law and 8 out of 9 counts of falsifying business records.

- And in another case involving falsification of business records, during an investigation into suspected kickbacks in 2000, CSFB banker Frank Quattrone forwarded an email referring to document retention policies encouraging employees to “Clean out” files. Quattrone receives an 18-month prison term and is fined \$90,000 for obstructing justice and witness tampering. (<http://money.cnn.com/news/specials/corruption/>)

So why do people do it?

There is evidence to suggest that some organisations are being targeted by individuals and other organisations to deliberately obtain money and perhaps more importantly the identities of its clients – from the inside. Why spend time, effort and money trying to hack into an organisation when you can work for them directly and take it from under their noses. However, the main reasons identified by the KPMG survey were:

- Greed (38%)
- Gambling (21%)
- Lifestyle (19%)
- Financial Pressure (3%)
- Family Pressure (0.9%)
- Revenge (0.7%)
- Drugs (0.4%)
- Performance based remuneration (0.3%)
- Petty fraud/cultural (0.3%)
- Unknown (17%)

The questions organisations must ask – is our corporate culture allowing this type of behaviour to happen? How is it detected? And what can be done about it?

According to the KPMG study, only 19% of all fraudulent activities were discovered through normal internal control measures that were in place. The remaining activities were found through a variety of means including:

- Notification by another employee (19%)
- Management investigation (12%)
- Employee investigation (11%)
- Notification by customer (9%)
- Accident (7%)
- Internal audit (7%)
- Anonymous letter (6%)
- Third party notification (5%)
- Notification by supplier (3%)
- Notification by bank (2%)
- Employee away (1%)

A Thought to Ponder:

In nature there are neither rewards nor punishments – there are consequences

Robert Green Ingersoll (1833-1899)
American agnostic

Your comments and suggestions on the subject of this newsletter are most welcome. Or if you would like to see other issues covered in future editions, please email me at training@iea.com.au. Please feel free to pass on this newsletter to your colleagues' friends and associates. To subscribe they should send an e-mail to training@iea.com.au with “subscribe newsletter” in the subject line.

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