



How Your Company Culture May Be Increasing The Chances of Fraud

Following the arrest of Patisserie Valerie's Financial Director, revelations about accounting irregularities, missing cash reserves and secret overdrafts have sent shockwaves across the business press and any number of boardrooms alike. Whilst it's still too early to speculate about the future trading situation of the company, or the outcome of any criminal investigation, it does raise a bigger question about how organisations end up in such dire straits and how potentially fraudulent behaviour can go unchecked.

It's true that when fraud occurs it is sometimes the result of rogue individuals acting alone, motivated, perhaps, by personal circumstances or simply to benefit or 'cover up' by any means, fair or foul. It's certainly easier to look at it this way. The ability to identify the culprit, isolate the problem, attach blame and eliminate it immediately is a much more palatable solution for leaders of a business than having to look more deeply at what's happening inside their organisations that might have enabled fraud to flourish.

If they did take a closer look, they may discover some cultural features that are counterintuitive to openness, honesty and fair play such as aggressive performance targets, intense competition, cavalier attitudes to 'rules', low levels of accountability and visibility, command and control leadership, subservience, poor communication and high levels of stress and overwhelm amongst employees.

When opportunities to be dishonest arise, the corporate governance systems and processes that have been

designed to protect the interests of the organisation's shareholders, suppliers, customers, etc., start to look a little inconsequential in the face of such strong internal forces that make it easier to choose the wrong path.

Of course all organisations that possess these features aren't necessarily corrupt but they may be far more vulnerable to malpractice than other organisations that have highly engaged workforces with open communication channels and collaborative learning environments.

Getting an organisation's culture right is imperative so that it's inconceivable that such deviations, intentional or unintentional, can occur without challenge. After all, this isn't just a legal issue - it's a commercial necessity, with fraud costing businesses millions, globally, each year.

Whilst leaders have a responsibility to set the ethical tone of the organisation, they also need to find ways to engage with their people in a way that promotes accountability and ownership. This is contrary to the overused, highly transactional, 'command and control' style of leadership that could serve to silence potential whistleblowers by relegating employees to the sidelines. Instead, leaders need to learn how to embrace more of a coaching style of leadership that invites questions, curiosity and challenge in an open and supportive environment where problems are shared and where genuine creativity and innovation renders dubious quick 'fixes' redundant.

Notion is a global expert in behaviour change. For more information about how we can help your organisation to create a positive working environment, visit us by [clicking here](#) or call us for an informal chat on +44(0)1926 889 885.

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