

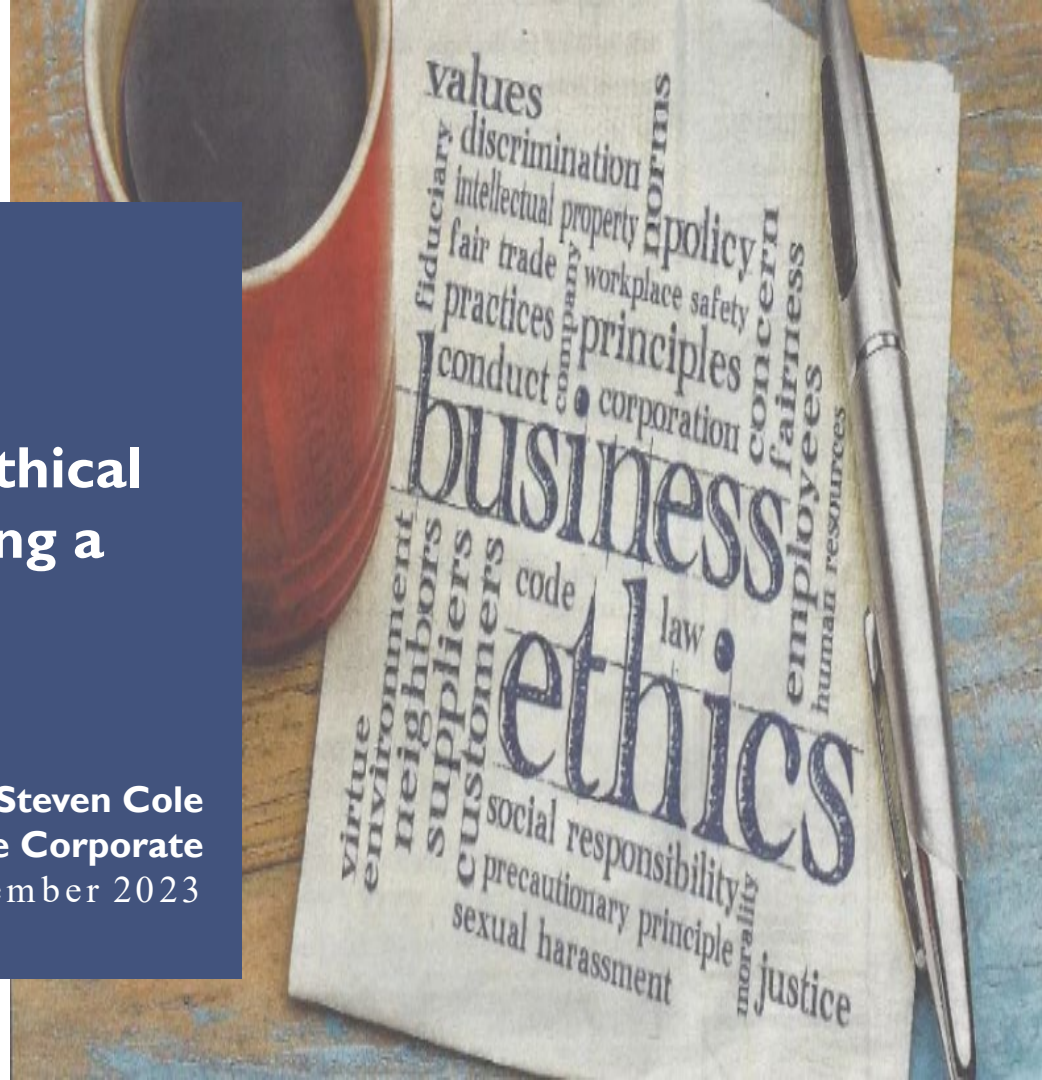
PWC Fallout

- consequential risks and ethical considerations in managing a professional crisis -

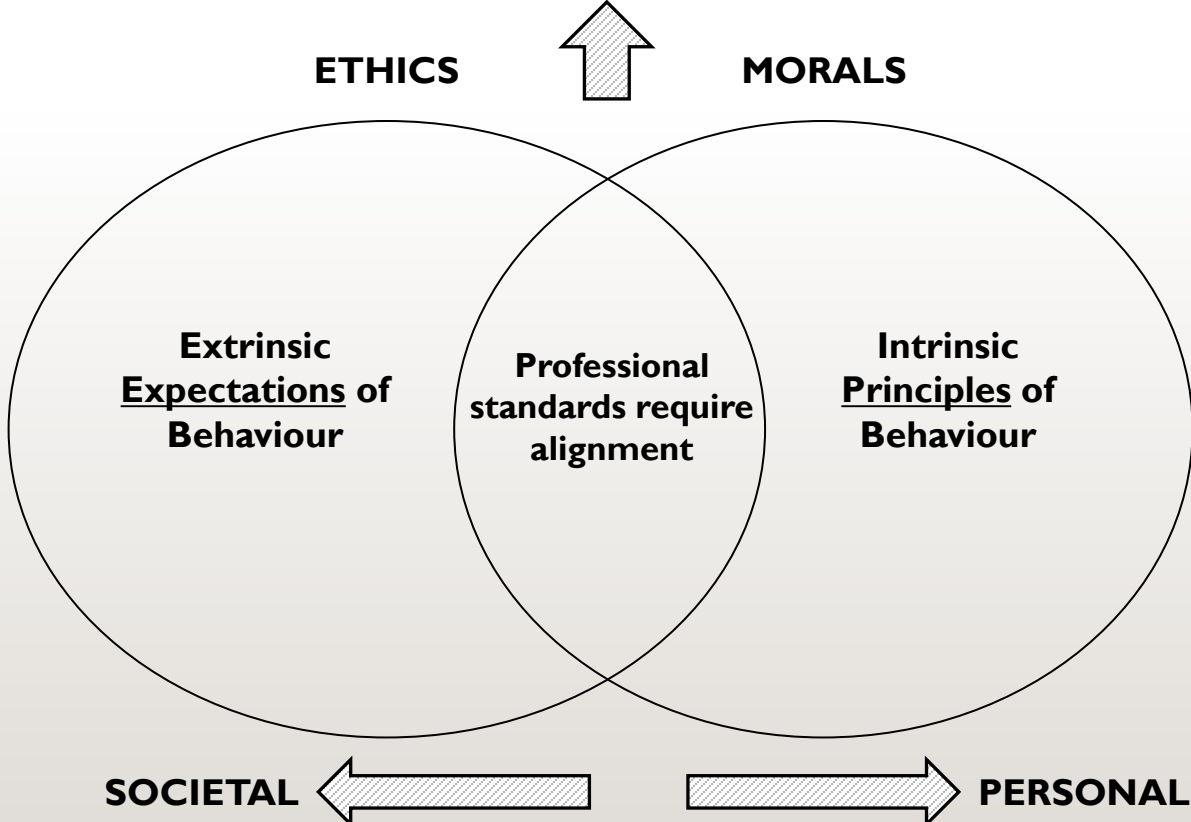
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THE “TRUE NORTH” OF A PROFESSIONAL



5 Essential Characteristics of a Profession(al)

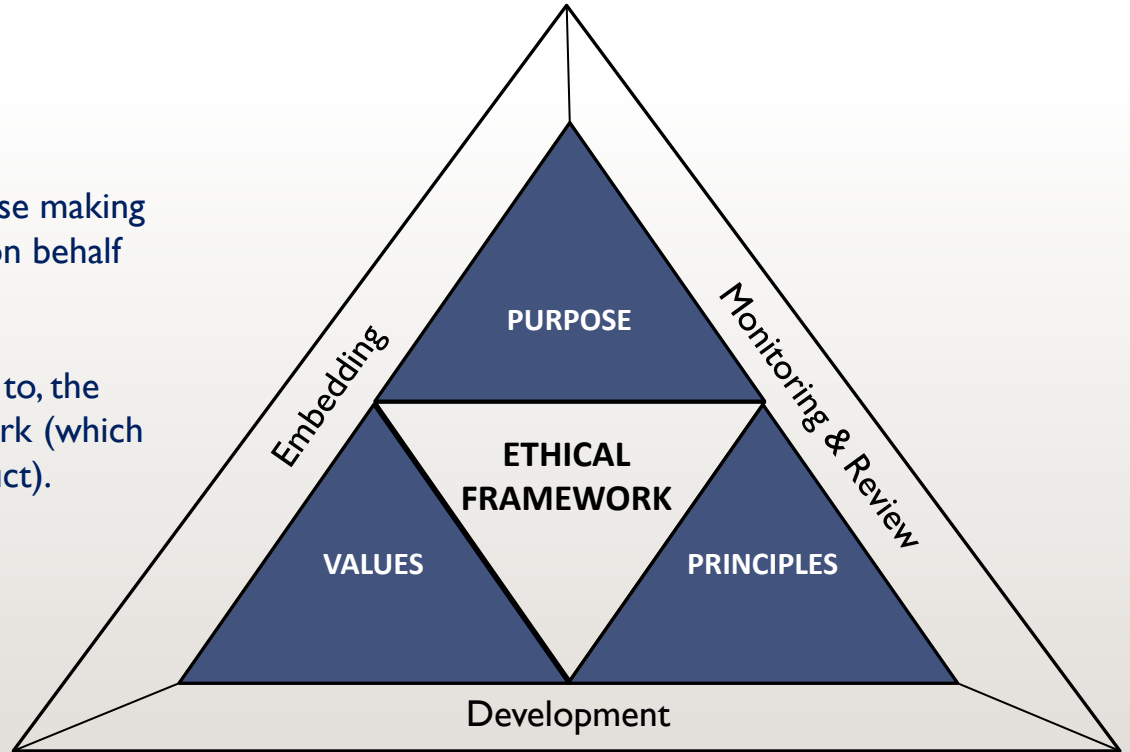
- special body of skills, experiences and knowledge
- governed by a code of mandated conduct
- commitments to:
 - competence
 - integrity
 - ethical behaviour
- accountability to:
 - clients
 - society
- promotion of the public good

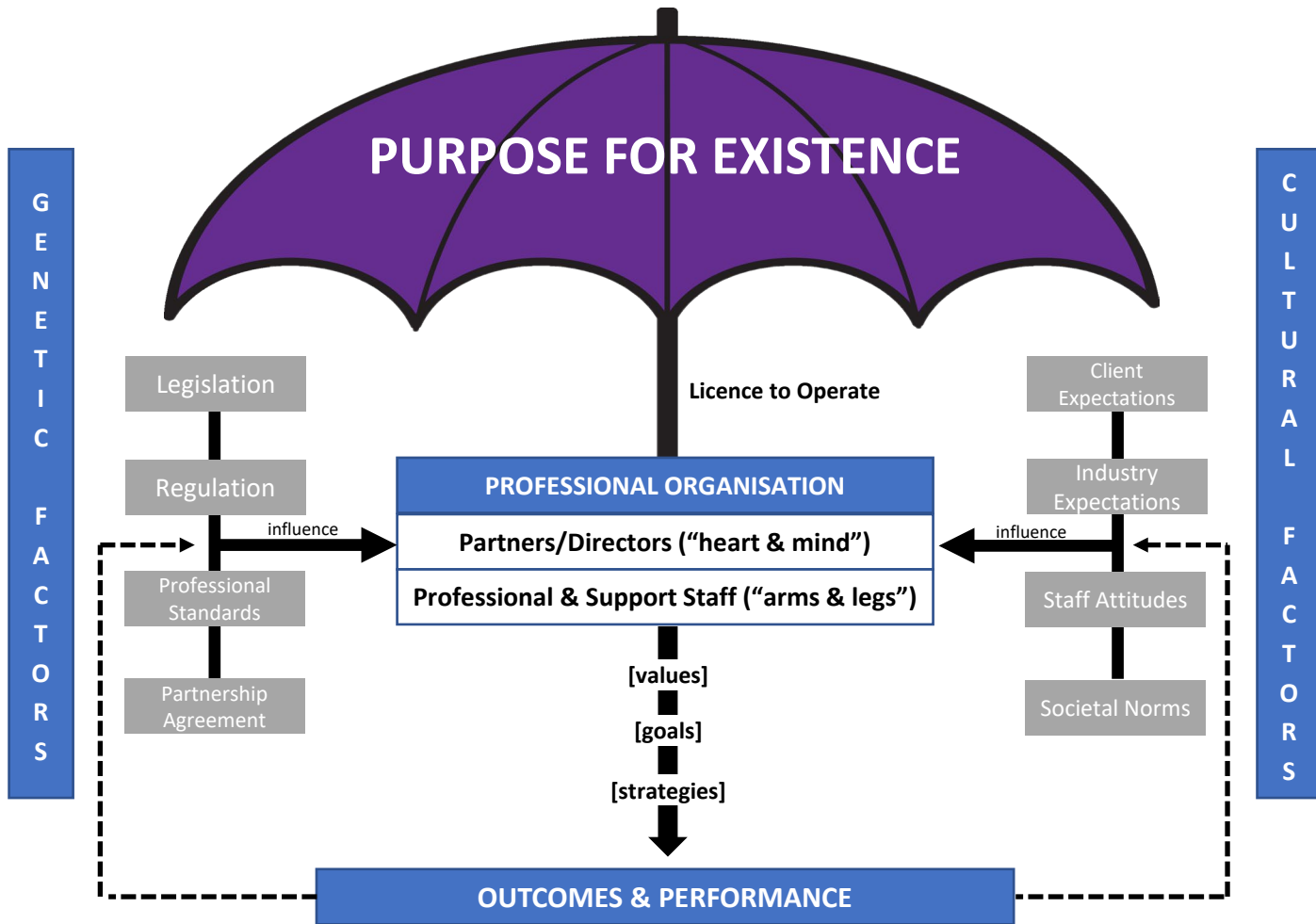
Fiduciary Duty

- “**Fiducia**”(n) [Latin - fidere]
 - trust and confidence
- Duty to act in the best interest of another due to special relationship recognised at law:
 - care and diligence
 - loyalty and good faith
 - confidentiality / not profit
 - avoid conflicts / disclosure

Organisations should be guided by an ethical framework

- Aid to guide rather than direct those making decisions or exercising behaviour on behalf of the organisation.
- Discrete from, but complementary to, the organisation's governance framework (which itself may include a Code of Conduct).





Organisational Purpose

- Good governance suggest that an organisation’s “purpose”
 - goes beyond self interest and profit motives
 - demonstrates its ethical core
 - explains how it seeks to impact and contribute to the community of which it is part
 - provide meaning to whatever it is that the organisation does
- PWC’s Purpose (why we exist)

“ ... build trust in society and solve important problems is core of everything we do ...”

Organisational Values and Principles

“Values” express qualities or attributes considered to be desirable and which should permeate all decision making and behaviours across the organisation

“Principles” help inform what should be done to display the “value”

Value	Principle
“integrity”	<ul style="list-style-type: none">• “transparent and open reporting”• “whistle-blower encouragement”
“respect”	<ul style="list-style-type: none">• “valuing others’ views”• “appreciating diversity of perspective”
“results”	<ul style="list-style-type: none">• “outcomes focussed”• “delivering on time, on budget”

PWC's Organisational Values

- PWC's Values (x 5)
 - act with integrity
 - make a difference
 - care
 - work together
 - re-imagine the possible

PWC Value (1)

“Act with Integrity”:

- Speak up for what is right, especially when it feels difficult
- [.....]
- Make decisions and act as if our personal reputations were at stake”

PWC Value (4)

“Work together”:

- Collaborate and share relationships, ideas and knowledge beyond boundaries
- [.....]

PWC Value (5)

“Reimagine the possible”:

- Dare to challenge the status quo and try new things
- [.....]

- PWC's statements of Purpose and Values ticked all the "best practice" boxes
- PWC sought to actively communicate and embed its purpose and values in its people

- PWC represented and traded in the market place to its clients, staff and broader stakeholders its:
 - service quality and responsiveness;
 - professional and ethical integrity

SO WHAT WENT SO TERRIBLY AWRY?



So how did matters develop and escalate into the current existential crisis impacting the firm?

- the rogue operator?
- conflicting values in practice?
- lack of “values” embedment?
- compromise in addressing the resultant ethical dilemmas arising?

1. The “rogue operator” theory

- partner Collins’ actions were clearly wrong, contrary to the law and inconsistent with PWC’s purpose and values
- perhaps he was a “rogue operator”
- but many others appear to at least have:
 - become complicit in facilitating the malfeasance;
 - become accessories after the fact;
 - failed to “blow the whistle” consistent with ethical/legal standards; or
 - sought to act to cover up the matter (e.g. LPP claims)

2. Conflicting values in practice

“The standard you walk past is the standard you accept”

Australian of the Year and Head of Army, Lt. Gen David Morrison AO, who attributed the statement's origin to now Gov. Gen. David Hurley AC

- extreme partnership financial performance pressures combined with personal “high performer” reputational standing led to compromise of personal and professional ethical standards
- the Holy Grail of the business imperative \$\$ trumped the “public good”
- compromise of junior staff by leadership malaise at senior level

3. Lack of “Values” Embedment

- 2 x aspects of “values” – QUALITATIVE and QUANTITATIVE dimensions
- Qualitatively PWV’s expressed Values “ticked the box”
- Quantitatively they fell short
 - lack of strength and robustness to resist contrary pressures
 - insufficient cultural embedment throughout organisation and its people
 - failure of Values to:
 - have normative acceptance; and
 - be enforced, expressly and implicitly, including by peer endorsement and calling out (as applicable)

4. Compromise in addressing ethical dilemmas

PWC's duties are owed to many different stakeholders

- the particular client
- the law and regulations
- professional standards codes
- fellow partners
- former partners (pensions)
- aspiring professional staff
- support staff
- the firm generally (reputation and sustainability)
- the community

4. Compromise in addressing ethical dilemmas (cont)

PWC's leadership in seeking to address the existential threat arising from Collin's actions, appears to have prioritised:

- the firm's self interest (perhaps with perceived good intent allegedly in the interests of most stakeholders);
- by bunkering down; and
- failing to address the broader risks

A SIMPLE PLAN WHICH ESCALATED OUT OF CONTROL

5. About ethical dilemmas

- Are “RIGHT V’s RIGHT ” not “RIGHT V’s WRONG” decision making considerations

- They demand mature and wise consideration of all dimensions of the issue to determine “WHERE LIES THE BALANCE”.

1. “Raw Truth” v’s “Managed Context”

[especially relevant in ASX announcements and HR management]

2. “Stakeholder A” v’s “Stakeholder B”

[where the decision may differentially impact/benefit stakeholders each with legitimate rights/entitlements/claims]

3. “Short-term” v’s “Long-term”

[short term organisational benefits/costs v’s longer term considerations and sustainable outcomes]

4. “Legalistic” v’s “Social Compassion”

[over-focus on legal/compliance issues without sufficient regard to broader social consequences]

5. Guidelines to assist addressing ethical dilemmas

- Guidelines to assist in resolving ethical dilemma decision making

- Guidelines are non-determinative, hence the “ethical dilemma”

- **Ends-Based**

- what delivers the greater good for the greater number?
- does the end justify the means?

- **Rules-Based**

- what if everybody was allowed to do this?
- shouldn't the rules be strictly applied?

- **Care-Based**

- empathise with both sides of the dilemma?
- shouldn't there be room for compassion in appropriate cases?

- **Can v's Ought-Based**

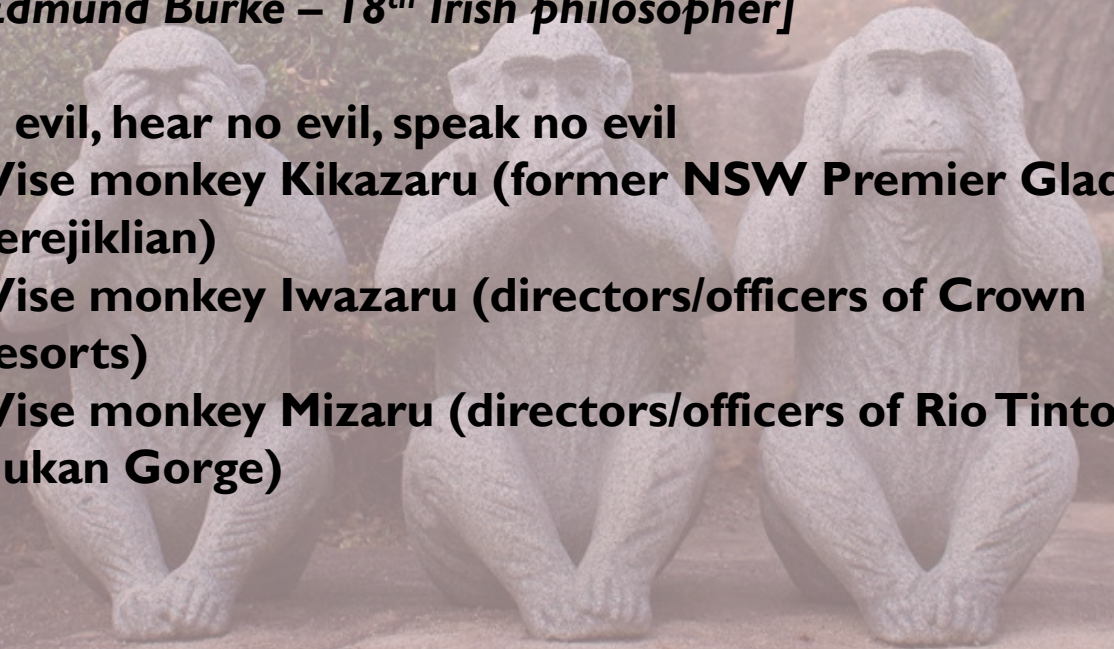
- not merely can it legally be done?
- should it be done having regard to accepted societal norms

- **Cognitive Objectivity-Based**

- ensuring cognitive detachment to resist the philosophical, cultural and emotional biases we each bring to our decision making

6. THREE WISE MONKEYS – PWC ARE NO ORPHANS

- The risk of losing one's **ETHICAL COMPASS**
 - *All that is necessary for the triumph of evil over good is that good men do nothing*
[Edmund Burke – 18th Irish philosopher]
- See no evil, hear no evil, speak no evil
 - **Wise monkey Kikazaru (former NSW Premier Gladys Berejiklian)**
 - **Wise monkey Iwazaru (directors/officers of Crown Resorts)**
 - **Wise monkey Mizaru (directors/officers of Rio Tinto – Juukan Gorge)**



CONCLUSION

- Importance of strong displayed ethical leadership
- The weakness of being human especially when confronting the ethical dimension
- The importance of strong governance systems and processes when human failings might otherwise prevail
- When ethnically confronted beware the “Simple Plan” and do not emulate an osterich
- *“The standard you walk past is the standard you accept”*
- Governor General David Hurley AC

Good ethical governance is too important a matter to be left to chance