

Practice Direction 4(13) applies to this witness statement and each document referred to in the witness statement. You:
(a.) may not use those documents or their contents for any purpose other than the purpose of that person's appearance before the PCRC; and
(b.) are required to keep those documents and their contents confidential except for the purpose of obtaining legal advice or otherwise with the leave of the PCRC, unless and until the witness statement and/or the documents are admitted into evidence

Observations in relation to the Deloitte Culture Review of Crown

EXPERT OPINION

Prepared for the Perth Casino Royal Commission (PCRC)

By Elizabeth Arzadon, M.Psychol (Org). B.Sc.(Psych)(Hons), MAPS

October 2021

TABLE OF CONTENTS

| Sec | Title | Page |
|----------|---|--------------|
| | <i>Executive summary</i> | 3 |
| 1 | <i>Context</i> | 4 |
| 1.1 | Engagement by Corrs Westgarth Chambers | 4 |
| 1.2 | My qualifications | 4 |
| 1.3 | Instructions | 4 |
| 2 | <i>Background</i> | 5-6 |
| 2.1 | Definitions | 5 |
| 2.2 | Basis for observations | 5-6 |
| 2.3 | Limitations | 6 |
| 3 | <i>Introduction</i> | 6-11 |
| 3.1 | Summary of Deloitte's approach | 6-11 |
| 3.2 | Approach to observations set out in this report | 11 |
| 4 | <i>Assessment of culture as a driver of conduct and risk</i> | 11-15 |
| 4.1 | Context and framework | 11-13 |
| 4.2 | Observations | 13-15 |
| 4.3 | Conclusions | 15 |
| 5 | <i>Immediate versus longer-term change requirements</i> | 16-21 |
| 5.1 | Context and framework | 16 |
| 5.2 | Observations | 17-20 |
| 5.3 | Conclusions | 20-21 |
| 6 | <i>Impact of leadership dynamic on change</i> | 21-24 |
| 6.1 | Context | 21 |
| 6.2 | Framework and observations | 21-24 |
| 6.3 | Conclusions | 24 |
| 7 | <i>Implications of business unit differences</i> | 24-29 |
| 7.1 | Context and approach | 24-25 |
| 7.2 | Business unit specific observations | 25-26 |
| 7.3 | Overarching observations | 26-29 |
| 7.4 | Conclusions | 29 |
| 8 | <i>Report conclusion</i> | 29-30 |
| | <i>End notes</i> | 31-32 |
| | | |
| | | |
| | | |
| | | |

EXECUTIVE SUMMARY

This report provides my observations and comments in relation to the culture review conducted by Deloitte on Crown, for the purpose of supporting the Perth Casino Royal Commission (PCRC).

I found that Deloitte's review approach was generally typical for a consulting engagement designed to assess culture, and my review of the evidence did not produce any difference of opinion in relation to the key findings presented in Deloitte's Final Report. However, in my opinion, the approach taken by Deloitte does not support *clear* identification of the cultural barriers to Crown's conduct and risk management effectiveness, which cultural traits and areas of the business may require immediate attention in this context, and how prepared leaders at different levels of the organisation are to support this change.

I therefore provide observations on four topics that I believe are particularly relevant to the PCRC's Terms of Reference: an assessment of the evidence in relation to cultural factors known to impede effective management of risk and conduct, consideration of the findings in relation to drivers of behavioural compliance (high priority), versus corrective cultural traits (more medium-term priorities); consideration of evidence in relation to leaders' readiness to change; and consideration of business unit differences in order to identify any high risk areas that may warrant immediate intervention.

These observations provide a clearer picture of the extremely difficult task facing Crown in relation to transforming its culture to not only ensure further compliance issues are avoided during the remediation period, but also that long-term change is sustained.

1. CONTEXT

1.1 | Engagement by Corrs Chambers Westgarth

This report provides my expert opinion on findings contained in the final report of the Crown Culture Review conducted by Deloitte. It has been prepared for the Perth Casino Royal Commission (PCRC) following a request from Corrs Chambers Westgarth who have been appointed as solicitors assisting the PCRC. Prior to this engagement, I was engaged by Corrs Chambers Westgarth as an expert witness for the Victorian Royal Commission into the Casino Operator and Licence (Victorian Royal Commission). My report to the Victorian Royal Commission constitutes a separate engagement which is subject to confidentiality obligations which I have abided by in preparing this report.

1.2 | My qualifications

I am an international expert on corporate culture and its influence on conduct and risk outcomes, Registered Psychologist, and Managing Director of Kiel Advisory Group. My formal qualifications include a Master of Psychology (Organisational) and Bachelor of Science (Hons)(Psych), and Membership of the Australian Psychologist Society (MAPS).

My experience as a practitioner includes over 20 years as an adviser, both independently and with firms including McKinsey & Company and Deloitte. My core areas of expertise are the diagnosis of culture and design of culture improvement programs for a range of organisations. During the past decade I have conducted over 50 culture assessments for the specific purpose of identifying cultural traits that help or hinder effective management of risk and conduct. In addition to my work directly with institutions, I also assist Australian and international financial sector regulators to develop their culture supervision methodologies, and conduct independent entity-level and industry-wide assessments of corporate governance and behavioural risk.

My assessment experience includes the development and use of various psychometric tools including surveys, as well as behavioural interviews and focus groups, and primary research on factors that predict cultural failures. This year I co-authored two publications: *'Auditing Risk Culture – A Practical Guide'* for the Institute of Internal Audit, and *'Culture Audit in Financial Services'* (edited by Roger Miles and published by Kogan-Page).

1.3 | Instructions

In summary, I was instructed by way of a Brief dated 23 September 2021, a Supplementary Brief dated 29 September 2021, and a Further Supplementary Brief dated 1 October 2021 (see Annexure III), to undertake the following:

- i. Review Deloitte's culture review findings contained in the Crown Culture Review - Current State Culture - Final Report¹ (the "Final Report");
- ii. review survey results by employee level, business unit and property contained in the Culture at Crown Survey – Survey Results – Demographic Detail² ("Crown Survey Demographics");
- iii. raw survey data, interview transcriptions and focus group summaries collected and analysed by Deloitte to develop the findings in their report (the "Review Source Data"³); and
- iv. provide a written report setting out my comments and observations.

2. BACKGROUND

2.1 | Definitions

This report reflects definitions that form the basis of my professional work. They are widely accepted in the organisational psychology, financial regulation, and risk culture expert community.

Behaviour change is defined as sustained demonstration of new behaviours, and is typically possible to achieve through effective control mechanisms prior to embedding via self-sustaining culture change (see “Culture change” below).

Behavioural norms are observable actions, decisions, and discussions that are considered typical for a particular group.

Causative (cultural) factors are behavioural norms and mindsets that directly help or hinder good conduct and effective operation of controls.

Corrective (cultural) factors are behavioural norms and mindsets that support a self-sustaining organisational system of good conduct and effective controls.

Culture is defined as systemically reinforced behavioural norms and mindsets that help or hinder various business outcomes.

Culture change is defined as a transformation in the behavioural norms, mindsets and system reinforcers of an organisation, including a change in outcomes.

Dynamics are the pattern of behavioural norms and mindsets that characterise interactions between two groups.

Formal mechanisms are documented policies, processes, procedures and systems that influence behavioural norms and mindsets.

Informal mechanisms are symbolic actions on the part of leaders, corporate stories, shared interpretations of history, and ‘water cooler’ conversations that help organisational members understand group norms.

Mindsets are beliefs, values and assumptions that help organisational members make sense of their environment.

Risk culture is defined as the influence of systemically reinforced behavioural norms and mindsets on effective management of risk.

2.2 | Basis for observations

The opinions shared in this report constitute my professional opinion only. They have been informed by the following:

- i. Materials listed in Annexure I;
- ii. Reading listed in Annexure II;
- iii. Academic knowledge of theory, research and commentary on organisational culture assessment and change; and
- iv. Practitioner experience of the influence of culture on conduct and risk management in regulated environments.

For the avoidance of doubt, my report is focused on the Final Report, Crown Survey Demographics, and the Review Source Data. It has not taken into consideration the change roadmap and related materials subsequently prepared to address their findings.

2.3 | Limitations

Several factors may limit the extent to which conclusions should be solely relied upon:

- **Reliance on materials provided.** This report is based on materials and data developed by Deloitte in the course of their Culture Review on Crown. Whilst my report provides an independent interpretation of the information provided, I have treated Deloitte's survey data analysis as accurate, and summaries of focus groups and interviews as a valid and reliable reflection of the underlying verbatim transcripts.
- **Application of expertise to casino sector.** I have not conducted any reviews specifically in the casino sector, but over the course of my career I have conducted culture assessments across a range of industries including the financial sector (predominantly), as well as energy, property sector, airlines, grocery, mining and postal services. Several parallels between financial services institutions and casinos make my experience especially relevant, including the regulatory context, risks associated with imposed/non-revenue related obligations (such as anti-money laundering control requirements) and workforce characteristics (for example large number of frontline staff distributed across multiple locations). Despite these similarities, it is possible I may have missed or misinterpreted key factors related to unique characteristics of the casino sector in my analysis and conclusions.

3. INTRODUCTION

In responding to the brief described above, the following observations provide an independent opinion on the culture findings arising from Deloitte's Culture Review of Crown. I have focused on insights arising from evidence collected by Deloitte, that may have particular relevance to the PCRC's Terms of Reference. This includes clarifying evidence of cultural traits that are specifically known to impede effective management of risk and conduct, potential barriers to immediate behavioural compliance, possible impediments to longer term change, and areas of the business that may be higher priority for immediate intervention. The report is organised into two main parts:

- Comments on Deloitte's method and findings, which have informed my approach to providing my independent observations; and
- My own observations in relation to:
 - traits known to impede effective management of risk and conduct;
 - norms that may impede immediate compliance;
 - leadership capacity to drive change; and
 - differences between business units in Perth.

3.1 | Summary of Deloitte's approach

After reviewing the Final Report, Crown Survey Demographics and Review Source Data, and considering the context of Deloitte's work, several factors shaped the approach I took in providing my independent observations on the culture review data and findings.

i. *Criterion used*

In behavioural science, a criterion is the benchmark or standard used to assess results as ‘positive’ or ‘negative’. When conducting a culture review, analysts have a range of options when deciding which criterion to apply. Examples may include:

- Aspirational culture – that is, analysts can examine whether behavioural norms and mindsets align to a set of pre-agreed ‘ideal’ behaviours articulated by leaders and/or of other stakeholders at the beginning of the review;
- Stated values – that is, analysts can examine whether behavioural norms and mindsets align to the corporate values publicly espoused by the firm; and
- Factors known to reinforce outcomes of interest – that is, analysts can use a framework based on empirical or applied research that identifies key behavioural norms and mindsets known to support certain outcomes such as risk management or performance, and examine whether they are evidenced in the data collected.

The choice of which criterion to apply is typically a product of client and consultant goals, expertise and strategy. In my experience, there is no system-wide standard on this decision. However regulatory and audit methods may prefer outcome-linked criteria given their mandate is often more narrowly focused (on risk and conduct outcomes), and there are well-established models⁴ that identify which cultural factors have a robust impact on these outcomes. In contrast, consulting firms sometimes favour criteria based on aspirational culture or stated values, which may reflect their role in supporting the broader strategic goals of their clients.

In the case of Deloitte’s review on Crown, page 7 of Final Report states that the review was “designed to understand how Crown’s values are currently lived throughout the business”. This is consistent with the report structure and assessment methodology which focuses on identifying behaviours aligned to Crown’s four values: ‘We do the right thing’, ‘We work together’, ‘We act respectfully’, and ‘We are passionate’. Although the Methodology section includes a statement that the review “also considered, to a limited extent, the risk culture behaviours which were articulated in a draft Risk Culture Framework at the time of our review”, I note the report is very restricted, comprising only 3 pages of the 50-page report.

In short, this approach uses Crown’s stated values as the criteria for what ‘good’ looks like (that is, the review assessed whether the lived experience of staff was consistent with Crown’s espoused corporate values) but does not necessarily focus strictly on the factors known to drive good conduct or effective management of risk. Compared to a more specific risk culture criteria, Crown’s values are relatively high level, and cover cultural dimensions that may be important to organisational engagement and performance, but are less specifically linked to risk management and conduct outcomes – such as being passionate and innovative. In Section 4 of this report I provide a systematic assessment of the Review Source Data against each dimension in Deloitte’s Risk Culture Framework.

ii. *Clarity of conclusions*

When preparing a culture assessment report, analysts usually consider a range of factors, including validity and reliability of the findings, how constructively they will be received, and communication of key messages. Validity and reliability of findings is paramount and should always be technically met, however the other two factors can have a significant effect on how well the results are understood.

On the first point, a client's receptiveness to findings is relevant not only for maintaining a commercial relationship, but also to support openness to difficult messages. Presenting a balanced set of findings, with both strengths and challenges, is a typical way for consultants to improve their client's receptivity. Sometimes, language will be tempered to avoid the appearance of unhelpful criticism. However, achieving an accurate, clear, and constructive report can be difficult, especially when results are objectively negative.

On the second point regarding communication of messages, there is often tension between simplicity of presentation and structure, and technical detail. As a systemic concept, culture can be 'sliced' in many different ways, so analysts need to make decisions about which will be most useful – for example, should the overall results be the primary level of analysis, or a particular subgroup such as priority, management level or business unit? Similarly, data collected and analysed for a culture review is often extensive, and statistical techniques not always easy to explain to clients without experience in psychometric analysis. This can make it difficult to communicate key messages in a clear and compelling way.

Considering these two points in the Final Report, I observed:

- A very balanced style with an attempt to include equal weighting of positive and negative data (for example reasonably equal lists of Cultural Enablers and Cultural Derailers in the Overarching Findings section, when the majority of data included in the Crown Survey Demographics provide support for Derailers rather than Enablers), with themes presented in neutral, passive language rather than conclusive statements.
- Some factors that reduced clear communication of the findings, including:
 - Embedding findings related to sub-group differences into the overall findings, and subsuming most of the business-unit differences within the 'We work together' theme, makes it difficult to clearly identify key issues within sub-cultures, across the group, and the implications of these differences for the group as a whole (see below at Section 7 of my report for further details on this point).
 - Minimal explanation of how to interpret negatively-worded survey item results. Deloitte's format is relatively typical – that is, presenting the 'strongly disagree/disagree' responses in green on left-side of the graph to indicate the percent of favourable answers, and the 'strongly agree/agree' responses in red on the right-side of the graph to indicate the percent of unfavourable answers. However, it is also extremely common for lay readers to misinterpret negatively worded items, and crucial in the case of the Crown report that they should be read correctly given the most critical findings are derived from these negatively worded items – for example, that 75% of staff in Perth *did not disagree* that "There are often instances where working around our policies, processes or procedures is necessary to get the job done".

The approach to presenting findings in this report seems consistent with many other culture reports prepared in the context of consulting engagements. However, the style makes it difficult to clearly determine:

- How material the cultural weaknesses are in relation to other organisations;
- How difficult it will be for Crown to change its culture to reinforce better conduct and risk management; and
- Which sub-groups within Crown are the most critical to address first.

iii. Reasonableness of key findings

In forming an approach to my observations, I considered carefully whether Deloitte’s specific, detailed commentary was consistent with my interpretation of the Crown Survey Demographics and Review Source Data. Overall, setting aside what was *not* included (or not covered clearly), my assessment of what was detailed in the Final Report was broadly aligned to Deloitte’s findings, particularly in relation to three key issues: the key themes identified across the data; the disconnects highlighted between staff and management; and the relative lack of differences reported across properties. I have summarised my specific observations on each of these issues below.

- Deloitte highlighted four ‘Overarching findings’ in the executive summary of the report. In my opinion the *essence* of these four themes seem a fair representation of the data, however their phrasing obscures a more objective and potentially critical interpretation. The following provides a clearer way of describing the data (which I do not think is misaligned to Deloitte’s assessment):

| Deloitte theme | Description based on my review |
|---|---|
| Purpose and values contributes to risk and compliance | Customer satisfaction and profit is prioritised over compliance ⁵ |
| Leadership drives trust | Senior leaders are not trusted ⁶ |
| Relationships with managers are critical to success | Tension between managers and staff prevents escalation of issues ⁷ |
| Effective working relationships support engagement | Staff value their relationships with peers ⁸ |

- Deloitte’s report highlights extensive issues in relation to the dynamic between the board and senior leaders, management, and staff. For example, of particular concern from a risk culture perspective, results indicate:
 - The board and senior management are not perceived as setting the right tone from the top – for example, only 42% of Perth staff responded positively to the survey item ‘Board members at Crown consistently behave in accordance with Crown’s values’; similarly, only 59% of Perth staff responded positively to the survey item ‘Executives and General Managers at Crown communicate consistent messages about managing risk and compliance’;
 - Direct supervisors often fail to role model or support good risk management – for example, only 41% of Perth staff responded positively to the survey item ‘My manager(s) and/or supervisor(s) put their own self interest ahead of that of Crown and its customers; similarly, only 55% of Perth staff responded positively to the survey item ‘My manager(s) and/or supervisor(s) ensure that my concerns are addressed in a timely manner’; and
 - There is a lack of psychological safety between staff and management, undermining the likelihood of issues being identified – for example, only 55% of Perth staff responded positively to the survey item ‘I am confident that I will not be penalised for raising concerns’.

Given the critical nature of leadership driving culture change, the specific issues identified in Deloitte’s analysis are especially important to highlight. It seems appropriate to provide further consideration of their significance in relation to Crown’s pace and requirements for change.

- In relation to differences across properties, I noted the following:
 - The Final Report did not provide extensive analysis of underlying differences in cultural traits displayed across the properties. From my review of the survey data (which I would generally favour when identifying differences given it is based on population statistics rather than sample-based focus groups), I observed that responses for the Perth property were broadly similar to those of staff in Melbourne and the Group overall (Sydney responses displayed a more positive response pattern). As a result, in my opinion Deloitte’s overall findings seem applicable to the Perth property.
 - The Final Report (page 26) did include commentary on a few initiatives undertaken by different properties – for example, reference to a ‘Speak up’ initiative currently being piloted in Perth which aims to address psychological safety. The report notes ‘Members of the leadership reflected a new sense of safety since the departure of the CHP associated leaders’ (page 26). Given the very poor results reported by Perth staff on items related to psychological safety in the survey (for example, only 58% of Perth staff responded positively to the statement: ‘I feel I can openly be myself in the workplace without fear of judgement or isolation from others’), it would require far more evidence of change at multiple levels to conclude any material progress has been made on the issue of psychological safety in Perth.

iv. Assessment of formal mechanisms

Practitioners in the field of culture assessment use a variety of approaches. Some analysts prefer to focus primarily on perception-based data which includes the observations, opinions and beliefs of staff (sometimes referred to as ‘lived experience’); others combine perception-based data with fact-based data – the latter referring to analysis of documented formal mechanisms such as policies, procedures and systems, and/or historical events. Complementing perception-based data with fact-based data can be useful to validate the type and scale of changes that might be needed to reinforce new behaviours – for example, if staff perceive certain gaps in formal mechanisms (such as consequences for poor compliance) it is still possible they do exist, but have not been communicated broadly enough, in which case the change required may not be development of new mechanisms, but communication of existing ones.

I observed that the Final Report does not contain detailed assessment information on the formal mechanisms underpinning behavioural norms within Crown. This is likely due to the review methodology, which is focused on ‘lived experience’ rather than culture as a more objective concept. Although some information can be inferred from staff perceptions, it is difficult to gain a definitive view of how extensively Crown may need to re-design its formal infrastructure in order to reinforce behavioural norms through policies, processes, and systems related to:

- Performance management;
- Incentives and rewards;
- Consequence management⁹;
- Reporting and escalation procedures;
- Standard operating procedures;
- Formal leadership communication;
- Training and development; and
- Staff selection processes.

In particular it is difficult to determine how much time may be required to reinforce new behaviours via the formal system when a fact-based evaluation of these mechanisms has not been reported.

3.2 | Approach to observations set out in this report

Based on the observations set out in section 3.1 above, my report does not challenge the basic findings identified by Deloitte, but does provide an independent view of their conclusions based on:

- i. evaluation of the findings against a more explicit criterion focused on factors that are known to hinder conduct and effective management of risk – see Section 4;
- ii. consideration of the findings in relation to immediate change requirements to ensure compliance versus medium-term issues related to self-correction – see Section 5;
- iii. consideration of the findings in relation to the dynamic between leaders and staff, and the impact this may have on pace and requirements for change - see Section 6; and
- iv. consideration of the findings in relation to differences between business units, in particular what these differences might suggest in relation to Crown’s change imperative – see Section 7.

My observations do not highlight specific differences in relation to the Perth Casino, as my review of the survey data suggests findings applicable to the overall Group are also representative of the Perth property.

4. ASSESSMENT OF CULTURE AS A DRIVER OF CONDUCT AND RISK

4.1 | Context and framework

As noted above, the Final Report states on page 48 that although their review was designed as an assessment of organisational culture, the “Crown Culture Survey included some items which would normally be asked in the in the course of a risk culture review and fieldwork identified some information relevant to the risk culture.” Based on this, they include a short section on page 49 on ‘additional observations’ with a range of suggestions for how Crown could improve its risk culture. In my opinion, this section is relatively brief, and difficult to draw conclusions from.

Given the PCRC’s Terms of Reference, in my opinion it seems appropriate to offer a clear, specific set of observations related to Crown’s risk culture, thereby highlighting a key question of interest: that is, the extent to which Crown’s culture currently supports or inhibits good conduct and effective management of risk.

There are a number of risk culture frameworks that could be used to provide an assessment. I have chosen to use Deloitte’s Risk Culture Framework¹⁰ for the following reasons:

- I am personally familiar with the basic framework given my previous work with Deloitte where I used a slightly earlier version to conduct several risk culture reviews (minor revisions have been made to terminology, and Risk Orientation has been split into Risk & Conduct Orientation, and Risk appetite);
- many of the survey items reflect the key dimensions in this framework;
- the framework appears to be reasonably robust, including many factors that have been validated in academic models more frequently used in the financial service industry⁴ (albeit with different ‘labels’ for the dimensions); and
- the dimensions are more likely to align with concepts explored by Deloitte when conducting interviews and focus groups, hence reducing the risk of misinterpreting transcripts and summaries I have used for my analysis.

Descriptions of the Dimensions included in Deloitte's Risk Culture framework are set out Table C below.

Table C: Deloitte's Risk Culture Framework¹⁰

| Dimension | Description |
|------------------------------------|--|
| Ethical foundations | Alignment of behaviour and decision making with purpose, values, principles, and commitments to stakeholders |
| Knowledge | Risk management awareness and understanding demonstrated by all people, appropriate to their role |
| Skills | Effective risk management skill recognised and demonstrated by all people, appropriate to their role |
| Learning | Proactive approach to individual and organisational learning to facilitate better management of risk |
| Recruitment and induction | Actions to ensure that people joining a team have the required risk competence and attitude, and know what is expected of them immediately |
| Performance management | Utilisation of the performance management system to measure people's contribution to the organisation's risk-related goals |
| Incentives and consequences | Rewarding individuals to ensure appropriate risk management behaviours and applying penalties to discourage inappropriate risk management behaviours |
| Personal responsibility | Proactive management of risk, both within and outside scope of formal accountabilities |
| Risk and conduct orientation | Appropriate risk-taking, consistent with the accepted risk appetite of the business and Group overall |
| Transparency and challenge | The willingness of people to challenge others, and the responses of those who are challenged |
| Management | Manager / team leaders role model and guide others to demonstrate outstanding risk management behaviour |
| Senior leadership | Senior leaders role model the critical nature of risk, and outstanding risk behaviours, to the organisation |
| Communication | Consistent and visible risk messages communicated to all levels and areas of the organisation |
| Strategy and objectives | Behaviour that is aligned with and promotes the organisation's goals |
| Risk appetite | Deliberate integration of risk appetite and tolerance into the organisation's strategy and product development |
| Policies, processes and procedures | Using risk management policies, processes and procedures in a way that maximises their effectiveness |
| Risk governance | Supporting the risk management organisation in its mandate to drive effective risk management within the organisation |

Each of these dimensions is typically measured by asking staff (via survey questions, interviews or focus groups etc) to provide feedback on the extent to which the dimension is characteristic of their organisation. Survey data is especially useful as results can be compared to other companies to identify relative strengths and weaknesses.

Each of the dimensions contribute to the organisation's overall risk culture in positive or negative ways. Most organisations tend to display a mixed pattern of strengths and weaknesses across the model. In some cases however, overall profiles may be relatively weak or strong when compared to

peers. I note that benchmarks have not been provided in the Final Report, possibly due to a lack of peer comparison data (eg, casinos).

4.2 | Observations

Based on my review of the Final Report, Crown Survey Demographics and Review Source Data, the following section provides my observations of each dimension in Deloitte’s Risk Culture Framework.

Two factors are relevant to note in relation to my assessment. First, my interpretation of the data reflects the range of survey, interview and focus group results I have encountered conducting culture reviews across a large range of organisations over the past 20 years, and risk culture reviews specifically in the financial sector over the past 10 years. Arguably, the financial sector has encountered significant reform in recent years and therefore, results in this sector may have improved. However, in relation to what should be expected of a large, regulated entity (similar to the large, regulated entities I am very familiar with in the financial sector), I believe my experience provides a reasonable comparison.

Second, I acknowledge that some dimensions of risk culture are known to be more difficult for organisations to embed than others. An example is Transparency and Challenge¹¹ – many organisations have difficulty reinforcing psychological safety in staff, especially in industries which have experienced instances of misconduct and related enforcement, such as the financial sector. I have taken this into account when evaluating Crown’s results.

Finally, I have been unable to provide an opinion on two Dimensions, Recruitment & Induction, and Risk Governance, due to difficulty mapping survey items to the Dimensions (on page 48 of the Final Report, Deloitte note that the Crown survey included ‘some items that would normally be asked in the course of a risk culture review’ which I take to mean a number were omitted, and not all 17 Dimensions were covered). Although some information is available from the qualitative data, this is generally not considered sufficient to draw conclusions without triangulation with another data source.

Table D: Observations of Crown culture evidence in relation to factors that help or hinder effective management of risk

| Dimension | Summary observation |
|---------------------|---|
| Ethical foundations | <ul style="list-style-type: none"> Staff observe a range of instances where behaviour contradicts Crown’s espoused values, and that the organisation can not be trusted “Crown can be trusted in what it says and does” – 56% of Perth staff responded positively |
| Knowledge | <ul style="list-style-type: none"> Staff are reasonably confident they understand the risks they need to manage in their role For example: “I fully understand my role, including my risk and compliance obligations” – 84% Perth staff responded positively |
| Skills | <ul style="list-style-type: none"> Many staff report that they know what their compliance responsibilities are, but working around them is common and necessary, suggesting they may not know how to perform expected duties within prescribed policies; others suggest managers may not understand policies well enough to provide consistent guidance to staff |

| | |
|------------------------------|---|
| | <ul style="list-style-type: none"> • For example: “There are often instances where working around our policies, processes and procedures is necessary to get the job done” – 25% of Perth staff responded positively • For example: “<i>There is too much grey...areas which the main dealing staff [are] unaware about....there are various instances where the managers themselves are unaware about the procedures and policies, so every manager has different answers to same questions.</i>” |
| Learning | <ul style="list-style-type: none"> • Formal training is generally perceived as adequate, and staff report that individuals may apply learnings to future actions, many staff also feel the organisation does not learn from its mistakes or effectively innovate to continuously improve • For example: “I am provided with adequate training to enable me to understand and manage my compliance obligations” -73% Perth staff responded positively • For example: “People at Crown strive to find new and better ways of doing things” - 55% of Perth staff responded positively |
| Performance management | <ul style="list-style-type: none"> • Constructive feedback between managers and staff is not a norm, on either performance or risk management skills • For example: “I regularly receive feedback on my ability to manage risk and compliance” – 39% of Perth staff responded positively |
| Incentives & consequences | <ul style="list-style-type: none"> • Rewards and consequences for managing risk well are not clearly defined, at team or individual levels • For example: “The people I work with are penalised if they take unacceptable risks, even if their actions generate positive results” – 38% of Perth staff responded positively |
| Personal responsibility | <ul style="list-style-type: none"> • Staff display an understanding of their responsibilities, but people sometimes avoid ownership of issues, and tend to accept mistakes relatively easily • For example: “Compliance is everyone’s responsibility at Crown, including my own” – 91% of Perth staff responded positively • For example: “The people I work with challenge each other constructively if they think they are not doing the right thing” – 51% of Perth staff responded positively |
| Risk & conduct orientation | <ul style="list-style-type: none"> • Although staff are aware of formal compliance expectations and the expectation to balance risk and customer demands, when confronted with conflicting priorities there is less guidance on <i>how</i> to balance competing objectives • For example: “I understand what I can and can’t do in meeting customer requests” – 83% of Perth staff responded positively • For example: “There are often instances where working around our, processes or procedures is necessary to get the job done” – 25% of Perth staff responded positively |
| Transparency and & challenge | <ul style="list-style-type: none"> • The environment exhibits a distinct lack of openness and trust across levels, with many staff reporting they do not feel safe to raise concerns, admit mistakes or escalate problems • For example: “I feel confident I will not be penalised for raising concerns” – 55% of Perth staff responded positively |
| Management | <ul style="list-style-type: none"> • Managers and supervisors are often seen as poor role models, and staff feel they do not listen to, or address issues raised to them in a timely manner |

| | |
|----------------------------------|--|
| | <ul style="list-style-type: none"> For example: “My manager(s) and/or supervisor(s) ensure that my concerns are addressed in a timely manner – 55% of Perth staff responded positively |
| Senior leadership | <ul style="list-style-type: none"> Staff report the board, Executives and General Managers are distrusted, and display a range of behaviour that contradicts Crown’s stated values For example: “Board members at Crown consistently behave in accordance with Crown’s values” – 42% Perth staff responded positive |
| Communication | <ul style="list-style-type: none"> While communication between peers is collegial, critical information is not shared between departments, and management is often seen as opaque For example: “The people I work with display open and honest two-way communication” – 54% of Perth staff responded positively |
| Strategy & objectives | <ul style="list-style-type: none"> Although staff generally understand their responsibilities and have a strong sense of Crown’s purpose to provide memorable customer experiences, they often feel a need to de-prioritise compliance in order to meet customer expectations and ‘get the job done’ For example: “There are often instances where working around our policies, processes and procedures is necessary to get the job done” – 25% of Perth staff responded positively For example: <i>‘Well we kind of skip the policies when VIP guests come in they get priority and it shows that money is more important...’</i> |
| Risk appetite | <ul style="list-style-type: none"> There is limited feedback from staff about the integration of risk priorities into Crown’s strategy, and in particular, there is evidence of tension between compliance obligations and Crown’s strategy of delivering outstanding customer experiences (especially to VIP customers) For example: “Board members at Crown clearly communicate the need to balance customer demands with compliance obligations” – 50% of Perth staff responded positively |
| Policies, processes & procedures | <ul style="list-style-type: none"> Staff have an understanding that risk policies exist and where to access them, but compliance is not taken seriously For example: “The people I work with bend the rules when it suits them” – 40% of Perth staff responded positively |

4.3 | Conclusions

The Final Report, Crown Survey Demographics and Review Source Data suggests serious deficiencies across all Dimensions of their Risk Culture Framework. At best, staff recognise that formal compliance is a stated requirement of their role, but compliant behaviours are undermined by a lack of formal reinforcement (such as performance management, incentives and consequences) and detrimental influences in the informal environment (such as conflicting demands, lack of support from managers and a lack of values role modelled by leaders). My observation suggests a complete transformation is required. A complete transformation would involve removing the formal and informal mechanisms that currently reinforce existing behavioural norms, and replacing them with new formal and informal mechanisms to reinforce new, desired behaviours.

5. IMMEDIATE VERSUS LONGER-TERM CHANGE REQUIREMENTS

5.1 | Context and framework

Research by Hald (2020) (see Annexure II for full reference) show that different cultural traits contribute to risk management failures in different ways. Specifically, some cultural traits directly *cause* failures, whilst others create conditions where (self) *correction* is less likely, thus contributing by allowing problematic traits to develop over time.

This distinction is relevant because arguably, in circumstances such as Crown's involving mandated improvement, cultural traits that directly *cause* risk management failure should be addressed as an immediate priority.

Over time, corrective factors should also be addressed. This is because rapid change in enforcement scenarios is generally achieved because close scrutiny by regulators and others:

- removes rewards that arise through conflicting priorities;
- ensures non-compliance is swiftly identified; and
- visibly and harshly punishes non-compliance.

Once the 'spotlight' of enforcement action is removed, the conditions for behavioural change may be reduced. Without a more self-sustaining (or 'corrective') set of cultural traits, problematic norms may re-emerge, especially if the root causes of original problems have not changed (which is very possible when some of them are unchangeable, such as the inherent pressure of criminal elements attempting to influence staff compliance).

Table E below sets out a sub-set of causal and corrective factors included in Hald's research. Hald's model also includes some other dimensions, such as Resourcing, and Planning, which are not included in Deloitte's Risk Culture Framework (and have therefore been omitted, given the lack of specific information collected on them). However, where there is reasonable alignment, I have mapped the Deloitte Dimensions to the Hald model, as detailed in Table E. In Section 5.2 below, I have provided an analysis of the culture findings for each of these Dimensions to highlight which areas are most critical to address immediately.

Table E: Causal and Corrective Factors mapped to Deloitte's Risk Culture Framework Dimensions

| Causal factors | | Corrective factors | |
|---------------------|---|--------------------------|---|
| Hald factor | Corresponding Deloitte Risk Culture Framework Dimension | Hald factor | Corresponding Deloitte Risk Culture Framework Dimension |
| Role modelling | Management | Listening Speaking up | Transparency & challenge |
| Supervision | Senior leadership | Learning | Learning |
| Procedure | Policies, processes and procedures | Problem acceptance | Personal responsibility |
| Priorities | Risk appetite | | |
| Teamwork | Communication | | |
| Training and policy | Knowledge | | |

5.2 | Observations

Based on my review of the Crown Survey Demographics and Review Source Data, alongside Hald's research on factors that contribute to organisational failure, I have highlighted below key cultural traits that may require high priority attention (indicated by a 'Yes' in the third column of Table F) due to:

- their nature as causal factors in causing risk management failure, which would be an immediate concern for Crown during the remediation period; and
- their relative weakness based on the Crown Survey Demographics and Review Source Data reviewed.

In addition, I have also highlighted key cultural traits that Crown may need to commence working on as a near-to-medium term priority (indicated by a 'Yes' in the third column of Table G), due to:

- their nature as corrective factors, that help provide a self-sustaining culture of compliance; and
- their relative weakness based on the Crown Survey Demographics and Review Source Data reviewed.

Immediate behaviour change

The following table sets out my observations regarding traits considered to be 'causal' – that is, traits known to contribute directly to risk management failures.

Table F: Observations of causal culture factors known to cause risk management failures

| Deloitte Dimensions that are 'Causal' | Summary observation | High priority to address |
|---------------------------------------|---|--------------------------|
| Knowledge | <ul style="list-style-type: none"> • Hald notes that when risk management failures occur, it is often the case that 'training or policy for procedures is inadequate or absent' • My review of the Crown Survey Demographics and Review Source Data suggest that relative to other factors, most staff feel they are provided with adequate training, rules and guidelines are well-known, and staff know where to access policies • For example: 73% of Perth staff responded positively to the survey item 'I am provided with adequate training to enable me to understand and manage my compliance obligations'; similarly, 76% of Perth staff responded positively to the survey item 'I know where to access the relevant policies and procedures in place to guide how my work should be done'. | No |

| | | |
|------------------------------------|--|-----|
| Management | <ul style="list-style-type: none"> • Hald specifically highlights ‘unethical or unsafe behaviour...role modelled by management’ as a direct contributor to organisational failures. • This is a key issue highlighted by the Final Report and substantiated in my own review of the Crown Survey Demographics and Review Source Data. • For example: only 41% of Perth staff responded positively to the survey item ‘My manager(s) and/or supervisor(s) put their own self-interest ahead of that of Crown and its customers’ | Yes |
| Senior leadership | <ul style="list-style-type: none"> • Hald’s research shows that when organisational failures occur, it is often the case that ‘supervision of the organisation by the board of directors is inadequate’ • The Final Report, and my review of the Crown Survey Demographics and Review Source Data show many examples where staff do not feel the board provided appropriate oversight, especially in relation to direction on balancing compliance obligations and customer demands • For example: only 50% of Perth staff responded positively to the statement ‘Board members at Crown clearly communicate the need to balance customer demands with compliance obligations.’ | Yes |
| Policies, processes and procedures | <ul style="list-style-type: none"> • Hald’s research shows that organisational failures are often preceded by norms where ‘procedures are violated’. • The Final Report, and my review of the Crown Survey Demographics and Review Source Data shows many examples which suggest procedures are routinely violated. • For example: only 25% of Perth staff responded positively to the survey item ‘There are often instances where working around our policies, processes or procedures is necessary to get the job done’. | Yes |
| Risk appetite | <ul style="list-style-type: none"> • Hald’s research shows that organisational failures often occur when ‘safety or ethics are not prioritised, typically in favour of productivity or profitability’. • The Final Report, and my review of the Crown Survey Demographics and Review Source Data show that the environment at Crown placed a heavy emphasis on revenue generating (customer) priorities, often at the expense of compliance and staff safety, and senior leaders did not clarify their expectation that staff should balance compliance with meeting customer demands. | Yes |

| | | |
|---------------|---|-----|
| | <ul style="list-style-type: none"> For example: only 60% of Perth staff responded positively to the survey item “Executives and General Managers at Crown clearly communicate the need to balance customer demands with compliance obligations”, and a staff member commented: <i>‘The culture focusses on making profits above all, allowing for self-centered and defensive attitudes to thrive. Ignoring RSA concerns from staff on a regular basis and failing to provide solutions which make the staff feel confident in serving alcohol in the face of management overruling decisions. This was brought up to F&B ECC, which was brushed off.’</i> | |
| Communication | <ul style="list-style-type: none"> Hald’s research shows that when organisational failures occur, there is often a culture where ‘teamwork is inhibited by hierarchy poor communication or siloing’. This was a key feature of the Final Report, and my review of the Crown Survey Demographics and Review Source Data also found extensive evidence of problems in relation to poor communication between levels and business units. For example: only 54% of Perth staff responded positively to the survey item ‘People at Crown collaborate across teams and departments to get work done’. | Yes |

Longer term ‘corrective’ cultural traits

The following table sets out my observations regarding traits considered to be ‘corrective’ – that is, traits known to contribute indirectly to risk management failures by allowing problematic traits to develop over time.

Table G: Observations of corrective culture factors known to contribute indirectly to risk management failures

| Deloitte Dimensions that are ‘Causal’ | Summary observation | Near-to-medium term priority to address |
|---------------------------------------|---|---|
| Transparency & challenge | <ul style="list-style-type: none"> Hald highlights that when organisational failures occur, there is often a culture where ‘employee input is excluded from decision making’ and ‘employees do not speak up about problems’. The Final Report highlights concerns about psychological safety, and my own review of the Crown Survey Demographics and Review Source Data showed a range of evidence that staff do not perceive the environment to support ‘speaking up’, and nor do they feel their concerns are listened or acted on by management. | Yes |

| | | |
|-------------------------|--|--|
| | <ul style="list-style-type: none"> For example: only 51% of Perth staff responded positively to the survey item 'The people I work with challenge each other constructively if they think they are not doing the right thing'; similarly, this comment from a staff member: <i>'as a dealer it is easier and safer to keep your head down and stay in your lane'</i> | |
| Learning | <ul style="list-style-type: none"> Hald shows that when organisational failures occur, there have often been 'past incidents [that] have not been learnt from'. My review of the Crown Survey Demographics and Review Source Data shows a range of evidence suggesting that lessons from mistakes are rarely shared constructively, however, there are some slightly positive views about the willingness of colleagues to learn from past experience. For example: 63% of Perth staff responded positively to the survey item 'The people I work with apply learnings from their successes and failures to their future actions; on the other hand, only 54% of Perth staff responded positively to the survey item 'My manager(s) and/or supervisor(s) openly share the lessons learnt from past mistakes or incidents'. | No – <i>this may be a lower priority given the results are not as weak as other Dimensions</i> |
| Personal responsibility | <ul style="list-style-type: none"> Hald points out that when organisational failures occur, it often because 'problems are accepted'. My review of the Crown Survey Demographics and Review Source Data shows that staff report a range of barriers to problems being resolved (for example, concerns not being acted on by managers, or feedback not being offered to improve performance), and in turn this may result in problems being 'accepted'. For example: only 55% of Perth staff responded positively to the survey item 'My manager(s) and/or supervisor(s) ensure that my concerns are addressed in a timely manner'; and one staff member commented <i>'When the policy is updated people just go along with it. It is never questioned why'</i>, and another <i>'People blindly following practices that were written 15 years ago and not asking...[for]...them to be changed'</i>. | No – <i>this may be a lower priority given the results are not as weak as other Dimensions</i> |

5.3 | Conclusions

When considering the content of the Final Report, Crown Survey Demographics and Review Source Data from the perspective of Crown's immediate versus longer term change requirements, I observed that all but one of the key cultural traits identified as directly causal in risk management failure (as outlined by Hald's research and mapping to Deloitte's Risk Culture Framework

Dimensions) were areas of relative weakness for Crown: specifically, Management; Senior Leadership; Policies, processes and procedures; Risk appetite; and Communication. The only exception was Knowledge (of risk management policies), which staff perceive more positively. This suggests that Crown is in a very precarious position, with a number of cultural traits likely to undermine immediate behaviour change.

In terms of corrective factors, results are slightly less concerning with only one of the three cultural traits required to support a self-sustaining culture a key area of concern (Transparency & Challenge). However, it will be important for Crown to closely monitor norms related to Learning and Personal Responsibility, as whilst results were relatively positive compared to other areas, they were not objectively strong, and may degrade without close attention.

6. IMPACT OF LEADERSHIP DYNAMIC ON CHANGE

6.1 | Context

Deloitte's risk culture framework and review methodology, like most assessment models of organisational culture, highlight the importance of leadership in shaping behavioural norms. Leaders have an impact on culture via their formal decision making and communication of priorities, risk appetite and performance expectations, and less direct ways such as their day-to-day words and actions, and symbolic decisions in critical moments.

The influence of leaders takes place at multiple levels: from the Board, executive, management, down to direct supervisor level. At senior levels, influence tends to be focused on high-level direction, whereas management and supervisors play a far more direct role in what actually happens on a day-to-day basis.

During periods of change, the role of leaders is amplified. Many culture change theorists suggest culture change can not happen unless it is initiated by leaders. Leaders inspire change, show how change is possible through their personal behaviour, display symbolic actions that 'anchor' new norms, create firm boundaries, resolve blockers, and invest where required to support change. In order for leaders to be effective change agents, the dynamic across levels is key: they need a clear vision for change that staff find compelling, trust so staff are willing to follow, and transparency so inevitable issues can be surfaced and resolved quickly.

Given the critical role of leaders in initiating and sustaining any culture change effort, the PCRC may benefit from considering what the results from Crown's culture review suggest about the effectiveness of leaders and their capacity to be effective agents of change for the broader organisation.

6.2 | Framework and observations

In their 'The Heart of Change Field Guide', Cohen and Kotter (2005) present a change readiness assessment which includes 8 imperatives for achieving successful organisational change. Embedded in most of the steps are elements related to leadership behaviour and the dynamic between leaders and staff. The Deloitte review did not gather specific information on the role of leaders as agents of change. As a result, some interpretation is required to apply the information gathered to the steps in this model. However, given the broad context for Crown's current change requirement, the 'change vision' referred to in a number of the steps may reasonably be substituted simply with 'good conduct and compliance'. In my view, the factors in this framework are therefore a useful structure

for considering how the information gathered through the Final Report provide insight on the readiness of Crown’s leaders to drive cultural change throughout the organisation.

Note, some factors included in Cohen & Kotter’s change readiness assessment that relate to leadership have been omitted where there was insufficient information to draw a reasonably evidence-based observation.

Table H: Observations of leadership factors that indicate ‘readiness’ to change

| Imperative | Observation | Illustrative evidence |
|--|---|---|
| Leadership maintains a consistent approach and direction | Many staff reported that they did not feel Executives and General Managers were consistent in their messages about compliance, especially in customer-facing business units. | <ul style="list-style-type: none"> • “Executives and General Managers at Crown communicate consistent messages about managing risk and compliance” – 59% of Perth staff overall responded positively, but in some areas this dropped significantly (for example, Table Games, Gaming Machines Surveillance, Security, and Conventions were all less than 50% positive responses) |
| Leadership holds itself accountable for results | Staff perceptions differ widely between business units in Perth, suggesting this may vary from leader to leader, with customer-facing business units displaying weaker results than those in back-office functions. | <ul style="list-style-type: none"> • ‘My manager(s) and/or supervisor(s) hold themselves and other accountable for results’ – results varied from 33% of Perth staff in Surveillance responding positively, to 100% of Perth staff in the Executive Office responding positively |
| Leaders at all levels actively try to remove barriers to keep people from behaving in accordance with the vision | At the time of the review, there was a clear view from staff that leaders at all levels did little to address barriers to non-compliance, in particular clarifying any ambiguity about expectations, and resolving instances where customer demands created compliance difficulties. Furthermore, low levels of trust and two-way communication reported by staff are likely to create significant difficulties for leaders in identifying barriers in the first place. | <ul style="list-style-type: none"> • “Board members at Crown clearly communicate the need to balance customer demands with compliance obligations” – 50% Perth staff responded positively • ‘...some specific managers do not constructively help with solving issues. While they know there are issues, not much is done to solve them with the staff in a |

| | | |
|--|---|--|
| | | <p><i>positive and effective manner.</i></p> <ul style="list-style-type: none"> <i>In VIP, we are sometimes told to do things to keep certain patrons (not even high paying ones) happy even though I know it goes against compliance.</i> |
| <p>Managers/supervisors who are unwilling to support change and have the power to inhibit others from doing so are dealt with in an appropriate manner</p> | <p>Although the Deloitte survey did not include any items on this specific issue qualitative feedback included in the Review Source Data provided many examples where supervisors and management role modelled poor compliance behaviour, in some cases directly impeding attempts by staff to follow policies.</p> | <ul style="list-style-type: none"> <i>There are still instances (especially in the VIP) where abusive behaviour by patrons against staff are tolerated because the patron is "important to the business". Individuals who are subject to repeated WOLs for such behaviour are allowed back and re-offend when the company knows that the customer will do so.'</i> <i>'I have witnessed the executives and general managers not follow procedure and compliance related issues and tell the staff to do another thing or tell the staff member to not follow compliance because it is busy or because it's a customer they know.'</i> <i>'The people I work with are penalised if they take unacceptable risks, even if their actions generate positive results' – 38% responded positively</i> |

| | | |
|--|---|---|
| Leadership rewards and recognises people whose behaviour supports the change vision | In general, at the time of the review, staff reported few norms for recognising or rewarding good risk behaviour (or other forms of performance). | <ul style="list-style-type: none"> • 'I receive appropriate recognition from my manager(s) and/or supervisor(s) for good work' – 48% responded positively • <i>"Most staff only aim to meet the minimum requirements...There is no incentive in our positions to try to improve the workplace.'</i> |
| Leaders consistently role model the new behaviour in support of the vision | The Crown Survey Demographics and Review Source Data revealed clear perceptions amongst staff that leaders from the board level down did not consistently behave in alignment with Crown's values. | <ul style="list-style-type: none"> • 'Board members at Crown consistently behave in accordance with Crown's Values' – 42% responded positively • 'Executives and General Managers at Crown consistently behave in accordance with Crown's Values' – 52% responded positively |
| Leadership is willing to let go of individuals who will not support the future of our organisation | Although the Deloitte survey did not include any items on this specific issue qualitative feedback included in the Review Source Data provided many examples where staff perceived a lack of penalties for poor behaviour in leaders at all levels, and a view that this would impede change. | <ul style="list-style-type: none"> • <i>'Crown's culture will not be changed without changing some of the BOT team members who have been in the position for a long time - living and breathing the old culture.'</i> |

6.3 | Conclusions

Cultural change requires leaders to act as change agents, not only at the top, but throughout the organisation. Feedback gathered between March and July 2021 and included in the Crown Survey Demographics and Review Source Data, highlight a number of areas where leaders may not currently be demonstrating a readiness to lead change effectively. This suggests an immediate first step may be addressing a potential gap in the organisation's leadership capability to role model, inspire, support and empower the cultural change required.

7. IMPLICATIONS OF BUSINESS UNIT DIFFERENCES

7.1 | Context and approach

When analysing culture, it is common to find increased differences as smaller and smaller sub-units are compared. As noted earlier, the overall results for the Perth property are relatively similar to

Melbourne and the Group overall. At the business unit level within properties, far more differences are evident. This partly reflects the fact that culture occurs most distinctly at a team level, and unique patterns tend to be ‘averaged out’ when profiles of multiple teams are aggregated. When providing a general assessment of the most significant issues across an entire entity, this approach is often appropriate. However, it can make it difficult to take a risk-based approach to intervention and mitigation of cultural issues.

Also relevant to the issue of business-unit results, the Final Report deals with many of the business unit differences under the ‘We work together’ value. While it seems reasonable to highlight how differences in perspective could contribute to problematic cross-unit interaction, this approach may obscure some of the standalone implications arising from the patterns revealed in each business unit.

Therefore, I have focused my observations on business unit differences in Perth on the following:

- Business units with specific issues that may warrant attention as a high priority due to immediate risk; and
- What the pattern of issues across different business units may suggest for Crown’s overall culture change imperative.

I have not focused on commonalities between the business units in this section, as they generally reflect the overall findings which have been commented on at length by both Deloitte, and elsewhere in this report.

7.2 | Business unit specific observations

My analysis of the business unit results in the Perth property suggest the following areas that may warrant attention as a high priority given the immediate exposure they represent.

Surveillance

Overall, the Surveillance team displays a range of characteristics that suggest team dynamics that could be described as ‘toxic’, including a deep resentment towards management, a known predictor of maladaptive behaviour¹². Examples of the issues revealed in the survey data include perceptions that:

- Constructive communication is almost non-existent – evidenced by results such as ‘I am confident that I will not be penalised for raising concerns’ (19% positive) and I am appropriately involved in decisions that affect my work (14% positive);
- Management undermine compliance efforts– this is evidenced by high agreement from Surveillance staff to items such as ‘Compliance is everyone’s responsibility, including my own (95% positive) alongside very low agreement to items such as ‘My manager(s) and/or superiors put their own self interest ahead of that of Crown and its customers’ (43% positive); and
- There is little concern for individual wellbeing– evidenced by very low agreement to items such as ‘My manager(s) and/or supervisor(s) genuinely care about my wellbeing (43% positive), and ‘The people I work with are friendly and supportive of each other’ (43% positive)

VIP Gaming

Results in this area reveal a distinct conflict between compliance responsibilities, and the team's strong identity centred on exceeding customer expectations as a strategic priority. Examples of possible issues revealed in the survey data include the following perceptions:

- A sense of responsibility for Crown's success in relation to customer experience– evidenced by high agreement to items such as 'I feel committed to Crown's success' (83% positive), 'I understand the impact my job has on the customer experience' (93%), and 'I create memorable experiences for Crown customer' (97%); and
- Ambiguity about how to manage conflict between customer demands and compliance obligations – evidenced by scores that are notably lower in this team relative to other teams on items such as 'I understand what I can and can't do in meeting customer requests' (69% positive) and 'I know where to access the relevant policies and procedures in place to guide how my work should be done (69% positive).

Legal and Regulatory

Results in this area provide insight into the role of central risk management and control functions, its dynamic with management, and how well-positioned they may be to provide critical guidance and support to Crown's conduct transformation effort. Results from the survey suggest a range of issues that may hamper this team's energy and ability to support change:

- Poor visibility of issues – evidenced by low agreement to items such as 'Executive and General Managers keep people informed about what is happening' (50% positive) and 'My managers(s) and/or supervisor(s) openly share the lessons learnt from past mistakes' (57% positive);
- Disillusionment - evidenced by low agreement to items such as 'Crown has customers' best interest at heart' (43% positive) and 'Crown can be trusted in what it says and does' (43% positive); and
- Lack of confidence in change readiness – evidenced by low agreement to items such as 'My manager(s) and/or supervisor(s) ensure that my concerns are addressed in a timely manner' (43% positive) and 'People at Crown strive to find new and better ways of doing things' (50% positive).

7.3 | Overarching observations

In addition to considering the individual risks inherent in certain business units, the specific issues highlighted above in customer-oriented business units such as VIP Gaming and Conventions, versus control-oriented business units such as Surveillance, and Legal & Governance, suggests an overarching cultural pattern that may be relevant to Crown's change imperative: specifically, difficulty defining an integrated cultural identity that resolves the inherent tension delivering an outstanding customer experience, and meeting compliance obligations.

This lack of integrated identity is illustrated by several observations about the strength of compliance- versus customer experience-oriented results in the business units, and ultimately, the difficult balancing these multiple priorities leading to many instances of poor compliance.

Table I: Observations of key business unit differences in Perth

| Observation | Areas that differed | Example evidence |
|--|---|---|
| Some business units, including Surveillance and Legal and Regulatory, identify with the compliance aspects of their role | Demonstrating a clear understanding and responsibility for their compliance obligations | 'I fully understand my role, including my risk and compliance obligations': <ul style="list-style-type: none"> • 81% of Surveillance staff and 100% of Legal and Regulatory responded positively, <i>versus</i> • 69% of VIP Gaming staff and 77% of Conventions staff responded positively |
| | Exhibiting a clearer understanding of necessary limits to meeting customer demands | 'I understand what I can and can't do in meeting customer requests': <ul style="list-style-type: none"> • 90% of Surveillance staff and 100% of Legal and Regulatory responded positively, <i>versus</i> • 76% of VIP Gaming staff and 79% of Conventions staff responded positively |
| Other business units, such as VIP Gaming, and Conventions are more attuned to their role in delivering outstanding customer experience | Believing their role is central to Crown's purpose | 'I create memorable experiences for Crown customers': <ul style="list-style-type: none"> • 97% of VIP Gaming staff and 85% of Conventions staff responded positively, <i>versus</i> • 48% of Surveillance staff and 64% of Legal and Regulatory responded positively |

| | | |
|--|--|---|
| | How their role contribute to customer experience (slight difference) | <p>'I understand the impact my job has on the customer experience':</p> <ul style="list-style-type: none"> • 93% of VIP Gaming staff and 87% of Conventions staff responded positively, <i>versus</i> • 86% of Surveillance staff and 79% of Legal and Regulatory responded positively |
| Overall, all business units highlighted that the organisational environment did not provide strong direction or support for compliance, leading to many instances of poor compliance, an issue causing particular frustration from those functions responsible for control | (Low perceptions across all areas) Board direction | <p>'Board members at Crown clearly communicate the need to balance customer demands with compliance obligations':</p> <ul style="list-style-type: none"> • 55% VIP Gaming staff • 59% Conventions staff • 24% Surveillance staff • 29% Legal and Regulatory |
| | (Low perceptions across areas) Senior management direction | <p>'Executives and General Managers at Crown clearly communicate the need to balance customer demands with compliance obligations':</p> <ul style="list-style-type: none"> • 55% VIP Gaming staff • 57% Conventions staff • 43% Surveillance staff • 50% Legal and Regulatory |
| | (Low perceptions across areas) Reinforcement via appropriate consequences | <p>'The people I work with are penalised if they take unacceptable risks, even if their actions generate positive results':</p> <ul style="list-style-type: none"> • 41% VIP Gaming staff • 39% Conventions staff • 53% Surveillance staff • 29% Legal and Regulatory |

| | | |
|--|---|---|
| | (Low perceptions across areas) Effective processes that support compliance | ‘There are often instances where working around our policies, processes or procedures is necessary to get the job done’: <ul style="list-style-type: none"> • 31% VIP Gaming staff • 18% Conventions staff • 62% Surveillance staff • 36% Legal and Regulatory |
|--|---|---|

7.4 | Conclusions

Overall, the observations above identify two key issues.

- Although Deloitte’s overall findings may be reasonable, Crown and other interested parties should consider more detailed analysis at the business unit level to help prioritise areas for immediate intervention given evidence of heightened risk in certain business units in Perth, specifically Surveillance, VIP Gaming, and Legal & Regulatory.
- Overall, the pattern of differences revealed by business-unit level analysis suggests a critical issue which may impede Crown’s culture transformation unless addressed is the clear conflict between customer experience and compliance obligations, and the unresolved tension this creates between teams that identify only with one priority or the other. Crown needs to define a cultural identity that effectively incorporates both priorities simultaneously, and create an environment that reinforces, supports and rewards behaviour aligned to it.

8. REPORT CONCLUSION

The brief provided to me by the solicitors assisting the PCRC instructed me to review the Final Report, Crown Survey Demographics, and Review Source Data, and to provide my comments and observations.

In summary, my key observations and comments are:

- i. The approach and style of report provided by Deloitte in the Final Report is quite typical of culture review reports generated in the context of consulting engagements. However, several characteristics make it more difficult to identify issues of interest– for example, what characteristics in Crown’s culture specifically impede management of risk and conduct: these include use of a Crown’s own values as the ‘criterion’ (versus a model that identifies cultural factors known to impede effective management of risk, for example); very ‘balanced’ presentation of the findings; and some presentation formats that could be misinterpreted by a lay reader (such as presentation of negatively worded survey items).
- ii. Overall, the key themes identified in the Final Report aligned to my independent review of the Crown Survey Demographics and Review Source Data, when using the criteria set out in their approach – that is, the degree to which Crown’s values reflect the ‘lived experience of staff’. I therefore do not dispute the content of the Final Report. However, in order to identify high risk areas and factors that may warrant immediate intervention, I believe it is

- instructive to assess the Crown Survey Demographics and Review Source Data in relation to several specific issues: cultural factors known to impede effective management of risk, drivers of behavioural compliance (high priority), versus corrective cultural traits (more medium-term priorities); leaders' readiness to change; and business unit differences.
- iii. My assessment of the Crown Survey Demographics and Review Source Data vis a vis Deloitte's Risk Culture Framework (a model that identifies 17 factors that help or hinder effective management of risk and conduct) suggest that all dimensions exhibit evidence of serious deficiencies. Specifically, the Crown Survey Demographics and Review Source Data show clear evidence that staff at Crown experience a culture that systemically undermines effective management of risk and conduct. To deliver different outcomes, a complete transformation is required to develop a system that reinforces desired behaviour.
 - iv. My assessment of the Crown Survey Demographics and Review Source Data from the perspective of Crown's immediate versus longer term change requirements, showed that almost all of the cultural factors known to *cause* risk management failure in a model identified by Hald, are also evident in Crown. This suggests Crown will remain at risk of behavioural non-compliance unless and until it addresses a range of cultural issues including Management; Senior Leadership; Policies, processes & procedures; Risk appetite; and Communication.
 - v. My assessment of the Crown Survey Demographics and Review Source Data in relation to the readiness of leaders to drive change, highlight that serious leadership weaknesses exist not only at the top of the organisation, but also at middle management and supervisor levels. Until leaders at all levels demonstrate the skill and will to inspire, support and role model new behaviours, Crown's cultural transformation will encounter serious barriers.
 - vi. My assessment of the Crown Survey Demographics and Review Source Data revealed some key differences between the experience and perception of staff in different business units in Perth. In particular, I observed that three business units displayed especially high-risk cultural characteristics, that that may warrant immediate attention and/or intervention: Surveillance; VIP Gaming; and Legal & Regulatory. Further, I also observed that the overall pattern of differences highlighted that Crown has failed, so far, to create an identify for its staff that integrates their customer and compliance responsibilities. Unless this issue is addressed, sustained cultural change is likely to be seriously hampered.

In closing, in comparison to the Final Report, I viewed the Crown Survey Demographics and Review Source Data through a sharper lens, focused specifically on how Crown's culture contributed to its risk management and conduct failures, how difficult it will be to fix, and where immediate attention is needed to support change. The resulting assessment may appear more critical than that presented in the Final Report, even though it is based on the same fundamental evidence, and analysis conducted by Deloitte. For the purpose of the PCRC's Terms of Reference, I believe the approach I have taken highlights a number of key issues that should be considered when determining Crown's way forward.

End notes

1 CRW.701.004.9446

2 CRW.701.006.3776

3 Review Source Data reviewed are included in the table below:

| Reference ID | Title / description |
|-------------------|--|
| DDT.010.0007.0187 | Raw survey data including free text comments |
| DDT.010.0007.0064 | Summary of Sydney focus groups |
| DDT.010.0007.0063 | Summary of Perth focus groups |
| DDT.010.0007.0062 | Summary of Melbourne focus groups |
| DDT.010.0007.0154 | Sydney leader interview summaries |
| DDT.010.0007.0153 | Perth leader interview summaries |
| DDT.010.0007.0152 | Melbourne leader interview summaries |
| DTT.010.0007.0134 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0098 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0100 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0102 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0104 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0107 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0130 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0132 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0139 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0065 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0067 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0069 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0071 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0073 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0075 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0111 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0079 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0081 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0083 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0085 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0087 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0089 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0091 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0093 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0095 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0097 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0113 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0116 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0119 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0122 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0123 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0124 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0125 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0126 | Focus group hypothesis scoring – exercise output photographs |
| DTT.010.0007.0127 | Focus group hypothesis scoring – exercise output photographs |

| |
|-------------------|
| DTT.010.0007.0077 |
|-------------------|

| |
|--|
| Focus group hypothesis scoring – exercise output photographs |
|--|

4 Such as the Macquarie Risk Culture Scale (2017) and the Financial Services Culture Board Assessment Model (2020)

5 Based on survey results such as “The people I work with are penalised if they take unacceptable risks, even if their actions generate positive results” (38% of Perth staff responded positively), and “There are often instances where working around our policies, processes or procedures is necessary to get the job done” (25% of Perth staff responded positively) and staff comment such as “*Crown focuses on to much profit. ...Alot of the times we have to cut corners and compromise, surely this is not the Crown way*” and “*The prioritization of profit over staff and customer wellbeing is a contradiction of Crown doing the right thing.*”

6 Based on survey results such as “Crown can be trusted in what it says and does” (56% of Perth staff responded positively), and staff comments such as “*The illegal activity up top lost many employees trust*”

7 Based on survey results such as “I am confident that I will not be penalised for raising concerns” (55% of Perth staff responded positively), and staff comments such as “*You cannot challenge the managers and supervisors through fear of vilification.*”

8 Based on survey results such as “The people I work with are friendly and supportive of each other” (72% of Perth staff responded positively), and “My experience at Crown has been positive” (71% of Perth staff responded positively)

9 Consequence management is a term often used to describe policies and procedures used to penalise poor behaviour and/or performance

10 DTT.010.0008.0001

11 For example, see the Financial Services Culture Board 2020 report

12 See Vardi & Weitz (2016) *Misbehaviour in Organisations*