

## **Enlisting resources to accelerate corporate culture change**

How ethics and compliance professionals can create allies and build support to advance ethical business conduct

## **Forming productive partnerships and attaining broad-based buy-in can substantially accelerate a company's journey from a workplace of legal compliance to a culture of principled performance.**

It may sound simple, but one of the most challenging aspects of managing ethics and compliance is gaining the necessary support throughout the organization to adopt the values and model the business conduct the company seeks to ingrain in its culture. Ethics and compliance professionals can employ several strategies to enlist resources and form coalitions to reinforce their efforts.

### **Build a network of allies and supporters**

Many people in your organization can be instrumental to your work. Reaching out to them and gaining their endorsement can build a cadre of leaders and functions willing to become involved in the initiatives and accept responsibility for promoting ethical and compliant conduct.

At the top of your network should be an executive leader who acts as a sponsor or champion for ethics and compliance in your organization. Your choice may be dictated by your reporting relationship, but ideally, you want to engage the highest level senior executive possible, including the CEO, COO, or a board member. The sponsor must understand your objectives, have influence over the functions you need to impact, and be willing to promote the agenda. His or her role includes increasing awareness, building support and advocating the ethics and compliance goals among the key functions such as human resources, audit, finance, legal, technology and education.

A strategy to build a broad second layer of allies is to establish a formal ethics and compliance umbrella team or council comprising senior executives from the entire organization. The team's function might include developing the company's ethics and compliance policies and procedures, creating or revising the company's code of conduct, as well as performing any other planning that benefits from having a wide range of perspectives and expertise. The process of putting such a team in place not only enhances understanding of the goals, but more important, it fosters broad-based ownership of ethics and compliance throughout the organization, a key factor in developing a self-governing ethical culture. Having a core team overseeing the programs also helps demonstrate the company's commitment to "encouraging a culture of ethics and compliance," as required by the Federal Sentencing Guidelines.

At The Manitowoc Company, Inc., for example, the ethics and compliance office formed a team composed of senior leaders from HR, the general counsel's office, finance and corporate development, corporate communications, learning and organizational development and the corporate HR compliance officer. The team participated in articulating the company's enterprise-wide values, revising the company's code of conduct, and developing an online global certification program for the company's 9,500 employees.

Similarly, Sabre Holdings formed an umbrella team composed of representatives from HR, business units, corporate communications, and information services. The team's role was to help strengthen compliance awareness and plan the rollout of the company's online education and its biennial certification. Having the team allowed the ethics and compliance officer to tap into each representative's expertise in disseminating the initiatives. HR helped move ethics and compliance into the hiring and employee review processes; the business unit representatives provided feedback on reasonable timelines, best reporting procedures, and ways to encourage 100 percent completion of the company's certification program; corporate communications helped with messaging and the internal marketing of the campaign; and information services helped with the rollout and consolidating the company's many different certification programs into one intranet.

Global companies with widely internationalized operations may find that having a single umbrella team is impractical, given their geographic diversity and their need to deal with wide-ranging but locally specific compliance issues. Instead, such companies might form regional ethics and compliance councils whose members come from divisions of the company located only in certain regions.

The Dow Chemical Company addressed the challenge of operating in over 175 countries by forming 14 regional ethics and compliance committees (RECCs). Each RECC is composed of four key individuals appointed by the CEO who have the lead roles in business, finance, HR and legal. The lead business representative is also appointed as the chairperson for the respective RECC. Dow's director of global ethics and compliance and Dow's corporate auditor sit as ad hoc members on each of the RECCs. The RECCs regularly meet to plan ethics and compliance initiatives, to evaluate new matters and to review the results of any ongoing investigations. To help ensure consistency from RECC to RECC, a quarterly newsletter is distributed to all RECC members providing an overview of the major activities occurring within the Office of Global Ethics and Compliance, and Dow's director and deputy director meet with each RECC approximately once per year.

To further expand your network of allies, also work to form relationships with people or functions whose resources you need to support each type of initiative. For example, if the company is implementing a code of conduct, reach out to human resources to ensure they understand it and will agree to integrate it into the hiring and employee review processes. If you are pushing out an ethics and compliance education program, gain the cooperation of all appropriate operational managers whose direct reports will be involved. Or if you are seeking to improve utilization of the company helpline, seek the assistance of the company's communications team to help disseminate messages in the regular company publications.

Not everyone will easily become an ally. Some may perceive that your initiatives are treading on their area of responsibility or competing with their priorities. Others may simply have deep-seated preferences for how to go about changing the corporate culture. Regardless of their motives, when individuals present a barrier to accomplishing objectives, you need to move quickly to win their trust and support. Before debating your views with them, ascertain the nature of their objections to your platform so you can frame your arguments more effectively. Ask for their input on how to accomplish key goals. Even consider reaching out to them to become part of your team or involve them in designing the solutions together.

## Make use of your communications plan to build support

Your communications program is an equally valuable tool in enlisting resources and building support. Each communication is not only a means to deliver factual information about educational courses, workshops or events, but also an opportunity to inspire and motivate everyone to become stewards of the company's culture. It is especially vital to get your internal communications or marketing function involved to use targeting, positioning and branding techniques to engage the entire workforce in ethics and compliance through memorable and motivating messages.

In large hierarchical organizations, it is often best to initiate a major communications campaign first for the highest executive levels and then cascade it down to the other levels. One rationale for this is to avoid surprising senior leadership with news that they rightfully should hear before other employees. More important, though, connecting first with senior managers helps build support by ensuring that they, as the company's leadership, all start on the same page, especially when it comes to understanding the significance of their role to set the tone at the top. It is therefore important to provide senior leadership with specific wording they can use in any communications they do to their own direct reports.

## Seeking support from your company's CSR function

One of the most potentially powerful allies and supporters for ethics and compliance might very well be your company's corporate social responsibility (CSR) officer. Although most organizations treat ethics and corporate social responsibility (CSR) as two separate practices, especially in the United States they are highly related. Both deal with how a company acts; how it defines its commitments to key stakeholders; and how it lives up to those commitments. Ultimately, your company's CSR function may represent a useful resource to tap into.

Numerous trends are driving an increasingly converging path between ethics and compliance and CSR:

- Consumers, investors, and employees discern little difference between a company's commitment to ethics or CSR. In their minds, the two issues flow from the same principle: *doing the right thing*.
- Many global issues affecting commerce are no longer viewed as belonging solely to one camp. Corruption, for example, must be fought by both functions to provide a level-playing field for all businesses and their constituents.
- Companies are increasingly noticing that an ethical, responsible corporate culture can actually drive business results. Growing research indicates that there is a direct link between ethical corporate cultures and improved performance. Numerous studies in the United States and the United Kingdom are starting to show that corporations with reputations for ethical conduct appeal to consumers, attract investors and enhance a company's ability to recruit and retain the best workers.
- Both ethics and compliance and CSR functions have the same goal to instill ethical and responsible values into the corporate culture. Building this foundation may thus be accelerated by having the two functions work together.
- Unresolved ethics and CSR concerns increasingly generate new legislation that often burdens companies, so proactively working to resolve open issues can help companies prevent hyper-regulation.

Enlisting the support of your CSR office can lead to effective, coordinated efforts that help each of your functions strengthen its capabilities and, collectively, achieve greater success and results.

You next want to communicate to mid-level managers and supervisors with clear and compelling messages about how to engage their direct reports and how to model the values and conduct desired by the company. Research has shown employees tend to listen most closely to and follow the behavior of their immediate supervisor, regardless of the tone at the top. You need to enlist managers and supervisors in the campaigns and equip them with language and tools they can use in their everyday interactions with their teams. Do this in person as much as possible; listen to their concerns and seek their suggestions.

For any communications targeted directly to employees, keep in mind that each job function has its own ethics and compliance touch points, information needs and preferred communication channels. Your messages should take into account the type of employee to whom you are appealing; e.g., sales people may not need to hear about the same ethics and compliance issues as product engineers. Rather than sending out generic blanket communications, it is far more effective to tailor messages to each job function or type of worker, using the channel they most often see, read, or hear. In each case, explain why the communication or initiative makes sense not just for the organization as a whole, but for each function, given how it interacts with the specific ethical or compliance initiative at hand.

In developing your communications plan, keep in mind that some of the most powerful messages can be found right in the news. Keep an eye out for stories in your newspapers and professional magazines about companies facing ethics and compliance investigations or fallout from violations. Relay such case studies to those groups of employees for whom the lessons learned can be beneficial.

Take advantage also of all communications channels that exist in your company. Can you insert articles into separate divisional newsletters? Can you, your sponsor or a key internal manager speak at a scheduled departmental meeting? Can you insert reminder messages into payroll envelopes? The more you embed discussions and messages about ethics and compliance into all available methods of corporate communications, the more opportunities you create to engage employees and inspire them to adopt the standards of conduct in their daily actions. Following in the footsteps of other successful change movements, such as safety and quality, the goal is to encourage employees to naturally incorporate ethics and compliance thinking into their daily attitudes about work.

Finally, don't become complacent with any positive results obtained in the early stages of your programs. The ethics and compliance goals can easily end up on the back burner, replaced by another burning corporate issue. In the words of one chief ethics and compliance officer, you must constantly continue "pushing upwards," reminding everyone about the benefits the company will reap in shaping its culture. Effective ways to stay on top of the curve include providing regular progress reports, circulating cases or news reports and providing updates about future initiatives. You want to constantly build opportunities for dialogue among employees rather than simply sending them information and expecting buy-in. Discussion and debate not only help keep the issues at the top of mind; they inspire supporters to feel as if they are an integral part of the process.

## **Build a solid case for change**

Corporate change efforts based only on the notion that "it's the right thing to do for the organization" may not provide the persuasive force needed to enlist and sustain a broader corporate commitment over time. Remember that yours is not the only cause seeking the support and resources of corporate functions in your company. Company managers are often asked to respond to a variety of "burning issues" and so you need to consider that you are in competition for their time and allegiance.

Developing a compelling business case in ethics and compliance can be difficult because risk avoidance is hard to quantify. On one hand, you need to measure the risks and costs of events that happen; but on the other hand, you also need to measure the risks and costs of events that did not happen due to the deterrence efforts you took. Proving the value of some ethics and compliance initiatives can be a complex task, making it all the more important to go through the process of developing a concrete business case that has long-term appeal to your audience.

A formal approach to building your case should implement a measurement system tailored to your company's business and industry that demonstrates the results of your program activities, shows how the results support your company's objectives and identifies which activities work – and which don't. The measurements must help justify the capital allocation, improve accountability for activities, and motivate employees and stakeholders to adopt the programs. In addition, measurements must be taken over a period of years in order to track meaningful patterns. The need for a few years of time to build your business case can sometimes pose a problem because the data needed to quantify the results requires the company leadership to allow programs to continue running while you collect information.

Another set of metrics to use in building the case for investing in ethics and compliance are those related to actual business performance. Increasing research, including several LRN Ethics Studies, demonstrates that an ethical corporate culture enhances a company's ability to attract loyal customers, influence investors, and recruit and retain the best employees.<sup>1</sup> To demonstrate such results for your company, you need to gather data on changes in sales and profitability, market share growth, employee attrition and other measurements that can be studied for patterns correlated to the investment in ethics and compliance programs.

You can also develop persuasive proof by citing case studies of businesses that encountered reputational damage from overlooking ethical concerns. Companies such as those involved in the clothing industries that had questionable supply chain practices are examples of business cases that can serve as discussion points in establishing proof.

Whichever measurement methods you select, putting together a strong appeal is critical to winning support and creating allies who can help you set the right tone for the future.

## Spread out responsibility for ethics and compliance

Traditional companies typically structure their operations into vertical entities, each with its own discrete sets of responsibilities. In this view, the ethics and compliance function is its own silo, whose job is to protect the company from violations, most often in a reactive manner.

But if the goal is to nurture a broad culturewide change in values and business conduct, a more effective strategy must focus on establishing a *horizontal* approach to responsibility. Taking this approach spreads out the stewardship for ethics and compliance across all functions, so everyone begins to see themselves as protectors of the company's reputation and values. This reframing builds support and enlists resources by virtue of the fact that everyone assumes a greater degree of ownership in the corporate culture.

Implementing a horizontal approach also entails a shift in thinking for the compliance officer. Rather than perceiving yourself as the corporate "cop" walking the ethics and compliance beat, you need to reframe your position into being a coach whose job is to provide inspiration, wisdom and counsel to everyone. Your task now becomes teaching the company's leadership and management how to model conduct, how to articulate the company's values and how to instill responsible behavior in their departments.

Many of the most common corporate challenges to instilling new values in the fabric of the organization can be enhanced by spreading responsibility for ethics and compliance across the organization. For example, consider the following four common challenges companies often cite concerning their ability to implement ethics and compliance programs:<sup>2</sup>

1. A lack of resources in performing risk assessments, prevention and investigations
2. Fear of retaliation and lack of employee motivation to report allegations
3. Difficulty in implementing ethics and compliance efforts across global locations
4. Difficulty in collecting accurate and quantifiable data about risks, aggregating compliance data from disparate operations and applying findings from their evaluation processes to business improvements

Each of these challenges can be significantly ameliorated by horizontalizing the work of ethics and compliance. Budget and staffing problems can be reduced by spreading responsibility for ethics and compliance across every function and enlisting departmental or functional managers to play a greater role in risk assessments, educating employees and performing investigations. Employee fears of retaliation and lack of motivation to report violations, which reflect a lack of employee trust, can both be reduced if senior leadership takes responsibility for setting a strong tone at the top, regularly confirming the company's commitment to ethics and compliance. Many challenges of a global company can be solved when companies broaden responsibility for ethics and compliance through such steps as forming an umbrella committee and expecting every division head to model behavior. And finally, difficulties collecting accurate data and using it could be significantly improved by enlisting all line managers in gathering and analyzing risk information.

## Capture hearts and minds

Leading your company to a culture of high standards and responsible business conduct requires building a broad foundation of support and commitment. Rather than fighting a battle like a solo soldier, a more thoughtful and effective strategy is to build a solid network of allies and supporters who can work with you to achieve change. By pursuing the recommendations provided in this paper, you can foster strong coalitions and partnerships to integrate ethical conduct into the heart of your organization.

## Notes

1. See the *LRN Ethics Study on employee engagement* and the *LRN Ethics Study: Ethics impact on purchase and investment decisions* for statistics on how corporate conduct affects employees, consumers and investors. Both studies are available at [www.lrn.com](http://www.lrn.com).

2. These four areas were cited among the leading challenges companies faced in the 2007 LRN ethics and compliance risk management practices study. To read the report about this study, see [www.lrn.com](http://www.lrn.com).

### About LRN

LRN is dedicated to assisting its clients with developing ethical, sustainable and profitable cultures through a combination of robust education and management solutions, in-depth research and analysis and best practice advice and knowledge sharing. Founded in 1993, the company has reached more than 10 million employees, operating in more than 120 countries around the world. Headquartered in Los Angeles, LRN also maintains offices in New York and London. More information is available at [www.lrn.com](http://www.lrn.com).

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