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Yes, a board can positively affect culture: 10 practical actions

- » The Board is management's boss, so any questions/concerns the Board has regarding organizational culture will have lasting impact.
- » Discussing issues of culture in every Board meeting sends a strong message to management and the organization that the Board finds values and culture important.
- » Whenever a business proposal is brought to the Board for approval, if they begin by asking how the project fits into the culture and values of the organization, they communicate that this "culture stuff" is important to the Board.
- » By tying approval for promotions and hiring to candidates' goals/accomplishments regarding values and culture, the Board sends the message that maintaining a strong culture is expected of everyone.
- » Having the CECO meet alone with the Board on a regular basis and having a Board member and the CECO visit often—in public—signals that the Board actively supports the CECO's work.

We all know by now that a Board or governing body has a responsibility to help foster an ethical and compliant culture. As usual in ethics and compliance, though, the hard part is actually doing it. This is especially true when

a Board is faced with the challenge of actually taking action steps to affect culture in a positive way.

Boards may find it easy to push this responsibility to the side by saying, "We aren't management, we're not in the company on a daily basis, and therefore, anything we do can't have that much of an impact." Baloney.

Management is very attentive to what a Board does and how they do it. Why? Because the Board is their boss. One only has to observe how management obsesses over preparing and organizing every Board meeting, making

sure that Board members have great food, recreation, and accommodations. Their time in meetings is guarded and scheduled very precisely since "the Board is so busy." Given this setting, the Board has some wonderful opportunities to take steps inside and outside the boardroom that can dramatically affect culture.

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After working with numerous boards and other governing bodies regarding their growing ethics and compliance oversight



Doyle

responsibilities, I have presented below a few action steps Boards can take to further a compliant culture. It's a good checklist for CECOs and Boards to assess their own status and maybe spark a discussion on more steps to take. These actions are directed to the Board, the Board committee responsible for ethics and compliance oversight, and the CECOs who advise the Board.

Action 1: Schedule at least a two-hour yearly session where the Board receives education on their ethics and compliance oversight responsibilities, especially those concerning the values of the company—i.e., the desired culture. This effort should involve a detailed discussion about the meaning of each value in the context of actual business behavior for that particular organization. Also needing discussion is the importance of manifesting those values in ways that enhance the brand and reputation of the organization. This session is a wonderful time to assess the board's own goals in affecting culture and their accomplishments in the past year. Publicize throughout the organization that the Board was educated on and discussed culture at length. This effort sends a strong message to management and the organization that the Board finds values and culture important, both by the fact that they discussed it and the fact that it was done at length.

Action 2: Schedule the *first* five minutes of every Board meeting with a "culture moment," where some item about culture is discussed—either using something that happened in

the company or highlighting an example of culture in the news related to Boards. The topic's placement on the agenda shows its significance and will be noted by management and other leaders who see the items. The culture moment will become habit, which then becomes part of the culture. It would be even more effective to have the culture item repeated in the organization's newsletter or social networking discussions. It sends a strong message to the company that the Board took its limited time to discuss culture—

thereby highlighting not only the substance of the culture moment, but also the fact that it was even done. Repeating this activity consistently is how it becomes part of the culture, so make sure always to include the culture moment on the agenda and to put it first. It

will symbolize that values are the basis for and more important than the next item on the agenda—which is probably financial performance. It would send a very different message if the culture moment is squeezed in right before cocktails and dinner at the end of the day or the end of the last day of the Board meeting when members are rushing to catch flights home.

Action 3: Make sure that the CEO and others in the top management team have measurable performance goals concerning ethics and compliance, with specific goals regarding culture. Current best practice is for at least 20% of goals to involve ethics and compliance. If the Board needs help in coming up with specifics, the CECO can help by defining goals that are not "be a

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good person” goals, but include specific behaviors that affect a strong culture. These action goals usually come out of mitigation action items generated by a risk assessment that includes aspects of culture. Each goal regarding culture should also specifically relate to shoring up a value of the company. Then, of course, the accomplishment of the goals—just like financial goals—should go into the yearly compensation and bonus determination for the CEO and management team.

Action 4: When candidates for positions in top management promotion and hiring are brought to the Board or a committee of the Board for approval, make sure that initial questions involve *behaviors* that contribute to an ethical and compliant culture. If the promotion is internal, then the Board should ask to see yearly evaluations reflecting goals/accomplishments around culture. If the candidate is external, then be sure to ask the headhunter, the candidate, and the candidate’s references about specific accomplishments that relate to enforcing a strong culture. Top management and those aspiring to top management will soon learn to be prepared for such questions and to start working toward these goals long term. That knowledge will trickle down to the rest of the organization, and everyone will soon know that maintaining a strong culture is expected of everyone. Board questions have a long reach—think “bully pulpit.” It is essential that the CECO be asked by the Board about culture behaviors of the candidates. The fact that the CECO is consulted in these important decisions gives

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additional credibility and stature to the role of the CECO.

Action 5: Ask the CECO for regular reports on the status of goals regarding culture as well as internal and external assessments of the culture. Culture can be viewed as not only a major foundation step in an ethics and compliance program, but also a major risk area for the organization. Since a best practice is to ask for periodic assessments of the effectiveness of the entire ethics and compliance program, asking about the culture could be included in that request. The Board should highlight its interest in the culture

aspect of such assessments. This effort is yet another way to emphasize the Board’s concern and involvement regarding culture. Many times it is the Board who will hire an outside consultant to do an assessment of the program, since overseeing effectiveness is a major responsibility of theirs. Keep in mind that the more volatile an organization is in acquiring other companies or changing directions, the more changes and risks there are in maintaining a strong culture.

Action 6: Meet with the CECO in executive session on a regular basis. This effort can be accomplished with the Board committee that oversees the Ethics and Compliance function—just as the auditor meets with the audit committee of the Board. In this session, the Board should ask whether the ethics and compliance program has the necessary resources to implement the program—a major part of which includes culture—and

whether the stature of the program is high enough within the organization. The CECO has a tough role being a team player with management while also being an independent leader capable of protecting the company when management might drop its focus on ethics and compliance. The CECO needs the support and protection of the Board in carrying out his/her responsibilities. Once again, it gives a strong signal to management when the Board wants to hear from the CECO directly without management in the room. This effort usually encourages the CEO to be more open to working with the CECO and listening to his/her requests. It also signals to the organization that the culture is one where values are supported *actively* at the highest level. Keep in mind that the best and most forward thinking organizational structure has the CECO reporting to the ethics and compliance committee of the Board, with administrative reporting to the CEO. The message to the shareholders, management, and organization is that the Board recognizes the value of independence for the CECO, especially when pursuing more than “check-the-box” activities regarding a strong culture. It is in management’s nature to want to control all paths to the Board. However, an enlightened CEO will recognize that an independent CECO is his/her best protection from himself/herself when he or she gets too focused on the short term financial aspects of the job. Barring that enlightenment, a wise Board will insist on it for the good of the organization and for the Board’s own oversight responsibilities.

Action 7: Whenever a business proposal is brought to the Board for approval—whether it’s a new business strategy, merger and

acquisition deal, global expansion, new plant construction, etc. —begin the questioning with how the project fits into the culture and values of the organization. The word is quickly passed on from manager to manager that this “culture stuff” is important to the Board and that when requests for approval are made, they better include specifics around culture. In preparing these proposals, the manager will require

their staff to consider the values/culture aspect, and once again, it becomes a natural part of doing business for the organization and BAM!—the Board affects culture. Importantly, I have seen several

times where these discussions have resulted in different pricing for acquisitions after the realization that the acquired business will need some work on culture for it to succeed financially within the organization. There also have been some projects modified to work more successfully in upholding company values; in the long run, this effort saved the company from liability, failure, and loss of reputation and brand.

Action 8: Ask the CECO and HR for regular reports on disciplinary statistics. HR should have reports on the nature of the discipline (what the violation was and what the discipline was), and the CECO would have the responsibility to make sure that the discipline is consistent across all levels and locations throughout the organization. Once ethical and compliant behavior messages are communicated, employees do not see them as “real” or “you mean it” until the behaviors are enforced. And the culture does not become a trusting and open one until it becomes clear that discipline applies to everyone up and down the organization. The

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Board’s interest and analysis of these reports can be the difference between a check-the-box effort on a strong culture and an actual strong culture.

Action 9: Consider having members of the Board visit a branch location of the organization or with groups of employees periodically to discuss how the employees see the business going. Always start the discussion with an inquiry about the culture and how the values impact the business or are seen on a daily basis in their work. This effort offers a great opening for discussing other topics about the business. Once again, other employees will want to hear from the individuals concerning the Board’s interests and topics of discussion. It will also offer the Board members some snapshots of what the culture is like—even if everyone is dressed up and on their best behavior. The more frequent and more casual these visits are, the better feel they can get for the culture.

Action 10: Designate at least one Board member—probably on the Board committee responsible for the ethics and compliance

program—to reach out to the CECO and establish a relationship so that both feel free to call each other or have coffee or lunch when the Board member is in town, for example. It’s not a bad idea to have that coffee or lunch in the company cafeteria so that the organization sees that relationship. It increases the stature and visibility of the CECO, which is always good. In addition, it signals a Board member’s interest regarding the ethics and compliance program—the foundation of which is culture, culture, culture....did I mention culture?!

Conclusion

This list could well include more than a hundred action items, but these ten items are a start. You’ll find that once you start employing some of these actions, each Board member will become engaged and think of even more. So, *yes*, the Board can play a major role in creating and affecting a strong culture based on ethical and compliant behavior. Go for it! *

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