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When it comes to compliance training, DaVita seeks to add 'adventure'

By Alexandra Theodore

DaVita Healthcare has seven stated core values, and one of those is 'fun.'

That means when it comes to compliance training for employees, the Denver-based kidney care company gets creative.

"The compliance department calls themselves Team Quest," Sarah Richardson, a senior director in the compliance department for DaVita, tells Ethikos, noting that the company's automated training programs for all new employees are set up like that: a quest.

The training is presented in game format. Employees are asked to 'travel' from location to location, answering compliance-based questions and collecting information. At the end of a section, employees answer questions about their 'adventure' or are prompted to complete a matching segment using information collected during the course of the training.

Sarah Richardson

"It's essentially a computer game," explains Richardson.

In some cases, users are presented with a scenario and prompted to choose from a series of options. For example:

An agent has been working with a patient for six months. For the holidays, that patient offers the agent, with whom he's had a long-term relationship, a $50 gift certificate. Can the agent accept this? [The answer is "no."]

"It's essentially a computer game," explains Richardson.

Team Quest even has a mascot, 'Navigator Ned,' who is depicted as a parrot and appears in DaVita's digital training program.

'We want to show our employees a way to handle those situations and make them less awkward for everyone involved.'

A 'robust' team

Richardson joined the company this year, having previously served as chief compliance officer for Medicis Pharmaceutical Corporation. However, she notes that DaVita had a 'robust' compliance program for years—a program solidified upon acquisition of Swedish kidney care company Gambro's U.S.-based clinics in 2004, when the two pro-

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grams were combined.

However, much of DaVita's compliance structure predates that acquisition. "I have co-workers who have been doing this for 16 to 17 years," notes Richardson.

DaVita's compliance department is led by Jeanine Jiganti, chief compliance officer. The department is composed of about 50 full-time employees, a number that Richardson notes is quite effective for a company that operates in 11 countries, including the United States. There are dedicated teams for each of DaVita's major business lines, including domestic kidney care, HealthCare Partners, international kidney care, and DaVita's strategic business initiatives.

Richardson and her team at DaVita HealthCare Partners are expected to perform risk assessments, spearhead the auditing and monitoring program, develop and deliver compliance training, maintain compliance policies and procedures, provide support for DaVita's strategic business initiatives, and manage the processes for the compliance reporting hotline, exit interviews, and exclusion checks.

The compliance training program, which recently received Health Ethics Trust's Best Practices award, has been in place since 2005, though it has undergone extensive 'tweaking' over the years to make it what it is today.

"The training is updated at least annually," says Richardson. This is particularly important in the healthcare industry, which this year has seen extensive changes to HIPAA (Health Insurance Portability and Accountability Act) rules, so training must reflect those changes.

Two types of 'teammates'

Overall, DaVita's approach is a combination of in-person training sessions, automated online training, and ongoing real-time guidance and support from the company's compliance team. It focuses on two groups.

"One is our field-based teammates," says Richardson. "They're the people out there in the clinics, interacting with patients, and physicians, who might not always have the time and access to electronic training."

Patient care is the top concern among these clinic-based agents, according to Richardson. "It's about being sure our patients receive the highest level of care, and that it's recorded properly." Similarly, interaction between patients and physicians is another concern in the field because agents often run into risks created by such close contact. For example, what is the appropriate interaction with a patient? Can you accept gifts from these patients? (The answer, of course, is no—but it can be a tricky situation, especially in a highly emotional circumstance. Training that prepares employees for these high stress/high risk situations is deemed critical.)

The other area of focus is 'office-based teammates'—that is, office employees who work in the administrative end of DaVita. Their concerns often involve broader regulatory risks and relate more to interactions with DaVita's many different business partners.

"It's a combination of automated and live training," says Richardson. Training is administered upon hire, and

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then annually after that. More than 50,000 individuals are trained each year through the automated online training, and they complete approximately 73,000 courses. Some individuals complete multiple compliance courses over the course of a year. Courses, which are held throughout the year, range from the larger 'core value' courses that cover broad issues like code of conduct to the more focused sessions. The aim is to be sure all DaVita employees receive training. In some cases, vice presidents, regional heads and facility administrators attend sessions and then train those directly under them.

Overall, employees are required to complete at least one compliance training course per year, along with other courses based on the employee's position in the company (i.e., a field agent vs. an office administrator).

Scenario-based training

How are the courses developed and maintained?

"I have an in-house training team," says Richardson. "We partner with an online vendor, and through that partnership we focus on whatever issues need to be addressed." This includes the electronic training, which is updated annually in accordance with regulations.

Live training is conducted in multiple ways: through a series of courses for groups of 20 to 500 people, depending on the topic and the recipients of that training; one-on-one sessions with the vice presidents of the company; and 'home room meetings' in which employees touch base on big issues and discuss what can be done about them. For field-based teammates, training can be handled by 'field administrators,' employees trained by compliance to go out to facilities and conduct the training.

Richardson personally leads the vice presidents in their training sessions, designed to raise awareness of compliance issues company-wide. Training these leaders is essential for spreading the message: "About how we communicate, how we interact with physicians."

The holiday season marks an especially important time for DaVita to update its employees on corporate policy, particularly as gifts can pose a very high risk, she adds.

Which topics warrant which method of training?

Broad-brush topics such as code of conduct or regulatory policy are conducted in a 'classroom setting.' The vice president training sessions are more one on one, according to Richardson.

"Certainly the core focus is on the False Claims Act, kickback policies, and how we've interpreted these regulations." The focus on kickback policy is especially important now as government regulators focus more and more on healthcare practices overseas.

Broad-brush topics such as code of conduct or regulatory policy are conducted in the 'classroom setting.' The vice president training sessions are more one on one, according to Richardson.

"Each course is tailored to the audience and size of the group," says Richardson. The larger courses, which can range from 20 to 50 attendees, follow the classroom model. Employees introduce themselves and discuss the issue at hand. 'Black-and-white' issues such as regulatory compliance and code of conduct are handled in a discussion format. However, for the 'gray' areas that sometimes arise, Richardson and her team create scenarios to present to employees.

In one classroom session, comprising about 75 participants, Richardson and her team again called upon the 'fun' core value at DaVita to make a point about interactions with physicians, another high-risk area.

"Most recently, we got that across in a skit," said Richardson. She and her team acted out a meeting between a physician and a DaVita employee in which the physician offered to take the employee to lunch—a suggested lunch that got more and more lavish as the scenario went on.

An awkward situation arose—and that's the point. "We want to show our employees a way to handle those situations and make them less awkward for everyone involved," says Richardson.

"We got really into our roles," she adds.

DaVita tracks participation in its training program through a series of metrics, including a quarterly survey that invites employees to give their feedback on the program. One of the benefits to the automated system is DaVita's ability to track who has and hasn't completed the program—which is self-paced.

And with regard to the skit: "The response was very positive," said Richardson. A little bit of 'fun,' it seems, can go a long way. ❑

Trust Inc. Explores the Metrics of Trust in Business

By Alexandra Theodore

In this era of growing regulatory enforcement, it's becoming easier to put a price tag on unethical behavior, but when it comes to weighing the benefits of trustworthiness, the exact measurements continue to elude us.

Nevertheless, trust does have its benefits for a company, both ideologically and financially. That is the thesis of "Trust Inc." a collection of essays contributed by over 30 experts in the field of ethics, compliance, and communications. The essays explore the definition of trust in business, how it can be applied, and what the ultimate benefits of trust might be—though it is agreed the transformation is not an easy one.

'It's going to take a substantial, collaborative effort to bring trust back to the heart of how we live and work.'

Barbara Kimmel

"It's going to take a substantial, collaborative effort to bring trust back to the heart of how we live and work," says Barbara Kimmel, executive director of Trust Across America-Trust Around The World (TAA-TAW), an organization that focuses on developing a metrics system for organizational trustworthiness.

Kimmel, who is editor of the anthology, states that her mission was "to find knowledgeable and well-known experts to contribute their unique perspective on six organizational trust topics: Why Trust Matters, Trust In Practice, Trustworthy Leadership, Building Trustworthy Teams, Restoring Trust, and A new Paradigm for Organizational Trust—all in one text.

The concept of trust in business is one that, not unjustifiably, has taken quite a hit in public perception, a topic discussed in Trust Inc.'s opening essay, "The Business Case for Trust," co-authored by Kimmel and Charles H. Green. The public relations firm Edelman found in a recent "Trust Barometer" survey that trust, transparency, and honest business practices influence corporate reputation more than the quality of products and services or financial performance. Yet scandals and bad behavior continue to pile up. A company seriously interested in maintaining its reputation must increasingly focus not only on "business performance" as it is traditionally understood, but be mindful of being seen as trustworthy, too, according to the authors.

The Cost of Distrust

Still, Kimmel and Green argue that there is "an important, material business case for trust." For starters, they look at the cost of organizations that essentially exist due to lack of trust: the TSA airport security program ($5.5 billion, not to mention the impact on tens of millions of business travelers), and the criminal justice system ($167 billion in 2004).

"Both of these examples are funded by taxes on individuals and business. Business

also shoulders tangible losses from crime ($105 billion), where they are often the victims."

More immediately, it's the need for heavy regulation that financially impacts business—and not just in the fines exacted upon those who are found guilty of wrongdoing. Billions of dollars are spent funding federal agencies and enforcing existing regulations—a number that has doubled in just the past year, matching the ramped-up enforcement activity that has marked the corporate climate of today.

"Doing business in a low-trust environment is costly," conclude Kimmel and Green. "Whether or not you believe that companies can or should impact social conditions, one thing is clear. In aggregate, business bears a lot of the weight for low trust in our society."

Kimmel cites the mounting cost of internal audits as another indication of the general costliness of operating in a low-trust environment, noting the billions of dollars that accounting firms make in a single quarter—an indication of the continued need for their services in an environment that increasingly demands accountability.

What's more, Kimmel and Green argue, a lack of trust can lead to employee disengagement. "Disengagement occurs when people put in just enough work to avoid getting fired but don't contribute their talent, creativity, energy or passion. In economic terms, they under-perform." Studies have shown that many employees do not feel actively engaged at their jobs, and trust may factor into this mindset in expected ways: many employees cite lack of transparency, a loss of trust in their employers on decisions made during the Recession, or a perception of having been treated unethically as their main reasons for searching for a new job. Disillusionment with one's position means, at best, performing half-heartedly—which can cost a company in revenue. At worst, it can lead to termination of the employee, which may also draw on the company resources.

"The ability to manage the costs of low trust—whether arising from society, from business practices, or from management practices—is to a great extent within the control of the corporation," write Kimmel and Green. They go further, suggesting that companies with high levels of employee engagement (driven by high trust) , have higher revenue growth, lower costs of goods sold, and lower sales, general, and administrative expenses.

A company's perceived trustworthiness does not simply affect its employees. The overall public can have a visceral reaction to companies they consider 'good' or 'bad,' and that perception influences the overall attitude of stakeholders.

'The momentum of trust J&J built over the decades gave the company the reputation stability it needed to weather a rough period with very little wear and tear.'

"Rather than citing statistics, we suggest the (U.S.-based) reader merely observe their own reactions to these worlds: Johnson & Johnson/Tylenol, Walter Cronkite, IBM."

The Halo Effect

This sets the framework for the issues explored by Trust Inc.'s 30 contributing authors. One of the essays, "What Does A Trustworthy Company Look Like?" explores the benefits of these 'trust' initiatives and how they affect the overall image of a company.

"There isn't a more paradoxical concept in business today than trust," notes Peter Firestein, president of Global Strategic Communications, Inc., a New York advisory firm. It's difficult for a company to divert resources to trust initiatives, Firestein notes, particularly when companies that have fallen in the public eye seem to recover just fine. He cites the Deepwater Horizon disaster as one example of this. Companies BP, Transocean, and Halliburton, despite being widely vilified by the public for their part in the disaster, are "for the most part, doing well enough to reward their investors today."

Firestein also brings up Johnson & Johnson, a company that has managed to maintain a "halo effect." In recent years, Firestein says, Johnson & Johnson has suffered numerous allegations of deceptive practices. "It seems there are not enough people mad at J&J—for trying to keep a carcinogenic ingredient in baby shampoo, for surreptitiously supporting an organization that promotes one of its anti-depressants, for hesitating too long to recall a faulty hip implant—to put much of a dent in sales."

Still, it is this lack of outrage that may, in some way, prove the amazing long-lasting power of building a trustworthy reputation. More than 70 years ago, Johnson & Johnson introduced its famed Credo, a document that spelled out its responsibilities to doctors, nurses, patients, and employees. Thirty years ago, Johnson & Johnson's response to the tainted Tylenol scandal became the standard

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Kenyan Website the Latest in a New Breed of Electronic Whistleblower Initiatives

By Alexandra Theodore

Janaagraha Centre for Citizenship and Democracy, a nonprofit organization based in India, launched a website in 2011 with the stated mission to "tackle corruption by harnessing the collective energy of citizens."

Called 'I Paid a Bribe,' the website encouraged embittered Indian citizens and employees to report instances of bribery, including where it occurred, the date, the department, and the amount that was paid. Riding on local discontent with the government's tepid anti-corruption efforts, the organization's goal was to compile a public record of instances of bribery and corruption. Such transparency, it was hoped, would encourage officials to take stronger anti-corruption stance.

Two years later, the platform of the 'electronic whistleblower' has become a global one.

Ninety-seven percent of Kenyans do not bother to report paying bribes, in part, according to Transparency Interna-

'I Paid A Bribe' – Kenya edition

Uhuru Kenyatta

In 2012, Antony Ragui, a 37-year-old financial services consultant based in Kenya, launched his own 'I Paid a Bribe' website (http://ipaidabribe.or.ke/), dedicated to battling rampant public corruption in Kenya and uncovering its economic impact.

Inspired by the Janaagraha's initiative in India, Ragui's African site offers something similar: victims of graft (referred to as toa kitu in Kenya) are invited to share their bribery stories anonymously. The website then tracks these reported incidents of corruption, tallying up the total paid in illicit payments. Since its launch, the site has received 3,590 reports of bribery, totaling 125,697,831 KSD ($1, 450,640 USD) in bribes paid as of December 2013.

Kenya's 'I Paid a Bribe' website marks a recent trend in which activists leverage social media to better highlight issues of corruption on a local level, something a country's local media may be loathe to cover. (On the Kenyan website, many note that local media outlets are also the frequent solicitors of bribes. A similar website, http://www.bribenigeria.com/, encourages Nigerian victims of bribery and local corruption to come forward with their stories.

"Corruption is an endemic disease that has eaten up every facet of the Nigerian society," says the site's mission statement. "Together we can defeat the worst enemy that has crippled our nation, reduced our citizens to poverty and deprived our nation of any sustainable development."

Managed by Humanity Without Borders, a nonprofit, nonpolitical human rights group, the Nigerian site remains in its infancy, with just 79 instances of bribery reported. However, the site also offers resources and suggestions for how citizens might get in touch with the country's inspector general—with the aim of raising awareness from a

local level to a national one.

Bribery on the local level

On Nov. 6, 2013, one visitor to Kenya's I Paid a Bribe site reported:

"Nairobi county staff are harassing and soliciting bribes for expired business permits. They will come into your shop, harass customers, demand to know who the owner is and then demand to see your business permit—knowing full well it is expired, they demand cash or they close you down. They did that to me and 2 shops from me. Someone stop them!"

Many of the bribes involve passport and license renewals, even those that were, technically, already processed. One submission from Nairobi reflects on such an experience:

> "A year ago, I visited home as I needed a passport for my daughter. She had already applied 2 months before my arrival. So I went for collection. To my surprise, it wasn't ready. They claimed they couldn't have processed it since I wasn't there. So each day I had to be reporting so they can issue me with the passport. Afterwards I talked with my friend and he suggested the best way to get it is toa kitu (graft). So I gave out 5000 and the same day I was offered the passport.
>
> "The question was how will Kenya ever change? My friend told me he paid 50,000 to get his title deed. So what workers at ministry of land do is: you go to the office and whoever attends the client, they divide the money among themselves, and they play it cool, so that at the end they have a huge sum of money among themselves."

This particular visitor offered a solution: cycle out the employees in these 'sensitive' departments on a two-year basis and frequently change their locations so that (presumably) they are unable to become too comfortable in one location.

Reports of bribery are not limited to those paid by Kenyan citizens. One site user said he did not pay a bribe, but recounted an incident in which he saw security at a '5-star hotel' stopping visitors in the hotel parking lot for inspection. One such visitor had a foreign license plate.

> "They didn't even search his car, but just let him drive in, with the most cursory inspection. When it was my turn to drive in, my vehicle was thoroughly searched. When I asked why they hadn't searched the previous car, they told me he was a regular client and he buys 'chai.' When I asked how much, the guard told me he drops between 500/1000 at any given time."

'While the civil society and others like to blame the government, everyone knows that to get any business you have to bribe!'

When noting the potential legal repercussions in taking bribes from foreign customers, the security officers replied with, ''The kids have to eat''!

"Sadly we keep blaming the police and this is happening!" concluded the post. Still, Transparency International has frequently listed Kenya's National Police Service as the most corrupt institution in the country.

It's not a problem limited to the public sector, however. Local businesses often run into issues when obtaining licenses from their county government. One poster recounts an instance in which his office was required to obtain a license for some 'minor alterations' to one of its buildings. It appeared that the city council had declined their application. That was when the poster's superior told them to go meet with 'a certain Mr. K' at city hall, with a 'small incentive.'

"The envelope had 10k ($100 USD)." The employee admits to having pocketed half of the sum for his family, but the remaining 5K ($50 USD) was apparently enough to secure the needed permit, which was ready within the hour. "I guess I was the cut out for my boss as he continues his nefarious activities."

Acquiring loans for small businesses is also an area rife with corruption, according to numerous accounts. 'Facilitation payments' to process these loans and gain approval are normal. This is hardly limited to small startups.

> "I paid this cash to a senior procurement officer in a major bank in town. The Government has a share in this bank .The gentleman had held up the LPO for over a month till he received the cash. He called it his valentine gift. While the civil society and others like to blame the government, everyone knows that to get any business you have to bribe! Many companies have a 'lobbying fee' under budget."

The concept of allowing citizens an anonymous, web-based platform to come forward about local bribery is not

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As incidents of internal fraud increase, whistleblower initiatives remain weak — Kroll

By Alexandra Theodore

Instances of fraud are on the rise in 2013, and companies believe they are more exposed to it than ever, according to Kroll's 2013 Global Fraud Report.

Overall, 70 percent of companies reported suffering from at least one type of fraud in the past year, up from the previous year's 61 percent, according to the report, which polled 901 senior executives worldwide from a variety of sectors. In addition, 81 percent of those polled believe that their firm's exposure to fraud has increased in the past year, compared with 63 percent in 2012.

What areas of fraud have seen an increase? All of them, says Kroll. "Every kind of fraud covered in the survey saw an increase in incidence," states the report, though it notes that vendor, supplier or procurement fraud, and management conflict of interest saw the most dramatic increases: vendor and supplier fraud rose from 12 percent in 2012 to 19 percent in 2013, while conflicts of interest increased from 14 percent to 20 percent. Regulatory or compliance breaches also saw a notable increase from 11 percent in 2012 to 16 percent in the past year.

These instances of fraud continue to be inside jobs, suggests the report. Of companies that suffered from fraud and knew who was responsible, 32 percent said they have experienced at least one crime in which a leading malefactor was in senior or middle management, 42 percent reported instances committed by a junior employee, and just 23 percent said the fraud was committed by an agent or intermediary.

"Overall, 72% of those surveyed say that their company has been hit by a fraud involving at least one insider in a leading role," a statistic that rose from 67 percent last year, notes the report.

'Overall, 72% of those surveyed say that their company has been hit by a fraud involving at least one insider in a leading role.'

The importance of whistleblowers

The report also found that most types of fraud were exposed internally. Management's discovery of wrongdoing is what brought the issue to light among 52 percent of the organizations surveyed, with internal audit a close second. External audit, by contrast, was only involved in the exposure just 10 percent of the time. However, in incidents where the wrongdoing was committed by a senior employee, those internal controls were found to be much weaker.

"Whistleblowers are therefore an important means to expose wrongdoing," stresses the report. "Among companies hit by fraud, 32 percent say that whistleblowers were responsible for its discovery at their company." More striking, such a tip-off played a role in 41 percent of the cases in which senior or middle management was involved in the fraud."

It may appear that these results, along with recent legislation, could make companies more eager to support a strong internal reporting system. However, that does not seem to have been the case in the past year, according to Kroll. "Surprisingly few companies are cultivating whistleblower programs." Just 52 percent of those surveyed reported having

already invested in staff training about fraud and the creation of whistleblower hotlines. Only 43 percent say they intend to increase their investment in this area in the coming year. "This may be short-sighted. With most fraud conducted by insiders, helping employees to recognize and report red flags will have clear benefits for companies."

Companies see themselves as more vulnerable than ever to fraud. Even in the perception of problem areas, there has been a massive increase in 2013 across the board. Information theft is a top concern; companies that describe themselves as 'highly vulnerable' to the issue have jumped from 7 percent in 2012 to 21 percent in 2013. Recent global anti-bribery measures also appear to have left companies on edge: 20 percent of companies polled in 2013 said they are highly vulnerable to bribery and corruption, compared with just 10 percent in 2012.

"The share of respondents perceiving a high threat from individual types of fraud has more than doubled in every case," says Kroll. Previous reports have found that experience with fraud tends to raise feelings of vulnerability, but the sharp growth in perceived vulnerability "far outpaces even that of fraud incidence," according to the report. "This suggests that companies are becoming increasingly sensitized to the threats they face and their (sometimes) inadequate protection."

Globalization – at a Cost

Kroll attributes much of this rise in awareness and discovery of fraud to an increasingly global economy. "Globalization has changed the way business operates. Companies have for some years now been in search of bigger international markets, while at the same time striving to become leaner." What does a company do when it wants to expand at minimal cost? It focuses company resources on areas of 'strategic advantage' while finding ways for others to do the rest through outsourcing or partnerships. In other words, companies are leaning even more heavily on joint partnerships and third parties.

These third parties continue to pose greater risk for companies and create greater concern for employees of companies that rely on such ventures. Thirty percent of Kroll's respondents report that entering new, riskier markets has increased their exposure to fraud in the past year. Outsourcing and offshoring raised fraud risk for 28 percent of those surveyed, and increased collaboration in the form of joint ventures and partnerships, 20 percent. "Overall, 54 percent of respondents report increased exposure owing to at least one of these factors."

> *'Among companies hit by fraud, 32 percent say that whistleblowers were responsible for its discovery at their company.'*

This increased exposure has impacted other areas, according to Kroll. Once again, the actions of third parties continue to constitute a sizable percentage of fraud experienced by multinationals. Of the companies that were hit in the past year and where the perpetrator was known, 30 percent suffered at the hands of vendors or suppliers and 11 percent at those of their joint venture partners. Procurement fraud was the fourth most common type of fraud covered in the survey this year.

Once again, in spite of this growing risk, Kroll found a "surprisingly small proportion of companies" taking effective measures against the risks identified. Only 43 percent of respondents intend to invest in greater due diligence for partners or vendors over the next 12 months, a number Kroll attributes in part to a lack of resources. In fact, 20 percent of respondents reported that a lack of resources or an insufficient budget to support compliance infrastructure has increased their exposure to fraud.

"One of the reasons may be that, in the search to reduce costs—a permanent feature of global competition—fraud prevention can get left to the side," says Kroll. "Companies need to be prepared for the dangers of fraudsters operating in the same global marketplace as they do." ❑

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to which companies even today look to when it comes to responding to a crisis. In 2013, Johnson & Johnson is no longer the same company that responded to that crisis, and it is certainly not the same company that introduced that code of conduct in 1943; however, in the eyes of the public and even other companies, the image lingers.

"Today, J&J persistently ranks among the top five most trustworthy U.S. companies," writes Firestein. "The momentum of trust J&J built over the decades gave the company the reputation stability it needed to weather a

rough period with very little wear and tear."

Investors are more willing to forgive and forget a company that has built a reputation of trust—and acted on it, as in the case of Johnson & Johnson's Tylenol scandal. By contrast, a company like insurance giant AIG is still identified by the public largely as the "company that nearly brought down the system" for its role in causing the mortgage crisis—even though, Firestein argues, AIG has paid off its debts and even "given taxpayers a $22.7 billion profit." By contrast, Johnson & Johnson continues to maintain its good standing despite the scandals.

The longevity of the halo, Firestein argues, is the long-term power of trust.

A Long Journey

Trust has to be genuine, however, especially in this day and age when communication with consumers can be almost instantaneous. Similarly: "You cannot disguise untrustworthy behavior in a collaborative world. The interconnectedness of the world means failures of trust have more profound and far-reaching effects than ever before. Virtually every complex device—from a hand-held phone to an airliner—is assembled from parts converging from an extended supply chain that can contain dozens of distinct links.

In another essay, "In Apple We trust?" Cynthia Figge, COO of CSR database CSRhub, explores the issue of transparency, particularly with regard to Apple Inc.—an organization that, while well-regarded by consumers, came under fire in 2012 for perceived ethical issues following the publication of a *New York Times* article that delved into Apple's supply-chain practices in China (http://www.nytimes.com/2012/01/22/business/apple-america-and-a-squeezed-middle-class.html), in particular its relationship to Chinese glass factory Foxconn City, which has become the center of international labor rights issues following a series of worker suicides and riots.

Since then, Apple, which the *New York Times* singled out as a company known for its secrecy surrounding its products, has taken steps towards building a better reputation for transparency.

"In late January 2013 Apple released its seventh Supplier Responsibility Report. It covers excessive work hours, underage labor, and environmental impacts of the manufacturing process," writes Figge. "Further, the company last year said that 1.3 million workers and managers received Apple designed training about worker's rights, health and safety, and Apple's own Supplier Code of Conduct. Apple claimed 'We're going deeper into the supply chain than any other company we know of, and we're reporting at a level of detail that is unparalleled in our industry.'"

'Apple's chief executive, Tim Cook, published a list of all its main suppliers, brought in an eternal agency to monitor conditions, and made major efforts to improve and communicate its policies.'

Figge views this as a possible sign that companies have begun to recognize CSR as a business driver; however, she goes on to note that the technology giant continues to score low on CSRHub's rankings (which "rates twelve indicators of employee, environment, community, and governance performance, and flags many special issues"). Among the seven technology companies to undergo this ranking, Apple ranked sixth in human rights and supply chain, sixth in diversity and labor rights, fifth in leadership ethics, and fifth in transparency and reporting.

"Clearly Apple is not yet perceived as pulling peers forward in these important measures of corporate responsibility," writes Figge, though she goes on to say that improving one's overall reputation is 'a journey,' citing Nike as an example of a company that has labored to distance itself from a damaged reputation after it was accused of using sweatshops. Nike remains under pressure to improve.

That is where trustworthy leadership comes in, argues Ben Boyd, global chair of Edelman's Corporate Practice.

In the case with Apple, after news reports of Foxconn's working conditions reached the public, the company's commitment to ethical business practices came into question.

"Investigative reports, activist campaigns, and general outcry shed light on alleged health and safety violations, long hours, and low wages at the factories where iPods and iPhones were made."

Apple needed to change on the highest organizational level, Boyd notes, and "The company agreed to do just that. Its chief executive, Tim Cook, published a list of all its main suppliers, brought in an eternal agency to monitor conditions, and made major efforts to improve and communicate its policies."

This, Boyd argues, proved that it was no longer just the power of the product that drove consumer's opinions

on organizations—the public now had a vested interest in how the company came about supplying those products.

The Metric for Trust

Of course, what makes a company 'trustworthy' in the eyes of its employees may be a different case, and may also not be easy to pin down—a fact that Kimmel and Green agree can be a limiting factor.

They define a trust-based relationship as: "A sincere interest in the well-being of one another, whether customer or employee." Finding a definition for the sometimes amorphous concept is important, because business as a whole lacks an overall framework for the definition of trustworthiness.

Kimmel suggests five quantitative markers: financial stability and strength, accounting conservativeness, corporate governance, transparency, and sustainability. Through measuring these five markers—or FACTS, as Kimmel calls them—she suggests that a company can develop solid, quantifiable benchmarking studies on where it stands in the eyes of both its employees and the public.

It's a high standard, Kimmel admits; since TAA-TAW first created the framework and tracked it within companies, no company has managed to score 90 percent on these metrics in the past three years.

There's no clear answer to this concern, something both Kimmel and Green agree upon. While it is "beyond the scope of this essay to lay out a definitive roadmap for implementation of a trust initiative," they nevertheless suggest that these initiatives can be best classified into a series of categories:

> Principles: Adoption of a values-level set of principles by which trust can be applied and delivered in specific situations.
>
> Practices: Training for individuals in practicing and leading with trustworthiness in their behaviors and interactions. Examples are listening practices, feedback, and idea sessions.
>
> Policies and procedures: ways of doing things that translate the principles above into organized group behavior. Examples of this are the structure of meetings, transparency of personnel policies, and how customers and supplier relationships are managed.
>
> Protocols: Consciously defined activities, gestures and vocabulary for top leadership that help them be role models for trustworthy behavior.

They define a trust-based relationship as characteristically: 'A sincere interest in the well-being of one another, whether customer or

One example of an initiative that focuses on the 'principles' category is Federal Express' 'Purple Promise,' a booklet outlining the shipping company's core values and goals that it makes available to all employees.

Still, it's not just about platitudes, argue Kimmel and Green. "Being trustworthy is about doing business differently," they stress, and the key difference is to place trust, truth, and stakeholders before profits—something that they admit is unconventional. "But one of the powerful byproducts of behaving this way is that—paradoxically—profits end up higher, not lower, than if profit maximization had been the goal."

Trust works, they argue, though it requires a shift in —and their 30-plus contributors certainly work to offer up just some of those viewpoints. ❑

E-Whistleblowers. . . *Continued from page 6*

limited to special interest groups— governments in these countries have begun to take up the trend.

In 2010, Kenya's citizens approved a new constitution intended to provide for enhanced public participation in governance and stronger checks and balances. Many of the provisions reflect the recommendations submitted by Transparency International, a non-governmental organization that monitors and publicizes corporate and political corruption, to the constitutional review panel.

However, anti-corruption efforts in the country remain a work in progress. Corruption at the local levels remains rampant—and is still perceived by many as commonplace. In 2012, Kenya ranked 139th out of 176 countries on Transparency International's Global Corruption Perceptions Index. Ninety-seven percent of Kenyans do not bother to report paying bribes, in part, according to Transparency International, because they feel no action will be taken.

Recently, Kenyan President Uhuru Kenyatta launched a website for people to report incidents of corruption

directly to him. Released in October, the website (http://www.president.go.ke/en/category/corruption.php) allows users to upload videos, photos and other documents related to instances of bribery and corruption they may have encountered. They are also encouraged to report corruption to Kenyatta by text message.

In fact, the initiative includes other social media platforms as well. A few hours after the website's launch, Kenyatta's official presidential Twitter account tweeted:

"Corruption reporting has started off quite well with a good number of well-documented incidences being submitted." ❑

To our readers:
After 26 years of publishing Ethikos, current management and editorial staff are leaving. We will be passing the torch to the Society of Corporate Ethics and Compliance, who we are sure will do a fine job running the publication. As our final coda, we reprint this historical account of Ethikos written some years back by our erstwhile book reviewer, Loren Singer. It says something about how we have always viewed our enterprise. Thank you all for your support over the past 26 years.

— Andrew Singer, Editor-in-Chief, and Alexandra Theodore Singer, Managing Editor

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Ethikos: An Historical Perspective

When the first issue of *Ethikos* appeared in 1987, the cost of committing a corporate crime was, on average, $54,000. By 1990, however, the climate was changing. An oil spill that found its way into the Monongahela River cost Ashland Oil $2.5 million, and under a new set of federal sentencing guidelines that became law just a year later, the fines could have amounted to between $30 million and $50 million. In publishing this reportage, *Ethikos* was not trying to tell its readers to establish some kind of defensive system to protect their cash position. The purpose was to demonstrate the value of raising ethical levels throughout the corporate structure—from the executive suite to the mid-management sector and the work floor as well.

In earlier times, *Ethikos* discussed many of the ramifications of a continuing discussion about whether or not proper ethical conduct could improve company profitability. In doing so it set forth the views of Milton Friedman in the "Self-Interest Model of Business Ethics," who argued that the corporate responsibility was simply to return a profit.

It followed up with part of a transcript of a debate between T. Boone Pickens and James Burke of Johnson & Johnson about where the company shareholders ranked in importance. To Pickens: First. To Burke: Last.

There was coverage of the hotline set up by the National Association of Accountants—to offer guidance to its 100,000 members who work within businesses as controllers or budget officers. There queries were and still are familiar: A business owner modernizes his personal residence and orders his accountant to put the cost on the company's books. Another makes a business trip and takes friends along at company expense. A positive sign back then noted that companies were reporting huge write-offs that in earlier times firms had once tried to hide.

There were interviews with prominent executives commenting on their personal experiences with the problems of facilitating payments, the acceptance of gifts and favors and the giving as well. DuPont pegged the limit of both at $25.

In its very first issue, *Ethikos* sought opinions from a number of teachers in graduate schools of business throughout the country. (See Ethical Education of an MBA.) This came in the wake of a $30 million gift from John Shad, a former chairman of the SEC to support a program on ethics at Harvard Business School. Having donated most of the money, he gave his reasons. Among them: "I've been very disturbed recently with the large numbers of graduates of leading business schools who have become convicted felons."

Ethikos makes no claim to prescience. Still, familiarity with the complexities of the past does help to focus on the problems and concerns of the future. *Ethikos* aims to present them with clarity and timeliness.

— Loren A. Singer (1923-2009)