

## Can ethical behavior be taught?

By Stephen M. Paskoff, Esq.

Given the wave of ethical lapses splashed across headlines, it's no wonder that I'm regularly asked to speak to professional groups about whether and how ethics and professionalism can be taught. The recent scandals in the military are a particularly hot topic. I get questions that start out something like this: "Every military person I know is focused on values like honor and ethics. It's part of the culture. If *those* institutions can't get it right...well, it seems like ethics just can't be taught. Can it?"



Stephen M. Paskoff

My response to this question is always the same, no matter who is asking. "Yes, ethics can be taught. The real question is whether you're making sure it is *learned*." I then go on to explain that it's relatively easy to put employees through training on ethics. A threshold consideration is whether the training is accurate and engaging. That's the easy part. But there's even more to consider. It's the organization's responsibility to make sure that the lessons

are reinforced and sustained because that's the only way that true learning can occur. That's where learning often falls short—it's delivered as a once-a-year event rather than an ongoing day-to-day experience.

If you are trying to teach ethics in your organization and want to make sure it is learned and practiced, here are some tips to consider.

### Is the learning engaging?

Many learning initiatives are based on delivering online modules to students who take them at their desks at their convenience. The reality, however, is that many students taking these courses are busy multitasking. They check their email, answer the phone, respond to texts, or surf the web while the programs run in the background. No matter how good the content is, there is very little that can be obtained through this delivery system.

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It's easy to figure out what topics need to be taught, but that doesn't solve the problem of determining what will capture the attention of students. Lecturing a group of adults—or having them sit through check-the-box online training—is often both tedious and wasteful. Most students, no matter what their age, quickly lose interest when flooded with facts, statistics, and lessons that they would just as soon read. Instead, base your training around real-world scenarios and choices that your employees are likely to encounter. Create situations where they get to practice using new words and new behaviors.

### **Identify the most important takeaways.**

I've seen ethics training programs that are incredibly complex, covering the intricacies of sentencing guidelines, ethical standards, rules, policies, and the like. These programs communicate information but don't give direction. At best, they are designed for lawyers not those responsible for day-to-day decisions. Most students can retain only a small amount of what they read or hear and will soon forget broad-based chunks of disparate informational bits.

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Remember that you're training employees not creating ethicists. A limited number of short, clear messages that address specific behaviors and explain how to get help and handle ambiguous situations will stay with people far longer than detailed explorations of the intricacies of obscure regulations. Focus on a few foundational principles that people can apply to most situations—those are the kinds of lessons that are more likely to be remembered and applied.

### **Clearly explain the consequences of improper/unethical conduct.**

Make sure your training shows how unethical behavior affects many people, not just person who is misbehaving. As Leon Panetta wrote while Secretary of Defense, "...any behavior that negatively impacts our ability to perform that mission is unacceptable." This principle must be embedded in training. Senior leaders in particular need to see how what they view as private behavior has a damaging impact on others and mission effectiveness. Otherwise, they may violate standards assuming what they do affects them and no one else.

### **Don't treat the training as a "punishment" or a check-the-box requirement.**

In many organizations, training is rolled out via emails that direct participants to take a required course by a certain date. There is usually no clear connection between such emails (or other directives) from the participant's manager/leader and the actual learning content. Quite often ethics training is announced with negative messages such as: "get this done"; "it's a pain, but we all have to do it"; "if you want that bonus, get through it"; "you've done something wrong and now you have to take this training"; or "don't worry about it, just get it finished."

Obviously, such messaging undermines whatever value is being delivered. Messages about ethics training should convey that this is something that is important to your organization (and why). Completing the training should be seen as a positive move towards becoming a fully engaged employee or leader.

### **Senior leaders must play an active role.**

This is the most important guideline. If your senior leaders do not treat ethics as a requirement of doing business—not just a nice-to-have—neither will your staff. Also, training can't be seen as a staff or lower-level responsibility, or something that can be dismissed as soon as the class ends. Senior leaders must be involved in keeping key messages alive after classes end. That includes actions such as:

- Being the first speaker at every training event to explain the importance of class and its relation to "mission effectiveness."
- Addressing ethical issues regularly in discussions and meetings with their direct reports.

- Modeling important behaviors, talking about them, speaking up when they see problems, and holding themselves and others accountable for rule violations.
- Applying the rules to everyone, at all levels of the organization. Leaders must be prepared to deal with anyone who abuses ethical standards, even if it is one of their own. If leaders fail to follow what they are taught and hold others accountable, the messages they send will be that ethical behavior is not important.

### Is there a plan to sustain learning?

No matter how learning is transmitted, it must be reinforced. In addition to having leaders take an active reinforcing role, you should have a plan to

- 1) Communicate information regularly, not just as a one-time event and
- 2) Have some way of refreshing learning and holding people accountable for key lessons.

Without these elements, it is likely the learning will not stick over an extended period of time.

### Final thoughts

In one of the sessions I recently delivered, a senior executive at a major military contractor said, “Well, it’s

*If leaders fail to follow what they are taught and hold others accountable, the messages they send will be that ethical behavior is not important.*

complicated to do all that stuff, and I’m not sure how we would get it done.” My response to her was, “Your organization has built some of the finest military applications in the history of the world. Are you telling me this type of initiative is more complicated than that?” After a moment, she shook her head and said, “No.”

Ethical principles can be taught, with the right learning method, and sustained by having a strong plan in place. The key question, however, is: How important is this initiative to the leaders who manage the entire scope of the enterprise? They are the ones ultimately responsible for understanding and conveying this message to their teams in a positive light and investing the resources and commitment needed to build ethical workplaces. □

## The seven deadly sins of unethical organizations

By John Cross

A few years back, I attended a presentation by a United States Attorney on the prosecution of business crime. The presenter covered a range of cases she had handled that resulted in criminal convictions of various business executives. All of the conduct discussed was plainly in violation of the law. Yet all of the people were highly-educated and knowledgeable about business—none were even arguably ignorant victims of circumstance. At the end of the presentation, the U.S. Attorney was puzzled. How can this be? How can we continue to move from business scandal to business scandal, when all of the conduct is plainly wrong and the persons committing it are clearly smart and knowledgeable enough to know better?

I suppose that the term “human nature” comes to mind. Crime and other improper conduct have been with us throughout our existence. They are an unfortunate part of the human condition, apparently. True enough. But as to organizational crime and other unethical behavior, my experience told me that there must be more. Yes—humans often act solely in their self interest and too often they ignore rules and regulations and even basic standards of human decency. But organizations have norms—they have rules and regulations, policies and procedures, and most have core values. They have legal, compliance, and risk management staff. Why aren’t these enough to make unethical or illegal organizational behavior rare?

I reflected quickly on the U.S. Attorney's puzzlement. I was pretty sure that I knew the answer to her question. The answer: it's the culture. Many organizations have environments that foster improper behavior. These environments are usually created over many years, often resulting from who leads the organization, what they value, and how they act. Indeed, my experience has shown me that there are several specific organizational qualities that, at minimum, increase the chance of illegal or unethical behavior and may even cause it.

So at the conclusion of the U.S. Attorney's presentation, I decided to speak with her and provide my take—as a manager, lawyer, and compliance professional—on the bases of unethical organization conduct. I said that although I cannot say that these are all of them, based on my business experience, here are the top seven organizational qualities that foster and often lead to unethical or illegal conduct in business—the “seven deadly sins.”

**1) Conceit.** Management's legitimate goal is to coordinate the work of others to achieve the maximum benefit for the organization. Management takes skill, both technical and interpersonal. It's a hard job, worthy of praise when done well. For some, though, it goes far beyond this. Management becomes a calling, entitling the manager to elevated status and power. Taken to its extremes, the manager buys into the role so much that he or she actually thinks that he or she is better, smarter, more worthy, etc., than all others—especially those being supervised. This level of arrogance is harmful and it blinds people to any objective evaluation of their actions. John Dean, of Watergate infamy, spoke of this in a post-Watergate interview. The interviewer asked him how an extremely bright and highly educated attorney like himself could possibly have committed a series of plainly dishonest and unethical acts. The answer: it was the arrogance—after a while, you tell yourself that you can do anything and simply because you decide to do it, in your mind it can't be wrong. Good managers fight—and overcome—this tendency. Too many do not, though, and too often from there they give themselves license to do anything, whether ethical or not.

**2) Cronyism.** Most organizations promote and reward on merit, but not all. Some managers empower and reward based on similarity of outlook and views, membership in similar organizations, friendship or personal loyalty. These managers seek to build, often successfully, a personal power

base of loyal followers through selective rewards and punishments (not based on merit). This collective power base grows in number and becomes a powerful internal organizational constituent. Those who may question decisions of members of this group face opposition from many politically powerful people—not just one. This creates a strong barrier to reporting misconduct and it insulates the group from any effective review by “outsiders.” And those in this crony club become highly insular. They want no outside perspective and they receive none. They have no one to tell them that they're doing wrong. And they wouldn't believe it if told by anyone else anyway.

**3) Cult.** In some cases, the organization becomes more than a place to work. It becomes an entire life itself, with employees becoming blindly loyal to the organization, or more commonly to specific people within it. These people actually behave like cult members. They blindly follow direction of others, regardless of whether the direction is appropriate or not. Questioning is disloyalty that must be punished by expulsion from the group. Cult-like organizations are immune from any self-critical review or improvement. Of course whatever management directs us to do is proper; if it weren't, we wouldn't have been asked to do it!

**4) Dread.** Organizations differ substantially in climate. Some are friendly and inclusive, focused on employee engagement and contribution. Others are oppressive. They use employees as mere instruments, considering them as means only, not ends. These organizations neither solicit employee input nor do they tolerate any dissent, or even a difference in perspective. Those in control of these organizations care about achieving their own goals, and will run over anyone that gets in their way. There is little discussion of right or wrong in these companies. It is not considered relevant. Those who raise issues like this are branded troublemakers who don't stay around very long.

**5) Desperation.** In the 1982 movie *An Officer and a Gentleman*, Drill Sergeant Emil Foley (played by Louis Gossett Jr.) sought to muster officer candidate Zack Mayo



John Cross

(played by Richard Gere) out of the flight officer program by subjecting him to various humiliations, including grueling physical drills in cold, driving, rain. Mayo refused to give up—partly due to personal resolve—but mostly, in the end, because “I got nowhere else to go!” This is similarly true for employees in some organizations. They remain blindly loyal—and are certainly not willing to risk dismissal for speaking out against misconduct—because they are afraid to lose their jobs and believe that there is nothing else available to them. Unfortunately, this is a valid concern for many. Sometimes it is due to an economic downturn that reduces available employee options. Other times it is because the employee lacks skills that are highly marketable to other organizations (the employee’s skills are a “commodity”—although having value, they are possessed by many others in the employment market).

This phenomenon further insulates those engaging in business misconduct from review. No one dares raise their heads to see, or hands to report, misconduct when the risk is too high. Too many “rank-and-file” workers feel this way. Many times management espouses an open workplace, without the fear of retaliation, but its tight control and willingness to exact retribution speaks otherwise. Employees engage in unethical conduct because they receive explicit or implicit instructions to do so and they believe they have no other alternative.

**6) Disregard.** In many cases, *after* the discovery of significant business misconduct, we hear the refrain: “Where were the lawyers?” Where indeed? Usually, they were there. The organization had them in place—*firmly* in place—and made it clear, directly or indirectly, that they either were “team players” or they were not. Team players are there to endorse and ratify the course of conduct set out by those in power in the organization. They are not to make trouble by “inappropriately” identifying risk or, even worse, by publicly stating that a proposed action is in violation of the law. Their job, as defined directly or indirectly by their organizations, is to at most identify some risk, but at the end of the day not serve as a barrier but to approve whatever organizational activity or program presented to them. As Jeffrey Skilling was quoted to have said to Vince Kaminski of Enron’s Risk Management group: “There have been some complaints, Vince, that you’re not helping people to do transactions. Instead, you’re spending all your time

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acting like cops. We don’t need cops, Vince.”<sup>1</sup> It looks like they needed some, though.

**7) Disdain.** Companies have several types of managers. Former CEO Jack Welch breaks this down well in his book, *Jack Straight From the Gut*. Love him, loathe him (or anything in between), Welch was right on the money when he characterized managers as: (1) Type 1—delivers on commitments and shares the organization’s values, (2) Type 2—doesn’t deliver on commitments and doesn’t share the values, (3) Type 3—misses the commitments but shares the values, and (4) Type 4—delivers on all commitments but doesn’t share the organization’s values.<sup>2</sup> As Welch points out, dealing with the first two types is easy. Reward the first and disassociate with the second. Type 3 managers should receive second—maybe third—chances or a change in environment. It is how the organization deals with the Type 4 manager that is the real test. Too often, Welch notes, organizations tolerate these managers—who typically force performance out of people rather than inspiring it and often act as autocrats, tyrants—even bullies. These managers, even though they “make the numbers,” often harm the organization’s culture so much that they end up being “net negatives.” Solid business performance and accompanying financial gains do not make up for destruction of an organization’s culture, especially if it promotes unethical conduct. How can an organization that allows Type 4 managers be an organization with *real* values? These managers, by definition, don’t share and certainly don’t model the organization’s values. And if the organization lacks effective values, it is ready to stray off the ethical path—if it has not already done so.

Okay, where does all this leave us? I don’t know about you, but reading back over this myself, I’m nearly depressed.

This seems to paint a bleak picture of organizations. Can it really be this way?

Well—in many (maybe most) cases it is not. There are excellent managers and sound organizational cultures out there. This list does not mean to imply that these problems are endemic, nor that the existence of one or two of these qualities means that unethical conduct permeates the organization. If I may, I would analogize this list to lists often placed in front of possible substance abusers. These lists set out a number of behaviors and ask the recipients to reflect on whether they display any of the listed qualities or often exhibit any of the listed behaviors. If none, substance abuse is probably not an issue. But if one or more apply, there is a likelihood of substance abuse. If many or all apply, substance abuse is nearly certain to be present.

It is this way with organizations and ethics. If one or two of the “seven deadly sins” appear, but only time-to-time, there is still the possibility that a culture that fosters unethical conduct exists, but it may not. The presence of any of these qualities, however, merits organizational reflec-

tion on whether there is a cultural problem likely to breed unethical conduct. If many of these qualities are present, however, that—itsself—does not mean that unethical conduct will result. But there is a high likelihood that it will.

This list should serve as a tool to promote reflection and one that could form the basis of some good organizational dialogue—formal or informal. Do we see these things in our organization on any consistent basis? When and under what circumstances? Do we ever do anything about it? If so—what? If not—why not? This sort of reflective dialogue could go a long way toward identifying potential ethical problems. This, hopefully, would assist in turning around the organization’s culture before the organization develops an engrained way of being that often leads to a climate ripe for unethical behavior. □

#### Endnotes

- 1 Eichenwald, K. (2005). *Conspiracy of Fools*. NY, NY: Broadway Books. p. 250.
- 2 Welch, J. (2001). *Jack Straight From the Gut*. NY, NY: Warner Business. p. 188.

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## Ethics, bankers, and the Dalai Lama

By Paul P. Jesepe, JD, MPS, MA

It might be one of the most overlooked elements in business ethics today—the link to spirituality. Don't think religion. Consider spirituality in a broader context.

Nor does spirituality have anything to do with beating on a drum, howling at the moon, or dancing naked around a fire. It isn't a new frivolous team-building exercise or the latest management craze.

I'm defining an individual's spirituality as a secular, objective sense of self, which includes fairness and a connection to something larger than self-interest, complementing mind and body wellness. It encompasses integrity, character, and personal reputation. Spirituality can be moments when time seems suspended like holding your newborn child or experiencing the majesty of autumn in the Northeast.

If you think spirituality isn't pricking the conscience of senior professionals to pause and think about their collective contributions in a business culture gone astray, consider the growing use of corporate chaplains in Employee Assistance Programs (EAPs) and the increased interest by senior executives to hear from spiritual leaders at meetings.

Sometimes, ethics and compliance policies can be a hindrance to furthering a healthy business culture, if not crafted and applied in a behavioral context. In addition, organizational ethics are not served when there is an over emphasis on trade, industry, or career distinctions. Ethics shouldn't be rigidly compartmentalized. A greater awareness of personal spirituality has the potential to universalize ethics making complacency and rationalizing bad or amoral behavior less likely.

In 2012, as one example, the Dalai Lama spoke about ethics at the Legatum Institute, a free-market think tank. His audience was a roomful of powerful investment bankers.<sup>1</sup> Based on news reports these high-level professionals hung on his every word. He shared thoughts on greed, happiness, and injecting capitalism with the compassion it increasingly seems to lack. They also lined up to have their photo taken with him.

Extrapolating on some of his reported comments, the Dalai Lama connected corporate, economic, and organizational problems with an individual's spiritual wellness. Individuals, after all, give life to a company and define its values, not papers filed with the secretary of state.

The Dalai Lama addressed individual behavior and personal accountability. He spoke to a sense of self. In theory, you don't need a policy to be fair and do right by customers or those impacted by marketing strategies.



Paul P. Jesepe

According to the Dalai Lama, the financial sector's meltdown "was generated by greed itself—by the failure to exercise appropriate moderation and restraint in the blind quest for ever greater profits."

There is a fundamental question too often overlooked regarding the need for more. What is the source of greed?

People must manage their lives in an unfair, mean world. Hence, material and emotional insecurity fuels greed. More seems subconsciously interchangeable with safety. This speaks to attitude and personal behaviors that can and will shape an ethics and compliance culture.

Why did some of the world's most powerful investment bankers want to hear from a simple monk about ethics? Of course the Dalai Lama has celebrity status, but there's much more to it. It's about wanting a better understanding of self.

With greater perspective about self and separating the social constructs of success, ethics in the workplace and its impact on greater society is brought to a higher level of importance and understanding. Ethics becomes a genuine commitment, not an expectation or requirement of checking boxes for corporate compliance. □

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## Endnotes

- 1 Peter Pomerantsev, "Dalai Lama Teaches Bankers About Ethics," (October 29, 2012), [TheDailyBeast.com](http://TheDailyBeast.com).

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# Commercial corruptions for corporate benefit?

By Andy Cheung

Back in 2008, eight Chinese procurement staff of Carrefour, the French retail giant, were charged by a Beijing court for accepting bribes for placing orders and showing favor to a poultry supplier. During the trial, one of the defendants admitted to accepting these advantages from the supplier, as this was an unspoken rule in the industry. He did not realize it was a violation of law, as he was just one of many others in the industry doing the same thing. His statement demonstrated the insufficient local ethics awareness on the subject of commercial bribery in China.

Calling the bribe an "industry practice" didn't eliminate the culpability of this Carrefour employee, since he had clearly placed his personal interest above his employer's. On the contrary, while conducting numerous potential fraud enquiries in Greater China, I was personally told by local employees that they honestly thought what they were doing was correct and good for the company.

There was also a case involving a subsidiary of a leading US leading pharmaceutical company located in southern China. An anonymous complaint to the management al-

leged that one of the company's sales teams had offered valuable gifts and other cash equivalents to doctors, to secure orders from them. During an interview, one of the salespersons admitted offering gifts, but denied having been involved in any illegal activities. He did this because he did not personally gain from the arrangement other than an insignificant increase in his commission. He, together with his team, aimed to increase the company's competitive edge and open the door to a new market. With this deviated mindset to do good for the company, the employee had no idea that his act put his company at legal, financial, and reputation risks.

Over the past two decades, China has gained significant economic growth, which apparently outruns other developments in the country. Economic achievement appeared to



Andy Cheung

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be the crucial, if not only, measurement of success. Ethics awareness and education are comparatively frail in society. Having worked as lead of the compliance team for a European multi-national corporation based in China, I particularly felt this when I interacted with the locals in the country, including vendors, business partners, and local employees within the company itself.

From a global factory, to one of the largest economies in the world, competition for business opportunities among corporations has become even more vigorous in China. I am inclined to believe that the salesperson admitting to bribery genuinely thought that what he had done was for the company's benefit by defeating other competitors. The salesperson felt that he was justified the whole time during my interview until I pointed out that his act put his company at risk of FCPA penalties in the US, and more importantly, worldwide reputational damage to the organization.

Globalization has been moving at a fast pace and the demand for a level playing field has never been greater in recent years. Aggressive enforcement of the FCPA by the US DOJ and SEC, as well as the enactment of the UK Bribery Act 2010 demand an ethical global business environment. To move towards the avenue of a developed society, the Chinese government has also kept up with their Western counterparts and launched a high profile campaign against official graft and extravagance. Unlike the past where most of the bribery investigations were focused on senior officials, this broad anti-corruption campaign reached out to dozens of businessmen. The GlaxoSmithKline investigation initiated by the Chinese authorities last year is one clear indicator showing the Chinese government's intention to deter com-

mercial bribery in the country. (Note: Doctors working in a government hospital may well fall within the definition of "foreign official" within the FCPA and the UK Bribery Act). Similar investigations into other multi-national corporations are also underway according to media reports.

### **Is your ethics awareness program in China sufficient?**

To address the Chinese norms in the highly competitive business environment compliance experts should ensure their compliance and control framework is tailor specifically to China. Thresholds and policies for travel and entertainment, gift giving, sponsorship, requests for internships, and designated service providers shall be addressed explicitly. Given that supporting documentation for payments are likely in Chinese it may make more sense to include local gatekeeper (such as legal counsel in the region) to the approval process, in addition to the executives

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at headquarters. Along with the tone from the top, it is of utmost importance that the framework is well communicated to the local employees, vendors, and business partners. To show the company's seriousness in combating corruption, ethics training should be included in the onboarding program for new employees, allowing them to recognize the differences between the company's policies and the local culture. Messages and information in relation to the local and international anti-corruption regulations, fraud risk factors based on different functions, and convicted cases in China should also be regularly communicated to employees, reinforcing corporate ethical awareness. □

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# My company has a code of business conduct—now what?

By William Kruse, Esq.

Waking up in a cold sweat with the acute realization that you have committed professional hari-kari is NOT a good way to start the day.

How could this happen to us? After all, we have a Code of Conduct. It was downloaded straight from the Internet. How could anything go wrong?

Perhaps worse than not having a Code of Conduct is having a Code that employees have never heard of, and that top management hasn't bothered to read. Explaining to a prosecutor that your organization shouldn't be charged for the actions of an out-of-control rogue employee will fall on deaf ears if your Code is gathering dust on a shelf in the HR department.



William Kruse

Your company has drafted a Code of Conduct, or potentially downloaded a version from the Internet and modified it to fit your business. Whether it was done due to foresight, in response to an ethical lapse by an employee, or due to a requirement imposed by a new client, your enterprise now has to take the next step. The problem is that most small- and medium-sized businesses don't know what that next step is.

A living, constantly updated and trained-upon Code of Conduct can often make the difference between being the target of an investigation or a compliant witness against just such a rogue employee. In order for that to happen, the actions of the offending employee must be contrary not just to your Code, but to every communication regarding your company's chosen ethics that have hopefully occurred during his or her tenure at your organization.

## Step 1—Tell your employees that you have a Code of Conduct.

This shouldn't come as a surprise. You can't enforce a ban on conflicts of interest if you haven't even let your employees know about the ban, or what types of conflicts are likely to arise. Almost as important as telling them is the manner in which it is conveyed. "Tone at the Top" may be overused as a saying, but it is true. If employees don't see that the Code and all the chosen ethics of a company matter to those with the authority at the top, they won't care.

Take the opportunity of announcing that your company has a new or modified Code of Conduct as a golden one. Take time away from other important daily business activities to make a statement—living up to the company's core values is just as important as mak-

*Take time away from other important daily business activities to make a statement—living up to the company's core values is just as important as making a sale, or processing an order.*

ing a sale, or processing an order. It's more important. One costly ethical lapse can wipe out the profit margins from dozens of sales. Reinforce this by giving the delivery of the new Code prime-time coverage and importance.

**Step 2—Tell your managers that they are held to a higher standard, and make sure they are having discussions with the employees who report to them about your Code and its relationship to their work.**

This should be occurring at every level of your organization, whether it is in informal discussions or more formally at an employee's annual review. Do they know that there is a Code of Conduct? Do they understand what the Code means? Do they understand that there will be swift disciplinary action for violations of the Code? Most importantly, are the managers and line-level supervisors displaying behavior consistent with the Code on a daily basis?

Are they recognizing an employee who self-reports a potential Organizational Conflict of Interest and rewarding this disclosure by making sure the organization takes corrective action? This one action reinforces that the Code matters and that employees who bring forward potential issues are doing the right thing. Ignoring an employee who brings an issue to a manager's attention will have the opposite effect. Train your managers on how to receive reports of misconduct or general questions of ethics and the Code that may arise.

**Step 3—Train your employees on the Code...and make it memorable.**

You can't just tell them once and forget about it. Schedule a few hours a year with your employees and train them on what you expect them to do and what you expect them not to do. Not every employee needs the same training. Take the time to analyze the risks to your employees and your organization and tailor the training.

For instance, your client facing personnel in corruption-heavy markets will need a special emphasis on anti-corruption and anti-bribery issues. These are issues which are particularly relevant in overseas markets. However, your receptionist, who may never be faced with these issues, shouldn't be forced to sit through an extra hour on anti-corruption if the risk analysis shows that it will only

*You can't just tell them once and forget about it. Schedule a few hours a year with your employees and train them on what you expect them to do and what you expect them not to do.*

make him zone out the rest of the training that does apply to his role.

Training everyone on everything may be easy, but is less effective. Save the in-depth trainings for those who are likely to need them. It shows them you know their role, and that you aren't wasting their time on non-relevant trainings. If you have a division that sells to governments, train them on the special rules of selling to governments. The accounting and back-office functions whose roles are aligned with public procurement will also benefit from the training. But you will experience significant diminishing returns by forcing your enterprise client-facing sales team, who have never and will never see a government contract, sit through an hour on "Selling to the Government."

Lastly, make it memorable. By focusing the topics to suit the roles, and by keeping the material fresh and engaging, your employees will remember the topics, and be able to spot issues when they arise. Stale trainings used year after year with 1970s clothing played on a VHS tape will not win your trainers any fans, and won't do anything for your compliance and ethics program. Update the material as issues arise.

**Step 4—Monitor compliance.**

You must come up with some financial and business conduct controls to monitor compliance. This isn't just relevant to your Compliance and Ethics program, but also to your company's general financial wellbeing. Do you have a policy on self-dealing? How are you monitoring for compliance? Do you have a policy against moving hours on time sheets? Run reports on changes in hours and find out why hours are being moved if it shows up in your audit.

Don't be afraid to audit. Pull random invoices and check everything. Are you billing what was quoted? Did you deliver the correct product and use the right labor categories in the work? Did you give the proper discounts, charge the right rates, and deliver on every promise? If not, find out why and make corrections. Once you discover any anomalies, take the time to remedially train employees on what you found and how to perform perfectly going forward.

It's another cliché, but I'll use it anyway—Trust but Verify!

### Step 5—Keep your Code up-to-date.

Don't just look internally when deciding if your Code of Conduct is up-to-date. Read the major papers and business journals. What actions are getting attention from the Department of Justice? If your business lines and business model are facing tighter scrutiny now than in previous years, i.e. Data Leaks and Data Protection, tweak that section of your code and train on it. If you have a section on Anti-Trust, but are in a non-commodity type market with high differentiators, why waste valuable space in your Code and time on your training calendar on the issue? Make changes to your Code regularly. It should reflect your current business risk profile. That makes your Code more readable, digestible, and understandable to your employees. That makes it relevant.

### Step 6—Listen to your employees.

Your employees are your first line of defense against unethical conduct. If they get snarky in a training on a topic, dig down and find out why. They might be experiencing ethical headwinds you didn't know about. Reinforce your company's anti-retaliation policy, and get to the bottom of the issues they are facing. If you haven't hired your employees from the white-collar crime wing of the state penitentiary, they should have an ethical compass already built in. They want to do what is right. Help them. If there is something in the way, such as a difficult client demanding favors or some other issue, find out and help them solve it ethically. Then evaluate your policies and make sure every employee knows you'll stand by them if they take the high road.

While the above six steps aren't exhaustive, they are an excellent start to turning your Code of Conduct into a full-blown ethics and compliance program. Keep your Code up-to-date and relevant. Train your employees on the Code, and demonstrate that your company's chosen ethics are important. Improve your Code as the business landscape changes and business model of your organization changes. And always recognize and reinforce behavior within your organization that reflects your company's core values.

Don't wake up in a cold sweat! You have a Code of Conduct—now go put it to use protecting your company and its employees. □

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# Ethics & compliance excellence in the Middle East: A pioneering model

By Aley Raza

From Dubai to the world, Emirates National Oil Company (ENOC) provides the energy that drives phenomenal growth. Providing oil, gas, refined petroleum products, storage facilities, retail service stations, aviation fuel, lubricants, and terminals, ENOC positions itself as the force “behind every successful journey.”



Aley Raza

In its journey to success, ENOC has continuously emphasised that strong ethical conduct and good corporate governance measures are imperative to operate effectively in today’s fast-changing business environment. To serve this purpose, ENOC has in place a state-of-the-art and comprehensive Code of Business Conduct (COBC) as well as a business ethics and compliance (BE&C) programme that have been gradually strengthened over recent years.

## The Journey

The core values of ENOC—team work, integrity, transparency, respect, and customer focus—have always served as the pillars for the company’s successful growth. These values have been embedded in the COBC (launched in August 2010) reflecting on our commitment to uphold the highest ethical values and being “The Way We Lead.”

The COBC was developed in-house and driven by ENOC’s CEO, and spearheaded by the Internal Audit function in collaboration with corporate departments and business units, and fully supported by the Board of Directors Audit Committee.

Elements of the COBC cover a span of areas including people, integrity, customers, stakeholders, confidential and proprietary information, and trust and compliance. It also provides references to corporate policies and procedures as well as business ethics policies, including the conflict-of-interest code, whistleblowing policy and ethics charter, among others.

## Establishing the Code

The initiative began in May 2009, when a review of the existing code of business conduct policies and procedures was conducted to establish an effective Code of Business Conduct encompassing all areas of ENOC’s business operations, and in line with corporate best practices in areas governing business ethics.

The review included internal debate and analyses with executive leadership, corporate departments, business units, and management, who held workshops and benchmarked the

*The core values of ENOC—team work, integrity, transparency, respect, and customer focus—have always served as the pillars for the company’s successful growth.*

regional and global best practices and codes of conduct. Awareness sessions were then conducted across the organisation to educate on the new programme.

Tools required to support the COBC were also put in place, including an ethics hotline and COBC portal. ENOC has also constituted a new body, the Business Ethics Committee, to sustain a transparent and ethical work environment.

### Launching the Code

ENOC's vice chairman, board members, and the CEO extended their full support to the Code of Business Conduct. They marked the launch of the COBC in August 2010, and subsequently maintain supervisory responsibilities over the COBC activities. All senior members of the ENOC management team participated in the launch event, displaying their commitment to uphold the highest ethical values.

Saeed Khoory, ENOC's CEO, delivered a keynote message to all our stakeholders at the launch. He said:

The Code of Business Conduct enables our workforce to make a distinct imprint in all the societies we work in, and inspires us to become a socially responsible organisation that encourages team-members to positively contribute to the long-term growth of the organisation. In today's fast-changing business environment, transparency and strong corporate governance measures are imperative. The Code of Business Conduct reflects on our commitment to uphold the highest ethical values at the workplace, and thus benefit all our stakeholders.

*All senior members of the ENOC management team participated in the launch event, displaying their commitment to uphold the highest ethical values.*

The event also introduced the COBC booklet to all employees, and the creation of an interactive intranet COBC portal, along with the ethics hotline introduction. ENOC took steps to communicate to all internal and external stakeholders.

A Business Ethics Committee has been established at the heart of the programme to best serve the company's interests in maintaining an ethical business environment committed to high standards of ethics and integrity, corporate responsibility, and legal compliance. The committee is chaired by the CEO, and members include the Chief Ethics and Compliance Officer (CECO), CFO, and heads of the Legal and Human Resources departments.

Subsequent to the launch of the COBC, ENOC reinforced its ethical culture by establishing the Business Ethics & Compliance function (BE&C) in June 2011, providing permanence to the COBC and BE&C programme. This was established under the Internal Audit & Business Ethics department with the director of Internal Audit assuming the additional role of the CECO.

### The major programme activities

The annual business ethics and compliance programme, approved by the Board of Directors Audit Committee, focuses on five main sections:

- **Standards, policies, procedures and systems** includes activities such as reviewing the COBC booklet and BE&C policies, benchmarking the BE&C programme with best practices, developing policies in line with business demand, and developing automated forms and processes.
- **Program administration** includes E&C risk assessment, assessment of the COBC elements, implementation of the E&C programme across all stakeholders, and the BE&C survey.
- **Communications, education and training strategy** includes establishing and implementing a BE&C Awareness Framework including communication strategy, professional certificates, networking, induction, and trainings.

- **Compliance** includes conflict-of-interest disclosures, management of case reporting and investigations, and documentation of BE&C procedures and processes.
- **Internal Monitoring Systems** covers management of the Ethics Hotline, management of the Ethics Enquiry Line, reporting on E&C, and conducting the Business Ethics Committee meetings.

### **Acknowledgements and disclosures**

ENOC COBC acknowledgement is accomplished in a systematic manner on an annual basis. Every new employee receives a copy of the policy and acknowledges that he/she has read, understood and agrees to abide by the COBC.

Further, ENOC has established a conflict-of-interest (COI) disclosure programme in compliance with the COBC and the COI Code. The programme includes continuous improvement, development, and automation of the COI process, implementation of COI disclosure process, awareness sessions, and COI resolution management.

### **Implementation at subsidiaries and joint ventures**

To further ENOC's commitment to its various global stakeholders to uphold the highest ethical standards and create a robust ethical environment, the BE&C function has developed, launched, and implemented BE&C programmes within its subsidiaries and joint ventures through their respective company boards. This journey is ongoing.

### **Awareness framework**

The BE&C awareness framework is developed on an annual basis with routine activities as well as newly introduced initiatives including:

- Continuous awareness campaign focusing on any one element of the COBC through general emails, news clipping, videos, workshops, and quizzes.
- Interactive workshops for internal and external audiences, such as delegates from international universities/institutes, national development programmes, local college/university students, and the induction programme for new joiners.

- Participation in in-house magazine, external publications, and media relationships.
- Networking and collaboration with local/international bodies of ethics and compliance groups through speaker panel forums, seminars, conferences, and memberships.

### **Tools and techniques**

ENOC's ethics hotline provides employees with the means to express their concerns and register any unethical offences observed. The service is managed through an independent reputable organisation specialised in hotline management and reporting, and provides a multi-lingual, 24/7, and confidential means of reporting. All reported cases are actively reviewed, analysed and/or investigated and ultimately reported to the Business Ethics Committee. Subsequent actions are then managed with respective business and/or corporate segments.

### **Code of Business Conduct portal**

A COBC portal (an intranet platform) that provides an interactive and user-friendly communication mechanism has also been established. The portal includes comprehensive details on the BE&C awareness framework, COBC booklet and relevant policies, publications, articles in industry magazines, a picture gallery, frequently asked questions, and COBC forms.

### **Ethics Council**

The Ethics Council concept is in line with BE&C's endeavor to promote the ENOC core values—specifically “teamwork” in this case, whereby the team works together by sharing ownership, responsibilities, and outcomes. This selection is part of business ethics professional recognition, wherein employees who have contributed to the BE&C function are selected as council members. They then become permanent “ethical” ambassadors in their respective roles.

### **Business ethics recognition**

BE&C organises a business ethics recognition ceremony annually to celebrate the previous year's successes and recognise the employees who have actively contributed

to BE&C activities (e.g., Ethics Council members, case investigation teams, etc). In this regard, an Incentive & Reward Policy for Business Ethics has been introduced, setting clear parameters for ethical conduct excellence and its recognition. The ceremony is usually attended by board members and senior executive leadership, reinforcing that ENOC has always committed itself to its core values, and its commitment to the COBC is in fact “The Way We Lead.”

### **The way forward**

Finally, ENOC’s COBC is not just a manual or system that lays out ethical aspirations or values of the company; it is also consistently practiced, adopted as corporate culture, and positively enforced to reflect its tagline—The Way We Lead. Its elements flow from and to the business and reflect how we conduct our day-to-day activities and interact with all our stakeholders.

The COBC and its associated processes and implementation undergo continuous innovation and the vision is now to roll it across all our businesses and stakeholders while creating automated awareness, learning, and compliance programmes.

As always, ENOC looks forward to overcoming the challenges, and supporting Dubai in maintaining its status as a definitive hub of business excellence and growth potential. □

## **ETHIKOS**

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