Getting to a Culture of Integrity: The Role of the CEO, the Board and Risk Strategy

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We all know both from experience and viscerally that the success or failure of an ethics and compliance program — of an overall culture of integrity — begins and ends with our leaders and the tone they set at the top.

While we also talk about mood in the middle and buzz at the bottom, if one had to choose only one of these for importance, tone at the top wins the contest by a long shot.

Why? Without top leaders’ mouthing and executing the right words and deeds everything else falls apart. And this is true not only in business but in politics, academia, non-profits, communities and families.

While each of us is a leader in our own right – if only to ourselves or one or two others – it is the top leaders of our organizations that, at the end of the day, set the tone, provide the parameters, devise the strategies and connect (or not) the incentive structure back to the business plan for the rest of the organization. Period.

So what chances do those who labor in ethics, compliance and risk management have to influence and help develop the proper tone at the top within their organizations? I would suggest a three-pronged analysis of your chances of being successful:

1. What’s Your CEO’s Integrity Culture? What is the style and tone of your CEO? Is he/she an “Irresponsible”, “Superficial”, “Responsible” or “Enlightened” leader? In my GlobalEthicist Column for Ethical Corporation Magazine “Take it From the Top” (http://bit.ly/11x7got), I distinguish four types of leader when it comes to ethics, compliance, corporate responsibility and risk management. An Irresponsible CEO makes it near impossible for an ethics and compliance program to exist or a professional to do their job effectively. Dust off the resume if you’re in this situation. Under any one of the other types, there is more or less work to be done to help develop or perfect your organization’s culture of integrity — so stick with it!

2. What’s Your Board’s Governance Posture? Is your board completely captivated by your CEO because she/he is also the chairman of the board? Or do you have a board that has independent directors, an autonomous audit committee and other effective corporate governance? If the former and it’s combined with an “Irresponsible” CEO, once again: vote with your feet. On the other hand, with a more independent board, there’s room to grow and develop, so keep on track with building an ethical culture under such circumstances.

3. What’s Your Company’s Strategic Risk Approach? How does your C-suite approach strategic risk? Does it go on acquisition sprees without the proper due diligence? Does it engage in third party supply chain relationships without the proper technological and governance framework? The more reckless, the more work you will have to do to help build an ethical culture; the less reckless, the better the chances of building it. All depending heavily, of course, on the tone of your CEO and independence of your board.

The bottom line is this: if you have a great CEO who sets the proper tone, a board with the right balance of independence and oversight and a business that is taking a thoughtful approach to risk management, your job...
In an organization that values integrity, has strong leaders and is taking a thoughtful approach to risk management, your job will be easier from a culture-building standpoint.

Anything short of these criteria – i.e., a CEO who doesn’t quite get it on culture, a board that is unbalanced, under-performing or dominated by a culturally deficient CEO, and a strategic risk posture that is overly aggressive or even reckless – your job as an ethics, compliance, corporate responsibility or risk management professional trying to promote an ethical culture will be a Sisyphean uphill battle.

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