Injecting integrity into corporate DNA: A strategic blueprint (Part One)

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Andrea Bonime-Blanc in Ethics, Integrity, Reputational Risk, Santander, Spain, Transparency International, Warren Buffett

Dr. Andrea Bonime-BlancTransparency International recently published its first analysis **of corporate transparency**, measuring the amount and quality of corporate disclosure by the world's largest 120 enterprises. The results? Not a single U.S. company made the top ten most transparent companies (yet surprisingly one made the bottom ten: Warren Buffet's Berkshire Hathaway). Six of the top ten companies were European, including Spain's Banco Santander, coming in at number five.

In the age of hyper-transparency, companies have little choice but to pay attention to integrity, risk, reputation and responsibility. Indeed, companies have a responsibility to their stakeholders to think about business strategy not only within the strict confines of numbers but also in a more holistic way considering how they do business and how to integrate integrity into business strategy.

Because companies are under the constant 360-degree glare of a multitude of stakeholders and others on a 24/7 basis, they need to think beyond shareholders to include all relevant stakeholders, even those they don't think are completely relevant. There is no escape from today's multi-social media microscope.

But there is a solution: building a culture of sustainable integrity and resilience into corporate DNA will allow a company to withstand the risks and accusations (false or otherwise) that will inevitably come. Better yet, organizational integrity and resilience can provide more: properly deployed, they can create real value and a competitive advantage.

We live in a time when personal and corporate reputations built over decades aren't lost in five minutes but in five nanoseconds. There are countless examples, replicated daily, of people (from industry titans to entertainers) and institutions (from banks to political parties) struggling with the adverse impact of reputational hits. And these hits are not just coming from traditional media -- they are being tweeted, retweeted, instagrammed, You Tubed and Pinned, at a frenetic and unstoppable pace.

While companies cannot stop this phenomenon, they can do something to soften the blow and maybe even transform the impact into something positive.

The following is a high level, strategic blueprint of key measures leaders should take to inject a culture of integrity into the lifeblood, i.e., the DNA, of the organization.

Building a Culture of Corporate Integrity:
A Leader's Strategic Blueprint

1. "Walk and Talk" and Set the Right Tone from the Top
2. Know Your Strategic Risks and Opportunities
3. Understand Stakeholder Expectations and Reputation Risk
4. Deploy Savvy Crisis Management
5. Visibly Support and Fund Key Internal Programs
6. Enforce Holistic Performance Management
7. Champion a "Safe to Speak Up" and Learning Environment
8. Uphold Organizational Justice

It all begins and ends at the top: if the CEO and the board don't get it, or don't want to get it, building integrity into corporate culture will not happen.

In my book, **The Reputation Risk Handbook**, I developed a typology of integrity leadership from the least interested in integrity and sustainability to the most transformational. Companies with leaders that do not place a priority on, or are outright hostile to, doing business with integrity -- the "Superficial" and "Irresponsible" leaders, respectively -- will not build a culture of integrity or long-term resilience. They also will not be able to withstand the fury of a major scandal (Enron).

However, companies with "Responsible" or "Enlightened" leaders have a good to excellent chance of achieving a sustainable and profitable culture of integrity. The Enlightened Leader not only walks and talks integrity (like the Responsible Leader), he/she goes further and finds ways to embed integrity and sustainability into company culture, products and services. The CEOs of Unilever and Starbucks come to mind. Companies like these will have a much better shot at handling and surviving a scandal or serious challenge effectively.

Key to a successful corporate culture of integrity is knowing your strategic risks (including ethical and governance risks), preparing for them, mitigating them and maybe even converting them into opportunities for added value.

Companies that are risk-savvy are also opportunity-savvy. Only by knowing what issues can hurt you will you know how best to minimize or even eliminate the damage. By doing this you will also find the embedded opportunities that always exist within risk and danger. I profile two such cases, involving Siemens and Fonterra, in the final chapter of *The Reputation Risk Handbook*.

Reputation risk is a strategic risk that cuts across numerous other key risks, strategic and otherwise. It is "an amplifier risk that layers on or attaches to other risks -- especially ESG (environmental, social and governance) risks -- adding negative or positive implications to the materiality, duration or expansion of the other risks on the affected organization, person, product or service."

Companies that understand this about reputation risk (that it isn't just a matter of public relations and brand management) will also understand that if they do not know what their risks are, they will suffer additional (and amplified) reputation risk.

Reputation risk in turn has a relationship to stakeholder expectations and corporate value. A well-prepared company knows its risks, knows its stakeholders' expectations, knows how to gauge its risks against stakeholder expectations and knows that not meeting stakeholder expectations can affect shareholder value and other metrics both negatively and positively.

In the concluding Part Two of this post, I'll discuss in greater detail the elements of a leader's strategic blueprint for corporate integrity.

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