

## Injecting integrity into corporate DNA: A strategic blueprint (Part Two, concl.)

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Andrea Bonime-Blanc in Ethics, Reputational Risk



Companies that have robust risk, reputation and stakeholder relations usually also have effective crisis management programs in place for those inevitable times when things go wrong.

In **the first post** in this series, I talked about how reputational risk cuts across many corporate objectives. I'll look now at how to prepare for a crisis that can cause reputational damage, and how to manage that crisis when it happens.

In today's rapidly changing and somewhat chaotic world, companies need to have a well developed, tested and periodically updated crisis management team and plan. By doing so they will mitigate the risks involved in a crisis as well as the associated reputational risks.

Creating the right internal programs that are both necessary and desirable to address the company's risks and opportunities is essential. This would include having the right type of corporate responsibility, sustainability or quality program appropriate to the sector, for example.

Critically, this would also include having an effective ethics and compliance (or integrity) program comprised of these key elements:

- Evaluation and coordination of ethics and compliance risks
- Code of conduct and policy framework
- Ethics and compliance office, budget and resources
- Access and reporting to the board and the C-suite
- Training and communications
- Alignment with internal controls system

- Helplines, hotlines and problem resolution mechanisms
- Coherent and consistent discipline and investigations
- Auditing, monitoring and evaluations

There must be a performance incentive management system in place where the board holds the CEO and the c-suite accountable for not only financial results but for how those results are achieved. If the board gets this balance right, the rest of the organization will also be properly incentivized through a lock step or trickle down effect.

The reverse is true as well. Thoughtless, disconnected or overly aggressive performance incentives will lead leaders and the rest of the organization into the danger zone of a poor, corner-cutting or toxic culture with the almost inevitable, attendant unethical or illegal consequences.

An organization where employees and others feel free to speak openly about their issues and problems, including ethical or compliance concerns, is an organization that has a healthy, preventative and proactive “safe to speak up” culture. In such a culture, issues are discussed and resolved, problems are spotted and addressed early on, and large scandals and eruptions rarely occur.

A culture like this is also a learning culture where people, teams and divisions learn from their or others’ experiences, challenges and mistakes and become more capable and resilient in the process. The key component here is that leaders must visibly and consistently champion such an environment.

When things go wrong, as they inevitably do, having an internal system of organizational justice upheld and supported by leadership is essential. This is a system of objective and fair internal investigations, discipline and treatment of all employees, no matter their level, role or seniority.

There is nothing that will kill a culture faster than the perceived mistreatment or inconsistent treatment of employees or the mere slap on the wrist of a super-star who would otherwise warrant greater discipline or even termination. To paraphrase an often-used adage: culture trumps compliance every time.

The business case for building a culture of corporate integrity into corporate DNA can be made in the negative by highlighting all the bad consequences of a scandal or in a more constructive way by accentuating the benefits and value creation that come with a strong culture. I choose to accentuate these positive qualities:

- Attracting and retaining quality employees and overall morale and productivity
- Attracting and retaining quality investors
- Attracting and retaining quality third parties: partners, suppliers, vendors
- Attracting and retaining new business
- Increasing consumer/client loyalty
- Maintaining and enhancing brand and reputation of company
- Maintaining and enhancing personal reputations – of employees, executives and board
- Time and resources focused on business priorities and innovation
- Good/smooth relations with regulators and government agencies

- Good/smooth relations with the media and social media
- Positive bottom line impact: stock value, revenues, profits

What's the bottom line for building integrity into corporate DNA? Leadership. Leadership. Leadership. The CEO sets the tone, the board sets the incentives and demands accountability and employees take ownership. While all of this is a lot harder than what a quick article and blueprint would denote, the good news is that when a CEO wants to create a resilient organization with a strong speak-up, problem-solving, high-integrity culture, the rest of it is really quite easy by comparison.

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