

Rethinking Compliance's Role in Culture

Brian K. Lee, Managing Vice President
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What We Know About Culture

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Overview of Our Cultural Assessment

Over the past decade, RiskClarity has collected cultural data from:

- More than 2.1 million employees from over 220 companies
- More than 115 different countries
- 20 industries
- 20 different corporate functions
- All employee position levels

RiskClarity Analyzes the Strength of Key Attributes That Impact a Culture of Integrity

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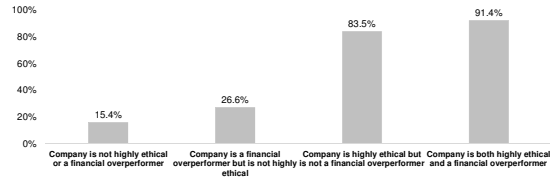
graph TD
    II[Integrity Index  
A proxy for ethical climate] --- CSU[Comfort Speaking Up]
    II --- OJ[Organizational Justice]
    II --- TTT[Tone at the Top]
    II --- TIC[Trust in Colleagues]
    CSU --- DML[Direct Manager Leadership]
    OJ --- CE[Clarity of Expectations]
    TIC --- OC[Openness of Communication]
  
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Culture Contributes to Employee Satisfaction

"I would recommend my company as a great place to work"

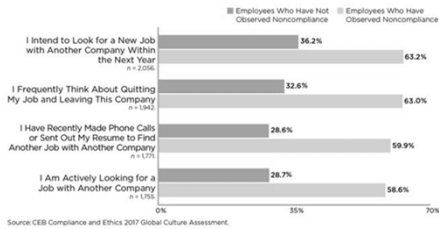


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Noncompliance Decreases Intent to Stay

Effects of Employees Observing Noncompliance
Percentage of Respondents Who Agree



Source: CEB Compliance and Ethics 2017 Global Culture Assessment.

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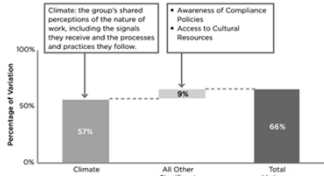
How Climate Affects Culture

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Climate Explains Cultural Variation

Impact of Drivers Tested on Employee Perceptions of Culture
 Demonstrated by the Percentage of Variation in Culture They Explain*



Climate: the group's shared perceptions of the nature of work, including the signals they receive and the processes and practices they follow.

Awareness of Compliance Policies
 Access to Cultural Resources

Variables without a significant impact on culture include: Awareness of Company Values, Belief in Company's Values, Emotional Commitment to Culture, Self Interest in Culture, Cultural Training, Perceptions of Cultural Risk, Prior Cultural Experiences, Burden of Exhibiting Positive Behaviors, Compliance Recognition of Positive Behaviors, Burden of Compliance Processes, Compliance Provided Cultural Examples.

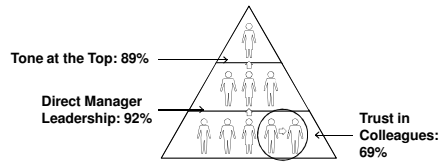
n = 5,025
 Source: CSR Compliance and Ethics 2017 Global Culture Assessment
 *Adjusted R² = 0.06

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The Increasing Role of Peers

Perceptions of Integrity at Different Levels of the Organization for Employees Who Work in Strong Climates
 Percentage of Respondents with Favorable Perceptions



n = 5,025
 Source: CSR Compliance and Ethics 2017 Global Culture Assessment

Climate's Impact on Culture
 When employees work in strong climates, cultural perceptions are amplified by the signals employees receive and the behaviors they see around them, with 88% of employees in strong climates having strong perceptions of their company's culture of integrity.

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Understanding Climate

- A Weak Climate Is:**
- ☒ Employees just avoiding misconduct
 - ☒ Positive behaviors occurring, but not visible
 - ☒ Messages focusing solely on the consequences of bad behavior

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Understanding Climate

A Weak Climate Is:

- ✘ Employees just avoiding misconduct
- ✘ Positive behaviors occurring, but not visible
- ✘ Messages focusing solely on the consequences of bad behavior

A Strong Climate Is:

- ✔ Employees helping each other avoid misconduct
- ✔ Explicitly and visibly rewarding positive behaviors
- ✔ Messages focusing on how employees can exhibit positive behaviors in their work

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Most Employees Work in Weak Climates

Employee Perceptions of Climate Overall
Percentage of Respondents

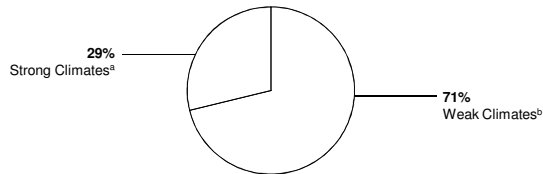


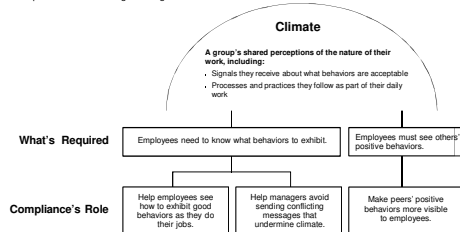
FIG. 5.1005
Source: GSC Compliance and Ethics 2017 Global Culture Assessment.
^a Employees in "Strong Climate" are employees that on average agree or strongly agree with the statements in the Climate table.
^b Employees in "Weak Climate" are employees that on average disagree or are neutral to the statements in the Climate table.

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How to Build Strong Climates

Two Requirements to Building a Strong Climate



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Making Expectations Relevant-to-Role

Example of "How Goals" for Medtronic's Employee Financial Objectives
Illustrative

	Business Objectives ("What Goals")	"How Goal"	
Individual Contributor	Log all journal transactions in the new Financial IT system by the systemcutover date.	Provide updates on project progress at department bi-weekly staff meetings and foster discussion, encouraging candid feedback from others on implementation efforts and issues. • Measured by feedback from peers	Normalize compliance and ethics expectations on teams by defining "How Goals" that require visible actions from employees.
People and Program Leader	Implement alternative payment models for region to increase X% in Q2.	Champion a team to partner with Regulatory and Legal to inventory applicable laws and regulations governing the payment model by Q2. • Measured by quality of interactions and inclusion in team meetings with Regulatory and Legal partners	
Now President and Above	Achieve 100% of annual sales targets and turnover.	Bi-monthly, communicate with team about the importance of ethical decision making and raising concerns. • Measured by team feedback, communications and presentations, and employee feedback about willingness to raise concerns (as reported in the cultural survey).	

Source: Medtronic, P.L.C. CSR website.

Ensure business objectives are met in a way that supports company values of ethics and integrity by linking "How Goals" to business objectives.

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Key Takeaways

- 1 Despite additional efforts by compliance and ethics executives, there has been little improvement in the average employee's perceptions of their company's culture of integrity over the past 9 years.
- 2 A strong culture of integrity can significantly improve employee performance and employee engagement, while reducing the likelihood an employee will observe misconduct.
- 3 The biggest determinant of an employee's perception of culture is their perceptions of the climate they work in. An employee's perceptions of their climate has an impact on their culture of integrity that is 7 times greater than the next most important driver.
- 4 More than 70% of employees report working in weak climates where their managers, teams, and colleagues send weak signals about the importance of compliance and ethics.
- 5 Compliance and Ethics can work to create strong climates by:
 - Helping employees exhibit good behaviors in their work,
 - Ensuring managers send consistent messages, and
 - Making colleagues' positive behaviors more visible.

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