Case Scenario for
Building an Ethics Culture & Compliance Program
Through A Corporate Mentor-Protégé Program
By Lynn Wise

Instructions for Case Scenario:

1. You will be representing the Chief Compliance Officer (CCO) and the Compliance, Ethics & Audit (CE&A) leadership team for Golden & Steelet (G&S) Corporation. Designate someone at your table as the CCO who will be the spokesperson for your group.

2. There are two periods for group discussion. The first group discussion, Part Four, will go for 15 minutes. The second group discussion, Part Six, will go for 20 minutes. As time permits, each table may have the opportunity to present their ideas in two minutes or less.

3. Review Parts One to Three. Discuss with your cohorts what will be the points of persuasion for the meeting with the G&S CEO as described in Part Four.

4. Review Parts Five and Six. Ask any question of the QnLeitz Leadership team for a period of 5 minutes. Discuss and develop a framework to address how to build an Ethics Culture and Compliance Program for QnLeitz, the protégé company.

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Part One - Profiles of the Companies

Categories	**Golden & Steelet Corporation (“G&S”)** *Mentor Company*	**QnLeitz AMPT Company (“QnL”)** *Protégé Company*
Established and Incorporated in State X	1954	2007
Board of Directors	Installed in 1964	Installed in 2017
Status of Company	Publicly Traded Company since 1984	Privately Held
Industry	Global Manufacturing & Technology	Additive & Thermal Manufacturing
Description of Company Output	Builds scalable manufacturing tools (e.g. robotic arms); Develops cybersecure firmware, midware & software for manufacturing processes for various industries	Builds subcomponents and components from polymer, aluminum and titanium material for automotive and defense industries
Brand & Reputation	Solid Brand & Corporate Reputation; recognized within the industry for manufacturing innovation	Emerging Brand & Company Reputation
Workforce	20,000 employees, steady workforce with normal attrition; demographics changes may reshape retention ratio in the next five years	700 employees with expected growth to 3,000 employees in the next three years; very attractive for recruiting but attrition affected by changes in demographics
Leadership	Stable leadership: Chief Executive Officer (CEO) grandchild of founder; Chief Operating Officer (COO); Chief Financial Officer (CFO); Chief Technical Officer (CTO); General Counsel (GC); Chief Compliance Officer (CCO); Managing Directors for international subsidiaries; various Vice Presidents (VPs), and Directors	Leadership: Chief Executive Officer (CEO), co-founder; Chief Financial Officer (CFO), co-founder; CTO/Chief Engineer, co-founder; General Counsel (GC); three Directors, and forecast for two more senior leadership positions
Departments	Finance; Law; Compliance, Ethics & Audit; Technology and R&D and Large Operations includes Human Resources (HR), Marketing & Sales, Manufacturing & Engineering, Security, Quality	Finance; Technology includes Engineering, Manufacturing & R&D; Sales & Marketing and Law (new); Small Operations includes HR, Security and Quality

Part One - Profiles of the Companies (continued)

Categories	**Golden & Steelet Corporation ("G&S")** *Mentor Company*	**QnLeitz AMPT Company ("QnL")** *Protégé Company*
Location	Central headquarters in State X with facilities on West Coast, East Coast and Midwest of the United States and subsidiaries in Japan and Germany	Headquarters and facility in State X with view towards expansion of facilities in Midwest and East Coast of the United States
Revenue	US $12 Billion	US $15 Million
Growth	Steady Growth in Sales & Revenue through consistent large annual sales orders	Rapid Growth in Sales & Revenue forecasted for 2019 due to two large sales awards in 2018
Research & Development Activity	Large R&D budget with ongoing internal R&D projects and R&D initiative with non-profit organizations including universities	Small R&D budget; focus on internal R&D projects; no co-partnerships on R&D initiatives
View on Intellectual Property and Proprietary Information	Tight control through non-disclosure Agreements; licensing of patents, trademarks and copyrighted material	Very protective

Part Two – The G&S Chief Compliance Officer & the G&S Ethics Program

The G&S Chief Compliance Officer (CCO) has been with G&S for six years. As the first CCO for G&S, the CCO ensured that she was a member of the Executive Leadership team and had a direct communications line to the Audit Committee of the Board of Directors. Her major single accomplishments, with the support of the Board and CEO, were the quarterly meetings with the CEO and subsequent meetings with the Board Audit Committee and the creation of three independent teams: one team of ethics officers ("EOs"), one team of auditors and one investigations team, all of which were led by directors. The three teams also included personnel working in Japan and Germany. Her leadership team called the Compliance, Ethics & Audit ("CE&A") team included one Deputy CCO, her directors and functional support from HR and Law.

In the ensuring years, the CE&A team was able to assist in the restructuring of corporate policies and procedures and ethics training for consistency; updated the company Business Ethics Code based on the company values and mission and posted it on both the company internet and intranet sites; worked with the Procurement Department to incorporate a business ethics clause in the company standard contract boilerplate; created and maintained a hotline/inquiry system for reporting allegations of ethics violations and for submitting questions on ethics and compliance matters; submitted ethics content to HR for onboarding and personnel attrition programs and for semi-annual employee surveys; hosted quarterly meetings with leaders of other departments, e.g. HR, Law, etc., for review of ethic and compliance issues and trends; established a communications system with the Law Department on the conduct of independent internal investigations and coordination with regulatory agencies in the U.S., Japan and Germany on an as needed basis. Additionally, with the support of the CEO, the G&S CCO formed a cross-functional oversight cohort group, which meets quarterly, to gauge the organizational culture and develop initiatives for enhancing a positive culture.

From the G&S CCO perspective, the company had hot spots where continued focus on ethics and compliance were needed and had one-off events that required immediate attention and reinforcement. Otherwise, the company was doing well and was meeting the industry metrics for training and the reporting and resolving issues involving ethics and compliance. From the G&S CCO point of view, every day is an opportunity for achieving ethical excellence. She encouraged her team to involve themselves with the departments that were addressing new and emerging areas (e.g. cybersecurity) that impact their departments and the industry and to bring the tenet of ethics into the discussions and ultimately, into any new or refined policy, procedure and/or process.

The G&S CCO and her team remained current with the trends in ethics and compliance through reading online publications, internal discussions, participation in webinars and attendance at annual conferences like those hosted by SCCE.

Part Three – Leadership Announcement of G&S Participation in the Pilot Corporate Mentor-Protégé Program

The CEO scheduled an executive leadership meeting to discuss a new topic. At the meeting, the CEO announced that G&S, was one of five companies from different industries in State X, selected to participate in the State X expanded Corporate Mentor-Protégé program. The CEO explained that the Office of the Governor and the Commerce & Industry ("C&I") Department, met with five large companies and five small companies to discuss the expanded program. According to the data presented by the C&I Department head, the current Mentor-Protégé Program for the Construction industry had been successful. The C&I Department proposed expanding the Mentor-Protégé program to other industries. With the support of the Government and the authority granted by the State X Legislature, the C&I Department initiated the initial pilot program. The program would be for three years and would require the C&I Department to issue annual reports on its status to the Legislature. The C&I Department head stated the expectations from both the State Executive and Legislative Branches were for the pilot program to increase job growth, which in turn, will help stimulate the state economy. Additionally, the pilot program required the matching of mentors and protégés from the same industries but with adjacencies.

The CEO shared that the views of the Office of the Governor and the C&I Department about how the Manufacturing sector was undergoing an evolution through innovative changes in tooling, processing and use of raw material. The collective perspective was that the Manufacturing sector continues to be very important to the industrial base of the state and is inspiring people to enter the field as a career. The CEO stated that G&S was selected to be a mentor based on its reputation for being a thought leader in the Manufacturing industry. The CEO explained that C&I identified a protégé for G&S that had emerging reputation for its products and innovative thinking and asked the two companies to decide on whether they would enter a mentor-protégé partnership. QnLeitz AMPT Company, known as "QnL," the intended protégé, agreed to the match but was very clear that its mentor must protect its intellectual property and proprietary information.

At this point in the meeting, the CFO asked the CEO, “By all standards, G&S is successful and is doing well in its sector of the industry, how will mentoring QnL be a benefit to G&S?” This same question crossed the CCO’s mind.

The CEO answered by stating that the C&I will work with the State Revenue Department to provide tax credits and financial incentives to the companies participating in the program. The CEO paused and then added, “We in G&S have been looking for the right opportunity to give back to the community in a meaningful way. Our company has been the financial sponsor to international organizations like the Red Cross and to local non-profits in U.S., Japan and Germany. We have encouraged our employees to serve as volunteers for their own local charities. What we have done is incredibly noble; yet there are other ways to give back to the community. As a company, we can still pool and focus a portion of our resources to develop a small business with a similar vision and mission to our own. We have always been an innovative company and have learned deep lessons from both our failures and successes, particularly our failures.”

The CCO liked how the CEO balanced his answer by addressing the potential financial benefits to G&S with reminding the team of the G&S aspirational cause. As she was reflecting on this point, the CTO asked “Has this proposal been run by our Board of Directors?” The CCO thought the question was appropriate since the project would involve the reallocation or the stretching of existing resources. The CEO responded by telling the leadership team that the CEO and COO did hold a videoconference with the entire Board right after the meeting with the Governor’s Office and C&I Department and presented the proposal to the Board. The Board had several questions that required the CEO and COO to research and present the responses before the Board was satisfied. The CFO smiled and stated “So, now we understand the reason behind the several requests for various data that all of us rushed to provide responses within 48 hours last week.” The CEO smiled back and nodded, “The Board did give its consent and required that we provide a separate report at our quarterly meetings on the progress of this pilot project.”

The CEO spent another two hours presenting the business case and answering questions. The CEO also presented a chart proposing up to 25% of the R&D money would be used to fund the mentoring project and identified the following departments that would be involved in the project: Finance, portions of Operations which HR, Procurement, Sales & Marketing, Manufacturing & Engineering, Quality and Law on an as needed basis. The CCO noted that her organization was not listed and voiced her concern with the CEO. The CEO response surprised her: “We do not want to overwhelm our protégé by bringing too many things into the mix all at once.” After noticing the change in the CCO’s expression, he added quickly, “I will be meeting with the QnL CEO four days from now to discuss a proposed mentor-protégé plan, the general terms for a mentor-protégé agreement and the overall concern over the protection of Intellectual Property and Proprietary Information for both of our companies. Why don't you schedule a one-hour meeting with me, the COO, CFO and GC within the next 48 hours? I would like you to share with us your perspective on how your team will fit into the project?" The CCO agreed and thought that she needed to bring her leadership team together for an emergency meeting by tomorrow morning.

Before closing the meeting, the CEO said "We have spent several hours discussing this proposal, its potential benefits and its potential consequences. Although the Board approved the proposal, they want to know whether this leadership team agrees to commit the resources and the time to make this project work. I stated that I will present it to you as a vote with the majority ruling. As with our previous round of votes, you can decide to vote either way or abstain. The vote count will not include any abstentions. By show of hands, who is in favor of proceeding with this project?" He paused while his administrative assistant counted the raised hands. "How many oppose proceeding with this project?" Again, the CEO paused for the count and for conferring on the final tally. "Excluding the abstentions, the majority favored proceeding with the project from a 2:1 ratio. Unless anyone has anything further to raise or discuss, we can conclude the meeting." No one did, the CEO closed out the meeting by stating that if any of his leadership team had any additional thoughts or ideas before his meeting with the QnL CEO, he or she was welcome to provide input within the next 48 hours. The CCO knew her task was to persuade the CEO that her team would be a necessary contributor in this new mentoring project.

Part Four – First Group Discussion

Instruction: The CE&A leadership team is meeting to develop the talking points to convince the CEO that the CE&A should be part of the mentoring team.

1. To influence the CEO's decision, what would be the talking points and underlying rationale that the CCO would present to the CEO and other individuals at the meeting?
2. Who would you want as your allies in this meeting and why?

Be ready to present your ideas to the larger group in two minutes or less.

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Part Five – G&S CEO Decision & Meeting with QnL Leadership Team Ethics & Compliance Discussion

At the meeting with the CEO, CFO, and GC, the CCO was successful in persuading the CEO to include CE&A as part of the mentoring team.

Subsequently, she scheduled a separate in-person meeting with QnL CEO and members of the QnL leadership team.

A week after the meeting of the two CEOs, the CCO and her Deputy met with the QnL CEO, CFO, GC and the HR Director to discuss whether QnL had an ethics and compliance program and how it was working. They learned the following about QnL:

- No formal program existed
    - No Ethics & Compliance Officer
    - HR director and two employees addressed any personnel issues; any proposed personnel action was reviewed by the GC before going to the CEO and CFO for a final decision
    - No internal investigation process
    - No ethics training
    - No employee feedback system
- Company values: "Be Respectful, Be Transparent and Be Honest"
    - The QnL CEO explained that the stated values reflected the ethics of the company and did not see the need to create a separate ethics code for employees
    - General belief that employees lived by the values which for the QnL leadership team considered as "living the culture."
- No formalized policies and procedures
    - As specific circumstances arose, the leadership team would "huddle," come up with a rapid response and move on
    - No documentation was created from those "huddle" sessions
- Business Operations was split between the CEO and CFO
    - HR fell under the responsibility of the CEO and Purchasing fell under the responsibility of the CFO
    - The QnL purchasing form used for purchasing material and services from suppliers or vendors did not address any expectation of ethical conduct and compliance
    - QnL found itself signing up to complying with customer's ethic codes or standards of business conduct but did not flow down the same requirements to its vendors or suppliers
- CTO and a small team developed advanced data analytics tools to assist in iterating on additive and thermal manufacturing techniques and processes.

- Engineering demanded precision with designs and Manufacturing calibrated the machines within a very small margin of error to retain accuracy in producing the components
    - Both shared a proprietary database to retain data and thematics created from data analysis
    - Both required testing of both designs and products but would ease up on testing requirements if there was customer pressure to deliver components by specific deadlines
- GC, a specialist in employment and labor law, was catching up on other laws and regulations
    - Barely knew about the Department of Justice Sentencing Guidelines
    - Tasked his deputy to become familiar with the Federal Acquisition Regulation and the Defense Federal Acquisition Regulations after the company received a large contract from a defense company and needed to understand the "flowdown" clauses, particularly the clauses on code of business conduct, cybersecurity and suspect counterfeit material and parts
- CEO was adjusting to the mandatory reporting into a board of directors, created at the insistence of a private equity firm, a large investor
- QnL expected growth in the company during a short interval:
    - Based on two new contracts with a Defense company and with an Automotive company, each valued at US $25 million in sales
    - Projected Sales of expected business in 2019 over $50 million
    - Set to begin hiring spree to accommodate new work
    - Plans to open offices in Midwest and East Coast to be closer to customers
- CEO and team were open to recommendations but were concerned about the cost of starting something new and its effect or impact on the ability of the company to remain nimble
- CEO and team were open to answering any questions before closing meeting

Part Six – Group Discussion

Instruction: From the information given at the meeting with QnL

1. What are your concerns or issues, if any?
2. What would you propose as an initial framework for building an Ethics Culture and Compliance Program that address those concerns or issues?
3. If your framework is accepted, what are your recommendations for starting and continuing the integration of the framework into the culture of QnL?
4. Bonus: What would be your best estimate on how long it would take to build an ethics culture and compliance program within QnL?

Be ready to present a summary to the larger group in two minutes or less.

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