Culture Change Takes Time and Patience

Practical Insights on the use of Ethics Ambassadors to Catalyse and Support Change (and a few other things...)

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Culture assessment and change management questions you should be asking yourself...

- Do we have the right values to support an effective ethical culture?
- How do we manage it if we can’t measure it?
- How can we bring about culture change?
- How can we prove that our culture is changing?
What is Culture?

“The way things are done around here”

The culture of an organisation is a reflection of the values, beliefs and behaviours of the leaders of the group and the legacy of past leaders.

Why is culture so important?
### Briefly, what are Beliefs and Behaviours?

| Beliefs are assumptions we hold true (whether they are or not) | Mostly formed from our early life experience. |
| Behaviours are visible manifestations – the way we act | You begin to see the importance of leaders setting the right example. |

### What are Values?

“*The energy behind our aspirations and intentions*”

A shorthand way of describing our individual and collective motivations and what is important to us.

Values can be positive or potentially limiting (dysfunction)
- High cultural entropy $\Rightarrow$ low employee engagement
- $\Rightarrow$ high culture risk!!!

To change culture, change values
### Aligned Organization - Sterling Bank (979)

<table>
<thead>
<tr>
<th>Level</th>
<th>Personal Values (PV)</th>
<th>Current Culture Values (CC)</th>
<th>Desired Culture Values (DC)</th>
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**Matches**

- **PV - CC**
  - honesty: 62% S
  - teamwork: 48% I
  - customer service: 50% O
  - community involvement: 48% R

- **CC - DC**
  - vision: 32% I
  - organisational growth: 515% O

- **PV - DC**
  - being the best: 288% O

**Cultural Entropy:**

- Current Culture: 39%
- Desired Culture: 35%

### Example Organization Business Unit 1 (95)

<table>
<thead>
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<th>Level</th>
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**Matches**

- **PV - CC**
  - honesty: 54% I
  - accountability: 50% R
  - openness: 26% O

- **CC - DC**
  - fairness: 24% O
  - trust: 27% R

**Cultural Entropy:**

- Current Culture: 40%
- Desired Culture: 35%
What do these groups have in common?

Design the systems with humans in mind: compliance is an outcome, not an approach

- The degree of enforcement that would be required to deter unethical behaviour is impractical and undesirable – need shared ethical values and peer social pressure and encouragement
- Focus on the barrel while holding the apple accountable – compliance can be like musical chairs
- Choose values through consultation that serve as guides to behaviour and create the conditions for openness – integrity, listening, diversity
- Consultation & participation improve commitment (IKEA effect) – another role for EAs
- Make it easy to do the right thing, difficult to do the wrong thing, NUDGE
## The Ecosystem:
### Elements of Ethical Business Practice

<table>
<thead>
<tr>
<th>Leadership and Culture Framework</th>
<th>Values-based Ethics and Compliance Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Foundation</td>
<td>• Values-based Code, policies and procedures, communications, training</td>
</tr>
<tr>
<td>• People and Ethos</td>
<td>• Risk assessments, incl. culture risk</td>
</tr>
<tr>
<td>• Aligned Systems and Processes</td>
<td>• Ethics Ambassadors</td>
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<td></td>
<td>• Speak-up in psychological safety</td>
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<td></td>
<td>• 3rd party involvement, due diligence</td>
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<td></td>
<td>• Collection of evidence for learning and trust building</td>
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</table>

### The Foundation* excerpt

- **A belief** that ethics is everyone’s responsibility
- **An articulated and inspirational social purpose** (not just making money)
- Thoughtfully identified **core ethical values**, whose meanings are clear to all employees, and **continuous discussion, communication and training** for all (including the board)
- **Conscious commitment to continuous improvement**, and a way of sharing good practice across the organisation
- **No-blame, just culture**, in order to achieve “speak-up” openness

People & Ethos*

Leaders who are fully committed to ethical values and understand their role in creating an ethical culture, and who set a strong, positive example.

Management with the personalities and skills required to promote open communication, ethical decision-making, deep listening and to hold others to account.

Tolerance and encouragement of constructive conflict with no fear of reprisals for raising difficult issues.

A collaborative atmosphere—work across functions, business units and cultures with curiosity and respect, and the ability to learn lessons and continuously improve.

Employee involvement and engagement in fostering ethical business practice, such as using ethics ambassadors.

MISTAKE / WRONGDOING OCCURS

OPEN, JUST CULTURE

BLAME CULTURE

Mistake admitted

Root causes explored and discovered

Mitigation/remedial action taken and potential damage is limited

Individual & organisational learning occurs

Improvements implemented

Example set; others observe

Problem/mistake less likely to reoccur

Mistake covered up

Problem deepens, additional unethical behaviour needed to hide it

No ability to mitigate or remediate

Exposure eventually occurs

Consequences severe:
- damage to reputation
- financial, personal
- possible civil and criminal actions

Lessons learned at far greater cost, or not at all
**Aligned Systems and Processes***

- Processes and systems in alignment with ethical values and supporting ethical business practice, embedded in the business, not separate from it.

- Provision of clear and adequate information and professional assistance to support effective ethical culture.

- Performance management systems and incentive schemes that reward good leadership and ethical behaviours, not just results, and that do not foster unethical behaviour.

- Honest (and challenging) auditing, measurement and monitoring to enable the organisation to demonstrate the existence of a strong ethical culture and the basis for trust.

**Values-based ethics & compliance framework***

- A network of employee ethics ambassadors to support management in their responsibility to create an effective ethical culture based upon shared ethical values.
An ethics ambassador:

Is:
- An employee of the company, with a “day” job
- Doing this in addition to their main responsibilities, because they want to contribute
- A well respected individual
- From any and all areas & levels of the business and functions

Is not:
- A full time “compliance” officer
- Paid extra $£€ to be an ethics ambassador
- Someone ”parked” or mentally retired
- A representative of only one function, i.e., legal or HR

What works and what doesn’t: insight from experienced ethics ambassadors…

- Regular networking opportunities are important – global where possible
- Empower and Support: Let the ethics ambassadors themselves determine the best way to reach their “community” but provide tools and share good ones they develop (posters don’t always work)
- Elicit commitment from senior managers, so that they understand and appreciate the role: the EA is there to help them, not to assume their risk!!!
- EA job is to support management in encouraging values-based decision making and behaviour
What works and what doesn’t: insight from experienced ethics ambassadors…

- Pitch this in part as a development role so a small percentage of the EAs cycle through every 2 years, bringing in new energy and ideas, BUT
- Don’t lose trained, committed and valuable EAs through enforced rotation – continuity is important
- Unleash their creativity, don’t micromanage, demotivate
- Spend time with each EA to learn about their challenges and needs
- Keep it fresh and current through regular input of all types of materials
- Suggest or create possible structures that they can use to keep in touch with each other
- Recognition and gratitude – of and about them, and to them…
- Above all, it should be fun (okay, not all the time) and inspiring (most of the time)

With thanks to The Institute of Business Ethics
### What are the benefits for organisations?

#### Enhancing the ethics programme

<table>
<thead>
<tr>
<th>Main elements of the ethics programme</th>
<th>Companies WITH ambassadors</th>
<th>Companies WITHOUT ambassadors</th>
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</thead>
<tbody>
<tr>
<td>Code of ethics</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Speak up line</td>
<td>96%</td>
<td>94%</td>
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<tr>
<td>Internal reporting on ethics</td>
<td>96%</td>
<td>67%</td>
</tr>
<tr>
<td>External reporting on ethics</td>
<td>87%</td>
<td>72%</td>
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<tr>
<td>Ethics training</td>
<td>96%</td>
<td>89%</td>
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<tr>
<td>Monitoring programme</td>
<td>87%</td>
<td>72%</td>
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<tr>
<td>Board level ethics committee</td>
<td>83%</td>
<td>44%</td>
</tr>
<tr>
<td>Management level ethics committee</td>
<td>65%</td>
<td>44%</td>
</tr>
<tr>
<td>External stakeholder engagement</td>
<td>78%</td>
<td>61%</td>
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### What is the impact on corporate culture?

#### Creating a shared culture

<table>
<thead>
<tr>
<th>What is the main purpose of the code of ethics?</th>
<th>Companies WITH ambassadors</th>
<th>Companies WITHOUT ambassadors</th>
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<tbody>
<tr>
<td>Providing guidance to staff</td>
<td>87%</td>
<td>94%</td>
</tr>
<tr>
<td><strong>Creating a shared and consistent corporate culture</strong></td>
<td>87%</td>
<td>75%</td>
</tr>
<tr>
<td>A public commitment to ethical standards</td>
<td>52%</td>
<td>75%</td>
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<tr>
<td>Guarding reputation</td>
<td>26%</td>
<td>25%</td>
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## What are the priorities of your ethics programme?

### Companies WITH ambassadors

1. **Promoting values and culture**
2. Address a specific issue
3. Provide training

### Companies WITHOUT ambassadors

1. **Address a specific issue**
2. Provide training
3. **Promoting values and culture**

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Thank you for your attention

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**What is the impact on corporate culture?**

**Focus on values**

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