Strengthening Company Culture

RANE expert Owen Heimer, a Principal at StoneTurn, says, "If a company has a strong culture of ethical conduct, its employees will care about doing the right thing and will want to do the right thing." In order to achieve this standard, **Heimer** explains how companies can create a successful culture from the initial job interview to ongoing training and performance measurement.

Heimer says culture considerations should begin as early as the interview process to both set the right tone and to see whether a candidate fits a company's culture of ethical conduct.

- Use questions beginning with "what would you do if..." The question tells the candidate that the company cares about its employees' ethical choices, and the answer tells you whether the candidate shares your company's mindset.

- Ask the candidate about ethical dilemmas she has faced in prior positions and how she handled them, or, for a younger candidate, what courses on business ethics she took in school and what she learned from them.

- Interviewers need to be properly prepared for such exchanges in order for them to be meaningful and effective.

Heimer argues that the design and implementation of a metrics-based approach to measuring culture requires careful thought. He emphasizes that companies not only need to think about what they want to measure, but also how they are going to act based on those results.

- Measuring efforts, such as how many people got trained or watched an instructional video, is much easier than measuring effectiveness, which is far more important. For example, if the number of calls reporting misconduct rises, does it mean culture has declined or improved?

- Analysis of such situations is aided by additional metrics, such as the number and type of disciplinary actions, the number and type of customer complaints, lawsuits, regulatory actions, and auditor findings, all to be sliced and diced by region, line of business, employee seniority, or other variables.

- After measuring and analyzing, companies must act, responding in a meaningful way by defining and carrying out remediation.

Every employee has a role to play in shaping a company's culture. Good ethics or integrity training programs have a top-down and bottom-up approach, varied ways to engage their people, and recognize both positive and negative behavior.

- The message from the top must be more than mere "tone"—active adherence to the program is not optional and its standards are global. But the program will generate resentment, not integrity, unless it is designed bottom-up, with meaningful input from the businesses, support functions, and all regions.

- Scenario-based training enables employees to recognize ethical dilemmas when they arise and to understand that the best course of action is to speak up and get guidance from the right people.

- Good training programs also show the difference in outcomes between a mistake an employee keeps to himself and one he promptly makes known so it can be addressed.

- **Heimer** believes companies should tell their employees, without revealing their colleagues' identities, how the company responded to reports of misconduct, to show it will take appropriate action when employees speak up.

Regulators and Culture
Culture is a common term heard from regulators, but clarity on how they view and assess culture has not matched their enthusiasm for the topic. Heimer recommends further specifying the term as "culture of ethical conduct" or "culture of integrity." Even though culture is not something a regulator can easily mandate with rules and regulations, no compliance program can succeed without it:

- No matter how much training you do, it is impossible for your employees to learn and remember all the specific rules that apply to them, and

- Even if they could learn and remember them all, it would be impossible to have a rule for every situation.

A culture of ethical conduct will guide your people to do the right thing whether or not they know the rules—and even when there are no rules.