

AUGUST 2019



Do the Right Thing: Building a Strong Link Between Culture and Ethics

FEATURED EXPERTS

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The past few years have seen a 36 percent increase in the rate of dismissal of senior executives for unethical behavior. In the banking sector alone, misconduct has cost more than \$200 billion over the past decade. Regulators are taking notice and no longer attributing these failures to “one bad apple” but are instead acknowledging that they are symptomatic of larger issues, with the root cause often tracing back to an unethical culture.

Culture risk increases when pressures on employees make it harder for them to do the right thing, even though they tend to feel confident in their own ethics. A recent RANE webinar brought together experts to explore the factors linking culture and ethics, and to discuss how companies can improve the ethical capacity and reasoning among their employees. Highlights of the conversation follow.

ESTABLISHING A DEFINITION

Scott Shumate led the conversation with a “the idea that the definition of ethics is a constant evolving process” that will constantly be tested by new events and opportunities, requiring an ongoing dialogue for an organization’s members to continually understand the standards at stake.

Owen Heimer said, “It’s easier to see ethics when they don’t exist than when they do,” citing [the Wells Fargo scandal](#) in which more than 2 million accounts were opened without customers’ knowledge or approval. “That’s because there was a problem with their ethics, and it came from their culture and probably not from their technical compliance program, so I find it hard to define ethics, but it’s easy to see it when it’s not there.”

Christine Allen said that ethics is about “having a conversation about it means for us to do the right thing,” a measure that depends on various stakeholders, laws and who we are. “Every company and culture has to wrestle with what that means, and so there’s no one right way to answer that question. But it’s having that conversation and thinking about that question in a very meaningful, not a ‘plaque-on-the-wall’ way.”

THE IMPORTANCE OF ROLE MODELS

Allen noted that her experience has focused on developing individuals or teams within the organization “that are going to role-model those kinds of positive behaviors.” Part of the process of putting such an organization together involves the hiring process including use of appropriate

assessments in order “to hire people at the top who are going to set a good course.” Another component of creating a healthy corporate

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environment involves leaders who “make ethics part of the everyday conversation, so that they’re asking for feedback about their own behavior, they’re taking the feedback for their behavior, they’re implementing that feedback, they’re asking questions like, ‘What am I missing? Where could I be wrong?’” **Allen** recalled working with a data-oriented CEO who created an environment in which people were

“afraid to speak up and challenge him because he was very skeptical in nature. He always wanted all the data, all the facts, so people were always afraid of being wrong. So they wouldn’t volunteer their own ideas or question one another.” That, she added, was an example of “somebody who was well-intended but was creating a culture where things could get hidden that would be important to be discussed.”

Heimer picked up on the openness component. “If you have an organization where people are comfortable speaking up from top to bottom and where managers are creating that psychologically safe environment ... you have an organization that has an early-warning system because as soon as people feel uncomfortable about something, they’ll tell the right person.” That creates “a culture where problems get nipped in the bud.”

Shumate raised the issue of employee selection. Beyond avoiding candidates with obvious red flags, “it really isn’t like once you pick somebody that you’ve picked a good apple, and no matter what happens, that individual is going to remain loyal and faithful and productive and not cause damage,” he said. “The apples can go bad under the right processes, and I can tell you that I

know that quite well from my past involvement professionally and that apples do go bad.” Thus, the ongoing challenge for organizations — and management — is in remaining open and approachable. “But even under those circumstances, it is very difficult to get employees to truly feel as though they are able to speak their mind,” **Shumate** added. Two additional factors to consider include the stigma around being a “snitch” and the tendency in some employees to “debase or character-assassinate a fellow employee,” he said. “One has to keep in mind that not all peoples’ intentions are pure.”

PRACTICAL STEPS TO TAKE

Allen said that organizational leaders have “all kinds of opportunities” to recognize publicly those who are “doing the right thing.” Conversely, leaders should also own up to their mistakes and apologize for them in a public manner, she added. **Allen** also noted one Fortune 500 CEO who gave his first-line employees his mobile number so that “if there was some kind of safety incident ... they could call him in the middle of the night and let him know what happened.”

“The difficulty is always finding something that is practical that you can actually institute,” **Heimer** said. “We all have a pretty good idea, at least at a general level, what a bad culture looks like, what a good culture looks like, but how do you change from one to the other?” **Heimer** added, “I would suggest making your front-line business managers the most important people in your compliance and ethics program,” cautioning against “too many pronouncements from on high.” Specifically, **Heimer** said he would task those managers with leading training sessions or periodic discussions that focus on “interesting ethical dilemmas that would actually happen in the business units that they lead.” Front-line managers, he added, “need to have ways of incorporating the good conduct they see, or the bad conduct they see” in hiring, promotion and assignment decisions.

“The point that I would try to drive home is the need to develop a personal professional relationship with the employee,” **Shumate**

said. That extra step can pay off significantly, particularly in an era where communication via email and text messages is the norm. “One of the things that I believe that’s absolutely true is that a lot of what the culture is of an organization is really oftentimes very subtle and very nuanced and yet very powerful in what the actual culture is, not just what the published culture is broadcast.”

Allen emphasized the importance of informal, casual opportunities for relationship building, noting that research backs this up — “which is why some companies like Google and Facebook have all those common spaces where people can bump into each other and hang out.” **Allen** likened such points of contact to the everyday communication that exists in a marriage. “In order to hold people accountable and to have confrontations or conflict in a healthy way, you have to have a relationship and so creating opportunities for relationships to get built at all levels of the organization I think is really important.”

HOW TRAINING IS CONDUCTED

Heimer noted that many companies rely on online training. While convenient, such an approach can lead employees to view training as tick-the-box exercises “as opposed to teach the employee or help the employee learn anything that actually helps day-to-day.” Instead, **Heimer** suggested, companies should “introduce face-to-face discussions where employees can discuss their ethical gray areas in real-life scenarios that would actually happen in their own businesses.” In doing so, employees would have an opportunity to discuss options and find different routes to reach an ethical conclusion. **Heimer** added that in-person training is “not easy to do because it’s not as efficient as e-learning, but far more effective and far more appreciated by the employees generally.” **Heimer** said this is another opportunity to bring in a “front-line manager” who will be more effective as a role model — and have greater influence on how employees act — than “somebody who’s helicoptering in from

compliance or legal or somewhere else in the organization.”

Allen added that there exists a challenge in ensuring an adequate level of “uniformity in terms of the material that’s being covered,” adding that e-learning is “so deadly boring to do.” Lessons led by a manager are “a much more effective way to really learn,” she said, reiterating **Heimer**’s point about a supervisor’s influence. “He’s 100 percent right that people will model what the manager does more so than someone else.” **Allen** also voiced a preference for the term “integrity” as “something that most of us would like to aspire to” over the standard term “compliance.”

Shumate noted that people have different learning styles, particularly in a diverse workforce. “But it does also present a problem in how people learn information, and so, just remember: Never use yourself as the barometer or normality, but to recognize that people do learn differently,” he said. “It doesn’t mean it’s wrong, but it does need to be accounted for.”

Next, the conversation turned to the dilemma of what’s best for the organization vs. what’s best for the customer. **Heimer** used an example of bank employees who have a range of products to offer clients. “So, you’ve got this ethical question: Do you know what’s a little bit better for the bank or a little bit better for the customer? What do you disclose? What do you not disclose?” he said. “You don’t necessarily have to give the customer what’s absolutely the worst thing for the bank, and the best thing for the customer in every case, but that’s exactly the kind of thing that you need to discuss with your people — when do you and when don’t you,” **Owen Heimer** says.

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as an example of a dilemma for a manufacturing company, **Heimer** said, “You could bankrupt the company by making the safest possible product because it’s too expensive for anybody to buy.” That raises the question of “what’s safe enough” and “how much you need to spend.”

Regulations alone won’t provide sufficient guidance, **Heimer** said, citing Boeing as an example. “It was legal for that plane to fly,” he said. “No law or regulation said that plane has to come out of service, but they had an ethical question on their hands, and it seems to me although that is a very big tragic and dramatic case, everyday employees, managers and senior-level management are making decisions that relate to how you balance what’s good for the company, what’s good for the customer, possibly what’s good for the environment, depending on the kind of company you’re in.”

Allen added that, especially with anti-harassment training, organizations need to look at how training is conducted “so that they’re done in a way that is not a ‘check the box’ but is actually moving the conversation forward.” Part of that work comes from identifying core values. “The more clarity that you can have on what your company’s values are, then you can have more meaningful conversations in your teams and with your direct reports because you really know what is important for the company,” she said, adding that there is a body of data “suggesting that ethics pays.”

Shumate cited an example in which Uber drivers in Washington, D.C., figured out [how to manipulate fares](#) by going offline at the busiest time of night, taking advantage of surge pricing. “Now, when you look at that from the driver’s optic, is that unethical, or is that just taking advantage of an inherent issue within the structure that’s established?” he said. “When I see that, I say that is potentially the beginning of larger problems because, again, the behavior that corporations are concerned about — or if you’re a parent, for example — oftentimes start very small, and it’s only after that you’re able to look back and say, ‘Oh, you know, I noticed this

trend way back. I didn’t realize the implications.’ Well, probably because that implication wasn’t yet there, but that what happens is people move in small steps toward a position that really doesn’t exactly promote concern.”

AVOIDING ‘FEAR AND FUTILITY’

The next issue raised was the importance of encouraging a culture where employees feel safe to speak up in identifying issues.

“There is no one way to do it,” **Shumate** said. Role modeling is key, he added, “but a lot of it has to do with how

people communicate within the work unit and the comfort level that is there.” Employees who feel isolated or not valued, **Shumate** said, have one of two choices: “They either stay quiet, or they become oppositional or argumentative, and so the subtlety of what is being truly conveyed in the work environment has broad sweeping implications as to how tolerant and how willing the organization to really hear ideas, concerns, complaints and so forth.” **Shumate** said that managers and executives all play a role in shaping the culture. “The head of the organization, if they are not responsive and positive and open, it’s very hard to get it to go down further into the organization.”

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Allen said that creating a safe environment for employees to speak up — and helping managers develop the skills to achieve such a culture — is important, though she acknowledged the difficulty in this. “So when I’ll do an exercise with a team, I always make the boss, the team manager, go first,” she said. “They have to role-model listening and taking the feedback from people on the team before they can expect anybody else on the team to be able to hear feedback about themselves.”

Heimer picked up on the idea. “As always, the manager is the lynchpin to this,” he said. “I would

add two things. We commonly talk about fear and futility being the barriers to speaking up."

- **Heimer** defined "futility" as "the feeling that even if you speak up, nothing will happen." That pessimism has to be overcome by ensuring that managers are trained for when someone does speak up, he added. "Half the time, someone will speak up, and it's not something you want to do something about because it is character assassination or something else that you don't want to follow up on, but you need processes for having objective ways to determine what to do, and then actually doing it, and then beyond actually doing it, making sure your employees are aware that you have done these things." Accountability can be promoted by providing data in an anonymized fashion, **Heimer** said, providing an example, "Overall, the company had this many instances where people escalated a concern, and we did this many types of things or this type and this many disciplines, and some of them were unfounded and so forth, and you can give anonymized anecdotal versions of things that have happened in the company, although you have to make sure that people aren't identifiable in those versions."

- With regard to fear, **Heimer** said that companies often consider "bad behavior like bullying" as "mere HR stuff" — which can lead to other, more serious, misconduct. "There's a continuum there, and people will not speak up about what they perceive to be a violation even of a law if they feel they're in a bullying environment and are intimidated by that, so companies need to recognize and address the issue of fear by looking at these kinds of behaviors as a continuum."

Finally, measuring effectiveness of ethics programs is important, "but I think one of the important things about measuring stuff is taking action in response to the measurements," **Heimer** said. "So, whatever you measure, there should already be a plan in place for taking those measurements and taking action in response to those measurements. And that, in turn, will help you develop the kind of measurements you think will help the company." Beyond an action plan, it's important to have an element of transparency, too, added **Shumate**.

ABOUT THE EXPERTS

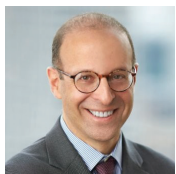


Christine Allen, President, Workplace Psychologist/Executive Coach at Insight Business Works

Dr. Christine Allen is a Workplace Psychologist/Executive Coach and Consultant specializing in helping companies and organizations with the people-side of business. Passionate about helping individuals, teams and organizations succeed through knowing their strengths, weaknesses, and by capitalizing on opportunities to grow and develop.

Experienced in leadership development, team effectiveness and team coaching, talent selection and assessment, team building, executive coaching, onboarding, work/life balance, peak performance, tailored 360 assessments, and health and wellness. Experienced, engaging speaker and trainer for workshops and keynotes on the psychology of well-being, positive psychology, work-life harmony, emotional intelligence, developing strengths, finding passion and purpose, overcoming fear, and leadership development for women, among others. Licensed psychologist in NYS, Board Certified Coach, Member of the International Coach Federation, a Certified Life Coach through the Institute of Life Coach Training, a Certified MBTI™ Practitioner, and a Certified Peoplemap™ Trainer. Also, certified in the Workplace Big Five Profile™, the Workplace 360™ Assessment, and the Hogan Suite

of Assessments. Additional skill sets include Workplace Communication and Team Building, Talent Selection, Leadership Development, Succession Planning Executive Coaching, Career Coaching.



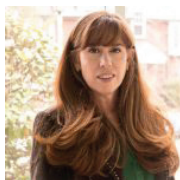
Owen Heimer, Partner, [StoneTurn](#)

Owen Heimer brings decades of experience in corporate and criminal investigations, ethics and compliance programs, government-appointed monitorships and business disputes. He offers investigation, risk assessment, program design, and remediation services for companies in financial services and other fields. Heimer currently monitors the global ethics program of one of the world's largest investment banks as part of StoneTurn's appointment as Independent Compliance and Business Ethics Monitor pursuant to a DOJ mandate. Prior to his work at StoneTurn, Heimer was the Deputy Chief Compliance Officer of Marsh & McLennan Companies, a global professional services firm with businesses in insurance brokerage, risk management, health and benefits consulting, investment advisory and management consulting. There, he held global leadership roles over a 10-year period in internal investigations, anti-corruption and trade sanctions compliance programs, and was instrumental in the development of training and policies. Heimer was a prosecutor for more than 20 years with the Manhattan District Attorney's Office, where he served as a bureau chief and a trial lawyer in prominent white collar, organized crime, and murder cases.



Scott Shumate, President and CEO, [Valutare](#)

Scott Shumate has been a licensed clinical psychologist for 36 years, and spent 19 years as an undercover CIA officer. He spent time as a Senior Executive for the DoD and 7 years on contract with the FBI. He also spent 4 years on contract with the United States Secret Service. His areas of expertise include Foreign Intelligence operations, Counterintelligence, and Counterterrorism.



DeNeige Watson, Executive Director, RANE

Prior to joining RANE, DeNeige Watson spent 27 years as an analyst with the Central Intelligence Agency. In addition to creating and leading several large, innovative analytic programs at CIA, she served as the President's Daily Briefer to Vice President Gore and Secretary of Defense Rumsfeld, and also served on the Senate Armed Services Committee staff for Senator Nunn. In recent years, Watson has developed big data analytics solutions that address emerging risks in the public and private sectors.

ABOUT RANE

RANE (Risk Assistance Network + Exchange) is an information and advisory services company that connects business leaders to critical risk insights and expertise, enabling risk and security professionals to more efficiently address their most pressing challenges and drive better risk management outcomes. RANE clients receive access to a global network of credentialed risk experts, curated network intelligence, risk news monitoring, in-house analysts and subject matter experts, and collaborative knowledge-sharing events.