

COMPLIANCE POLICIES AND PROCEDURES

Five Practical Steps for Creating a Compliant Tone in the Middle

By Dr. Marsha Ershaghi Hames
LRN, Inc.

As more corporate leaders recognize the impact of organizational culture on the bottom line, they are also realizing just how important front-line management is when intentionally crafting corporate culture. Recent studies demonstrate that line managers can directly influence the tone of acceptable behavior in an organization. In a guest article, Dr. Marsha Ershaghi Hames, a practice leader in LRN, Inc.'s education advisory services group, discusses the importance of leading from the middle and provides five practical tips for implementing a stronger tone in the middle strategy. See "*Eight Ways Compliance Officers Can Build Relationships with the 'Middle'*," The FCPA Report, Vol. 4, No. 20 (Oct. 7, 2015).

Why Intentionally Craft an Organizational Culture?

As more corporate leaders recognize the impact of organizational culture on the bottom line, they are also realizing just how important front-line management is when intentionally crafting corporate culture. Several studies point to the influence that line managers have on setting the tone of acceptable behavior. For example, LRN's Ethics & Compliance Leadership Survey and 2015 Program Effectiveness Index indicate that the ethics and compliance programs that deliver higher levels of engagement and impact are those programs that leverage front-line management in framing and reinforcing key messages and learning.

Focusing on the compliance message that is being delivered by middle managers, often referred to as a tone in the middle strategy, is crucial. Doing so allows a company to recognize an often overlooked, yet highly influential factor that can catalyze the right compliance and ethics conversations. Regulators have emphasized the importance of not only building the foundation of an ethics and compliance program but also of intentionally shaping an ethical organizational culture.

Effective programs are shifting from rules-based decision-making to values-based decision-making combined with policies and procedures that are framed by a leadership commitment to compliance and active modeling of ethical behavior. Unfortunately, companies often forget that the employees in the best position to frame everyday decision-making with practical and relevant examples are those involved in front-line management. Without integrating front-line management into driving and reinforcing key messages, it is nearly impossible to scale an effective program, especially if the organization's footprint extends across multiple countries and regions.

Why Lead from the Middle?

A leader's consistency in action, especially walking the halls at a local level, is the most significant influencer of the local organizational culture. Leveraging local leaders as global agents for delivering key messages and modeling everyday ethical decision-making helps nurture and embrace local business cultural similarities, differences and sensitivities.

Who else is in the best position to take the key messages from the company's corporate mission "off the wall and down the hall?" Who else in the best position to serve as an integration point between the company code of conduct and everyday decision-making? Middle management can represent a visible extension of the ethics and compliance program.

Positioning managers as local champions of the core messages puts them in a strong position to help initiate conversations about complex compliance themes, such as respect in the workplace, navigating the pitfalls of social media or fostering a "speak up" environment. These critical topics can really resonate when there

is an ongoing dialogue led by local management, not just an annual tone at the top message from the CEO.

Sometimes local management can break the ice around the issues that can pose serious risks to the organization. Having these conversations regularly, from the bottom up versus the top down, can bring more resonance to the workforce.

Five Steps for Creating a Stronger Tone in the Middle

1. Help Middle Managers Understand How They Matter

To improve its tone in the middle, a company should consider investing in helping managers become more aware of how their daily interactions with team members can either support or undermine an atmosphere where ethical decision-making and living the company code is a welcome topic of discussion rather than an interruption. A leader's lack of engagement, apathy or behavior misalignment with the code of conduct can breed skepticism about the ethics and compliance program and dampen the organization's ethical culture as a whole.

For example, most reports of misconduct are initially made to the front-line manager while less than ten percent are made to the ethics hotline. However, managers may not always make it clear that they are available to discuss compliance issues. Sometimes managers simply do not have the self-awareness to realize that their behavior makes them appear unavailable to listen or unapproachable. When a manager is unavailable or uninterested in receiving input, or simply does not realize the importance of providing feedback, employees are more likely not to speak up.

When a colleague builds up the confidence to raise an issue directly, escalates it to his or her supervisor, and it falls upon deaf ears, this poses a huge risk. Most likely, these issues will never be called into the hotline and can slowly snowball into larger risks.

To avoid this, companies must invest in tools, resources and development programs to help this frontline group create a consistent, effective tone. It is critical to provide a vehicle to help leaders develop the skills they need to drive engagement with the code of conduct. Accordingly, manager training should squarely center on managers' responsibilities as mentors and coaches – they should be taught to listen, offer feedback and provide guidance.

2. Ensure the Adaptation of Core Messages

Middle managers can be the key to effective communications with employees because they can speak in terms that the employees understand. Simplifying a statement increases the likelihood that people will understand and retain the message. Providing clear and salient points about abstract policies and showing how those policies apply in real-life situations are other ways to promote better understanding.

Tailoring teaching scenarios by using local, in-country examples increases relatability. Supporting diversity of perspectives and experiences provides a frame of respect and sensitivity around local issues. It can also promote greater efficiencies and break down barriers that can often build silos or emerge as the result of mergers and acquisitions.

The notion of "this is how we do things here" or "this is how it's always been done" can often be a natural blocking mechanism to change and growth. Bridging the dialogue by embracing cross-cultural environments and supporting a comfortable and open conversation can drive more impact. With greater inclusivity and relevant messaging, it is more likely that the various divisions will be able to apply the code of conduct in a local and practical context.

Employees are more likely to report misconduct and collaborate to problem solve when they understand they have a voice and realize how their voice can make a difference.

3. Empower Employees to Make Ethical Decisions

Decision-making takes practice. Ethical decision-making in today's high-pressured, hyper-transparent, global environment is not always clear-cut and is often riddled with grey. Sometimes, employees would rather make no decision than be held accountable for the wrong decision. But, the best lessons in life occur when people, try, fail and learn. Companies should work to give their employees opportunities to practice ethical decision-making.

Many ethics and compliance program strategies are stuck in Phase I: a continuous cycle of simply raising awareness and checking the box. But true behavior change requires a few sequential phases of activities to help the learner visualize and build a skill. Creating formal or informal opportunities to simulate the environment, potential pressure points and competing perspectives that may occur in real life can offer great practical application of decision-making skills. A company can consider offering a quick discussion simulation at the top of a staff meeting or team tag-up, or a brown bag lunch discussing an issue in the news.

Placing employees in environments that can help simulate real ethical dilemmas allows them to practice collaborating, seeking guidance and truly owning the learning experience. It's no secret and countless research studies have demonstrated that behavior change unfolds in phases and takes time, consistency and relevant interactions.

4. Create a Safe Space

No employee should feel alone. Inclusivity and feedback are major components that help employees to learn, build confidence and retain knowledge about the company's ethics and compliance program. The more people can receive and provide constructive feedback, the more likely they will be able to sustain behavior change. Simply allocating time for employees to practice application of ethical dilemmas in a safe space, facilitated by a leader, can promote internal diffusion of learning and supports the best practices of effective learning.

Timely coaching and mentorship is also a critical factor to being intentional about how organizational culture is truly shaped. Companies should consider adopting experiential simulations on practical, real-life ethical dilemmas. This strategy can help provide the right backdrop for employees and teams to practice integrating and learn how to recognize risk. Ultimately, practicing dilemmas through a safe and open conversation, breeds familiarity and supports a more cohesive dialogue. Individuals should not feel alone, and instead should feel supported by a team of peers. The company workforce should sense that leadership is prepared to discuss how best to work together towards issue spotting and problem resolution.

5. Avoid Blind Spots: Develop Managers to Lead

Front-line management is in the best position to provide practical and contextual reinforcement about how the code applies to everyday decision-making. They can also surface blind spots. Managers at every level need the right tools to proactively engage their teams by facilitating natural and informal conversations around living the code of conduct. Leveraging front-line management is a critical and reinforcing point of integration that can often be a missed opportunity when planning an E&C program strategy and implementing that strategy.

As a part of 2016 planning, companies should consider implementing opportunities to develop and coach managers to be more comfortable and prepared to exercise visible leadership in the context of living the code of conduct.

Conclusion

Tone in the middle is about creating a safe space where it is possible for employees to articulate their values and make a positive impact in situations where others may be pursuing an ethically questionable agenda. Managers must demonstrate through guidance and visible action that every colleague can choose to exercise ethical

leadership and help others find a more balanced and responsible decision path. As you venture into your 2016 Ethics & Compliance program planning, consider adopting a tone in the middle strategy to breathe life and sustained impact into your initiatives.

Dr. Marsha Ershaghi Hames is a Practice Leader in Ethics and Compliance Education Advisory Services. She advises multi-national organizations around driving business value and risk mitigation through strategic, values-based education and engagement approaches to ethics, compliance and organizational culture. As an advisor to senior executives she has been actively focused on shaping the governance, culture, and leadership systems that catalyze ethical behavior within organizations. Her particular area of expertise includes program effectiveness specifically around learning and employee engagement. Her experience includes advising dozens of transformational projects for organizations across a spectrum of industries both in the private, commercial and non-profit sectors.