THE CRM OF ETHICS & COMPLIANCE

Toward a New Cross-Cultural Approach for Global Organizations

Written by Hui Chen

As a compliance officer in global corporations, I had often been on the frontlines of culture clashes, trying to implement corporate compliance requirements that were perceived as inconsistent with local cultures. From Beirut to Rio to Shanghai, the refrains were constant: "In our culture, people don't speak up"; "in our culture, gift-giving is important"; "in our culture, you always give business to your friends and family.".

In his best-seller *Outliers*, Malcolm Gladwell described cultural clashes that led to deadly consequences. In highly formal and hierarchical cultures, airline cockpit crew were often reluctant to speak up to the commanding captain, even to warn of impending disasters. Gladwell described how this cultural phenomenon contributed to crashes from Korean Air in Guam to Avianca in New York. To help readers understand just how hierarchical the culture was, Gladwell recounted an incident when a Korean Air first officer made a mistake, and the captain reportedly struck the first officer with the back of his hand!

The remarkable story in *Outliers*, however, was the turnaround. Korean Air went from having a crash rate seventeen times higher than its American contemporaries in the 1980s and 1990s to a spotless safety record since 1999. Gladwell described the unlikely beginning of reform: giving the pilots "an alternate identity" away from the trappings of their culture by using the English language in the cockpit.

This "alternate identity" approach is part of a larger movement in the aviation industry known as the "Crew Resource Management" – or CRM. CRM is a set of training and procedures that focuses on communications, leadership, and decision-making in environments where human errors may cause deadly consequences. It is now not only taught to pilots all over the world, but also used in fields well beyond aviation, from firefighting to infection control. It is no exaggeration to say that CRM has transcended cultures in these fields in ways that saved lives.

Do we, in the ethics & compliance profession, have a way to help our employees with an "alternative identity" that is consistent with our companies' articulated values? If we were to have our own CRM, what would that look like?

Communications: Listening

I would begin with what Gladwell advocated: acknowledgement and awareness of the cultural factor. It would serve organizations well to acknowledge their own cultures as well as the cultures in which they operate. An organization's culture is not the set of "values" printed on the annual report or hung in the lobby: it is every employee's innate understanding of "how we do things around here", as famously described by the McKinsey organization. Similarly, the culture of a particular society is not the generalizations in cultural etiquette brochures, but what matters to the people there and the priorities that guide their choices every day. Understanding and acknowledging these cultures have less to do with slogans and more to do with *listening*: only by engaging with people as human beings do you learn what matters to them and what makes them tick. As a compliance officer, I always forced myself (an introvert) to approach random as well as purposefully selected colleagues simply to get to know them: their personal background, how and why they ended up working here, what did they like and dislike, what they thought of their colleagues, etc. These conversations had helped me identify compliance risks and opportunities more than any formal survey ever did.

Leadership: Integration

Our CRM might redefine leadership from one that emphasizes the imposition of a norm to one that integrates different norms. I have heard many compliance officers, including myself, say: "I

Opposite: Hui Chen, in Machu Picchu, Peru. Photo courtesy of author.
Right: The U.S. Department of Justice, Washington, DC.

don't care what *your* culture is, but in *our* company you have to do it this way." I have also learned that people can't just ignore the societies in which they live. Instead of denying the existence of a set of cultural expectations, it might be more productive to tap into the potential ways to leverage that culture. The values that guide compliance – honesty, fairness, kindness – have their expressions in every culture. Finding the commonality among different expressions may be the key to unleash the cultural potentials for the benefit of ethics and compliance. I remember a particularly effective local counsel who, when persuading a local colleague to cooperate in an investigation, told the colleague: "Remember that story in our grade school textbook about so-and-so? You are in exactly the same situation as the main character, and you know how that story turned out." That was a hundred times more effective than any sermon I could have given on why cooperation was "right" by my cultural standard.

Another ingenious integration I had seen was a market that consolidated its helplines: every sales person knew s/he could "DIAL-A-REP" to get help for everything from a flat tire on the road to answering a compliance or HR question. By combining whistle-blowing with everyday needs, and by allowing allegations to be framed as questions such as "I am not sure if this is a problem, but what my manager said sounded strange to me", this consolidated hotline took away the stigma of whistleblowing in a society where ratting on one's colleagues was not an honorable act.

Decision-Making: It's Personal

Many organizations now teach their employees about ethical decision-making using "trees", models, or matrices. While this approach is definitely a step in the right direction, what these formulas often fail to account for adequately is the most important motivation in a person's decision-making: "What does this mean for *me*?" Decisions such as walking away from a business opportunity, or blowing the whistle on misconduct, ultimately mean very different things to different people: an ambitious worker whose priority is to rise quickly in the ranks will calculate these decisions differently than one who is content with his/her station, as would a worker with plenty of alternative opportunities versus one who is desperate to keep the job. Standing up to your boss is different depending on the relationship you have had with the boss, or when you are independently wealthy as opposed to not being able to afford to lose the job. While culture (both organizational and societal) most certainly plays a large role in shaping personal motivations, many personal motivations (e.g. self-preservation) also cut across cultures.

Recognizing the intensely personal nature of decision-making, teaching employees to not only be cognizant of their personal motivations but also how to analyze them, and formulating organizational responses to these motivations are steps that would truly impact decision-making at its core.

Practice, Practice, Practice: Learning from Mistakes

Finally, it is important to recognize that in aviation and other industries that utilize CRM, the skills are not only taught in classroom discussions and group exercises, but the real emphasis is to practice them over and over again in realistic simulations to the point where these new ways of communicating, leading, and deciding become routine mental habits. They can't be learned with a once-a-year thirty-minute online training with ten easy questions at the end. The compliance CRM would require systemic self-discipline for organizations to routinely learn from decision-making processes, and finding lessons in even the most harmless irregularities. Upon discovering a transaction that went through without the necessary approvals, a non-CRM company would say: "No harm, no foul. Move on." The CRM company would say: "But *why* did it happen? How often has it happened that we didn't know about? Was it because the approval system was flawed? Was it because the requester didn't understand the process or was trying to evade it? If the latter, why? Was it because the gate-keep was over-worked and couldn't focus?" When misconduct is discovered without a whistle-blower, the CRM company would ask: "Why didn't anyone say anything? Were they afraid? Did they not know how?" In other words, a CRM company treats every issue that arises as a simulator exercise, and constantly asks how things could be better or different. That discipline of root-cause analysis is what makes the decision better the next time.

👤 **Author Biography**

Hui Chen had served as compliance officer at Microsoft, Pfizer, and Standard Chartered Bank, on locations in Munich, Beijing, New York, London, and conducted compliance training and investigations throughout the world. Until recently, she was the Compliance Counsel Expert at the United States Department of Justice's Fraud Section.