

THE CORPORATE CULTURE ISSUE

A STRONG CULTURE COMES FROM ENGAGED LEADERS

INSIDE: VF CORPORATION, ESTÉE LAUDER, AVNET, MILLICOM, CUMMINS, MERCER AND MORE

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Q3 // 2017



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PLUS!
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 ~~~~~  
**PAGE 24**

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coverage

**Two.**

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**Three.**

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## Our Mission Statement

The Ethisphere® Institute is the global leader in defining and advancing the standards of ethical business practices that fuel corporate character, marketplace trust and business success. We have a deep expertise in measuring and defining core ethics standards using data-driven insights that help companies enhance corporate character. Ethisphere believes integrity and transparency impact the public trust and the bottom line of any organization. Ethisphere honors superior achievements in these areas with its annual recognition of The World's Most Ethical Companies®, and facilitates the Business Ethics Leadership Alliance (BELA), an international community of industry professionals committed to influencing business leaders and advancing business ethics as an essential element of company performance. Ethisphere publishes *Ethisphere Magazine* and hosts ethics summits worldwide.

*The opinions expressed in this magazine are those of the authors, not the printer, sponsoring organizations or the Ethisphere Institute.*



This magazine is printed on recycled paper.

# SPEAKING UP

## »»» THIS QUARTER'S LETTER FROM THE EDITOR «««



**Dear Readers,**

Culture could very well be the 'compliance word of the year' for 2017. The best ethics and compliance leaders today are becoming more and more focused on the 'why' of compliance, and how ethics and compliance programs help enable business operations around the globe rather than being an onerous box to check.

One of the key ways that chief compliance officers can do this is by using their programs as a means to measure the pulse of the organization and its culture. How engaged is the global employee population? What are their perceptions on issues such as the company's commitment to its code and values? And is there a sense of strong organizational justice? Approaching culture from this angle not only helps the company avoid compliance trouble, but also creates a generally more open, dynamic and motivating environment.

The only way to truly understand the culture of a company in this way is to be engaged with it. The best compliance leaders are constantly putting in face time with the workforce — even if that means racking up too many frequent flier miles traveling to far flung places — getting to know the objectives of the other senior leaders across the company, and being a strategic advisor to the business. Further, they're encouraging other executives and managers to take the same attitude. The leaders who do the opposite, and follow the path of the 'three wise monkeys' to see no evil, hear no evil, and speak no evil, quickly will find their companies' cultures in disarray.

For this issue, we invited leaders who have had experience and success measuring and building their companies' cultures to share insight into some of the lessons they've learned throughout their careers, and to give feedback and advice into what other leaders can do.

In the following pages you will hear from the CEOs of Avnet and Miliken about how they've approached culture at the companies that they now lead. Laura Lang, board member of VF Corporation, tackles how boards can influence culture. Additionally, recently-departed Compliance Counsel Expert for the U.S. Department of Justice's Fraud Section Hui Chen writes her first published piece since her departure, outlining a strategy for companies seeking to live up to their values in international settings.

As ethics professionals seek to have a broader impact on their organizations, we'll have to follow the paths outlined by these contributors and others to engage the entirety of organizations. Only then can leaders ensure they have the right level of engagement from across the organization, and that their companies' cultures are well positioned to move the business forward.

A handwritten signature in black ink that reads "Stefan Linssen". The signature is fluid and cursive, with the first name being more prominent.

**Stefan Linssen**  
Chief Content Officer  
Ethisphere



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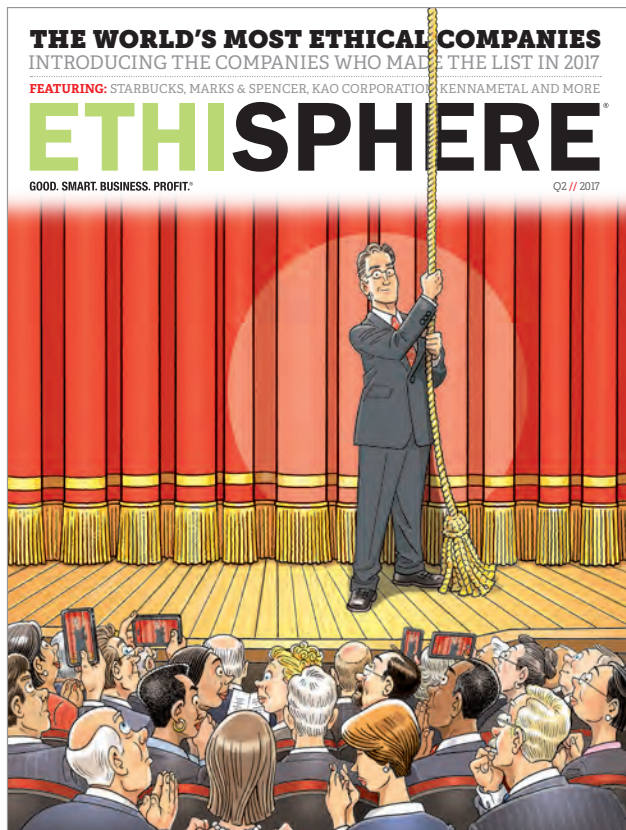
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# MOUTHING OFF

## » THIS QUARTER'S LETTERS TO THE EDITOR «

Have something to say? Write to us at: [info@ethisphere.com](mailto:info@ethisphere.com) or at *Ethisphere Magazine*, 6991 E Camelback Road, Suite B-350 Scottsdale, AZ 85251



### ★ RESPONSES TO ETHISPHERE MAGAZINE'S WORLD'S MOST ETHICAL COMPANIES ISSUE

#### "Peeking through the Windows: A Glimpse Into Microsoft's Culture of Trust"

I appreciated the deep dive that you took into Microsoft's culture and practices around ethics this issue. It was particularly interesting to hear how one of the world's leading technology companies is able to leverage big data and present it in a way that's useful for their risk and ethics teams. There are tangible takeaways for any company here. – **Maurice D.**

#### "Measuring Culture: Important Lessons from the 2017 World's Most Ethical Companies®"

Erica Salmon Byrne's insights were spot on, as always. I especially appreciated the explanation of organizational justice as "the Animal Farm test." It's pithy, but also important. At many companies, some animals really are more equal than others, and it's never good for a culture. – **Tracy K.**

### ★ ETHISPHERE EVENTS

I'm interested in your programming, but my company is not based in North America. What international opportunities do you have? – **Rajiv G.**

**Ethisphere Response:** We have a slate of events and BELA roundtables around the world annually. We have upcoming roundtables in Frankfurt and Tokyo, and we will be bringing back our annual London Ethics & Compliance Summit on October 26th this year. Additionally, this year on November 13th we will be hosting the first India Ethics & Compliance Forum in Mumbai.

### ★ HOSTING AN ETHISPHERE EVENT

My company is interested in hosting a roundtable or similar event with Ethisphere to bring together ethics and compliance professionals. How would we make that happen? – **Sigfried**

**Ethisphere Response:** Ethisphere hosts many events, roundtables and conversations throughout the year in conjunction with partner companies all over the world. If you're interested in hosting such an event at your own company, please contact us at [events@ethisphere.com](mailto:events@ethisphere.com) for more information.



# INNOVATION

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# MATTERS



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# BY THE NUMBERS

## TACKLING HOW TO MEASURE CULTURE

### ASKING THE RIGHT QUESTIONS

Ethisphere's World's Most Ethical Companies® revealed that companies take a wide variety of approaches to the challenge of measuring ethics in their corporate culture. Many start by asking employees, either as part of broader HR processes or in ethics-targeted conversations. Others go a step further, factoring in the results of their investigative and training processes.

49

Nearly half (49%) incorporate formal review of the culture's ethics as part of investigations.

73

Nearly three-fourths (73%) review conversations around the company on social media.

66

Two-thirds (66%) hold employee focus groups or interviews.

57

Most (57%) conduct a survey dedicated solely to measuring employee perceptions of cultural ethics.



Source: Ethisphere's Early Insights from 2017 World's Most Ethical Companies®



## KEY DATA & INSIGHTS

# 2017 World's Most Ethical Companies® Honorees

Ethisphere's 2017 Key Data and Insights Report explores three key areas from this year's honorees:

- ✓ Measuring & Communicating Culture
- ✓ Program Resources, Autonomy, & Authority
- ✓ Corporate Governance

ACCESS THE FULL REPORT

<http://ethisphere.com/2017-insights>

# THE GOOD AND THE BAD

## » PAPER BAGS AND PROFIT PROPELLERS «

### HOW IT WORKS



Paper Bags are given to companies and organizations that are involved in, or have attempted to cover up, scandals, violations or other embarrassing events.



Profit Propellers are awarded to companies and organizations that have recently done something interesting, innovative or brave in the area of ethical leadership.



UPS gets a **profit propeller** for its announced deployment of a prototype extended range Fuel Cell Electric Vehicle (FCEV) in its Rolling Laboratory fleet of alternative fuel and advanced technology vehicles. UPS is working with the U.S. Department of Energy and other partners to design a zero tailpipe emissions delivery truck that meets the same route and range requirements of the company's existing conventional fuel vehicles.



Shell gets a **paper bag** after an April publication of leaked emails from 2011 revealed that senior management openly discussed knowing that \$1 billion of the company's money put forth to secure OLP245, an offshore oilfield in Nigerian waters that is estimated to hold nine billion barrels of oil, would go to convicted money launderer David Etete, who was Nigerian oil minister at the time. The company has admitted wrongdoing after years of claims it only knew it was paying the Nigerian government.



Tesla gets a **profit propeller** for opening preorders for two solar roof designs to be made available this year. The roofs offer superior cost, performance and reliability in comparison with previous attempts. The company's solar roofs are made of glass shingles indistinguishable from traditional roof tiling. While costs run 2 to 3 times more, the company is offering a warranty for the lifetime of the home and says homeowners can save more than \$38,000 in electric bills over 30 years.



In an incident that went viral in April, **United Airlines** earned a **paper bag** when on a Louisville, Kentucky-bound flight from Chicago O'Hare International Airport, a passenger was dragged down the aisle by Chicago Department of Aviation security officers. On video posted on social media, the passenger refused to give up his seat to accommodate crewmembers needed for another flight from Louisville. The passenger and United have since reached a confidential settlement.



The subprime auto lending division of banking giant **Santander** gets a **paper bag**. The subsidiary, Santander Consumer USA Holdings Inc. has agreed to pay \$26 million USD to settle allegations that it gave high-interest loans to buyers it knew could not repay them, possibly helping trigger the 2008 housing crisis. In the settlement with the Attorneys General of Massachusetts and Delaware, the lawmakers cited a practice by the bank of working with car dealerships that falsified and inflated borrowers' incomes. Under the settlement, Santander neither denied nor admitted wrongdoing.



The **City of Seattle** earns a **profit propeller** for its launch of the First in Time Rule, which is designed to combat housing discrimination in rental markets. Landlords will publish the criteria—including proof of income, credit scores, rental history and positive references from past landlords—and must offer the unit to the first prospective renter who meets them. The city will begin enforcing the ordinance in July.

Do you know of a recent news story you feel should be awarded a Paper Bag or Profit Propeller? Send your ideas to [Tue.Lyon-Boggs@ethisphere.com](mailto:Tue.Lyon-Boggs@ethisphere.com)

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# AROUND THE CIRCUIT

## 14TH ANNUAL COLLEGIATE ETHICS CASE COMPETITION



In October, Ethisphere sponsored the Collegiate Ethics Case Competition hosted by the Center for Leadership Ethics at the University of Arizona's Eller College of Management. The competition featured teams from twenty-five different universities from across the US, Canada and Mexico, who had each prepared a presentation based on an ethics case.

"The Center for Leadership Ethics is getting the message of what we do, and what we're all about at Ethisphere, to the next generation of business leaders," said Douglas Allen, Managing Director with Ethisphere's Data & Advisory Services group. "It's a natural way for us to be engaged."

Although these days the case competition has an international footprint, it began with humbler roots. When Dr. Paul Melendez was developing the first business ethics course at the University of Arizona in 2003, he was breaking new ground. Looking for a way to make the principles and ideas his students were studying feel more tangible, he decided to put his class through a case competition, where they would be presented with thorny ethical situations that might confront a business leader. The teams were given some time to study the case and perform an analysis of it, before presenting their findings and recommended solutions to the class. The winning team would receive a \$500 prize.

In a unique twist, Melendez based the competition format on the NCAA basketball tournament, with an "Ethical Four" advancing. The format was an immediate hit, as Melendez recalls. "They said, 'We love this, we've never done anything like it. Can we do it again?' And when our Board Chair Ron Sable found out, he wanted something more impactful too."

In just a few years, the collegiate competition exploded from half a dozen teams in a single class, into a statewide event, and eventually drew schools from all across the western half of the country. At its peak, the competition had 36 schools. Since that time, Melendez has pared down the numbers a bit (this year's competition had 25 teams) while going international, developing relationships with several universities in Mexico and Canada. While similar competitions have popped up across the country, the CECC stands out by remaining purely for undergraduates and writing new, unique cases every year.

### Ethisphere Offers Support

Ethisphere began its support for the Center and the Collegiate Ethics Case Competition in 2015, when CEO Tim Erlich met Melendez as the keynote speaker at the Center's Executive Ethics Symposium. "I was very intrigued by the Ethics Quotient concept," Melendez explains. "There was mutual interest, and since we're both in the ethics space there's lots of synergies." According to





Board Chair Ron Sable, “Dr. Melendez’s vision for ethical issues to be debated in international competition makes for a wonderful partnership with Ethisphere.”

Now, Ethisphere’s Douglas Allen serves on the board of the Center for Leadership Ethics and as a judge at the competition every year. “Paul graciously offered a seat on their advisory board to me, and as an Eller College of Management alum I couldn’t say no, so I got a chance to get involved,” Allen said. “They put business ethics in practical terms that students understand, especially with Paul’s case method. It’s great to see these kids dive in headfirst.”

While many other case competitions draw from Harvard Business School’s extensive archive, Melendez insists on writing his own. “The advantage to using cases like that is that they’re high-quality, easy to acquire and read. The downside is that students have the same access as professors.” To avoid that problem, Melendez writes a new case every year, which is released to all competing teams at the same time several weeks before the competition.

The most recent competition’s case centered on current events, from which Melendez often draws inspiration – recent cases have examined Uber’s business practices, corporate inversions, and the ethics of employer-sponsored wellness programs. This year, students focused on the thorny ethical dilemma faced by Apple after the San Bernadino shooting: how do companies balance the need and desire to help law enforcement access information with the knowledge that any hacking techniques may eventually be learned and employed by more malicious actors?

The students rose to the challenge. This year’s winning team came from the U.S. Naval Academy, with runners-up from Simon Fraser University (SFU) in British Columbia. “Our second-place finish at the competition confirmed that others believed in our recommendation of creating a responsible encryption system,” SFU student Sophie Dee wrote.

**Ethics Winners Come to GES**

In addition to Allen’s role as an advisor to the CLE and a judge at the competition, this year Ethisphere also offered another bonus

to one successful team from the CECC: the runners-up from SFU, Sophie Dee and her partner Rhythm Tang, received the opportunity to travel to Ethisphere’s Global Ethics Summit, held every March in New York City.

Dee, a student in the class of 2018 from SFU’s Beedie School of Business pursuing a BBA in Accounting, was thrilled to have had the opportunity to engage with actual practitioners in the corporate ethics space. As she put it, “Reading about the ethical decisions and problems organizations face from textbooks and newspapers paled in comparison to hearing the speakers at the Global Ethics Summit.”

Although business ethics courses are far more common now than they were even a decade ago, Dee notes how they often still treat ethics as being wholly separate from profit. “My coursework doesn’t touch on the business benefits from investing in ethics. During the Global Ethics Summit...speakers explained how their organizations have seen higher employee retention, stock price, easier recruitment, and higher customer retention from investing in ethics. This session helped open my eyes.”

As many have noted, younger workers increasingly expect their workplaces to align with their ethical standards, and our winners are no exception. “Being proud of the company I work for has always been important to me,” said Dee. “Having an ethical culture plays the main role in that...no one wants to work somewhere they do not feel comfortable.”

Ethisphere congratulates last year’s winners and is looking forward to supporting the Collegiate Ethics Case Competition in the future. Although Melendez won’t say what this year’s case topic would be, he promises that it will be as relevant as ever. Ethisphere is proud to help expose the next generation of business leaders to the clear, verifiable benefits of a commitment to ethics for businesses and society as a whole.



# BOARDS & GOVERNANCE

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## TOPICS COVERED // Diversity & Inclusion

So what's really behind this drive for diversity and inclusion (D&I)? In a word: competition.

Companies across all sectors of the economy are being pushed by rapid changes in technology, demographics and the global marketplace to adapt and respond quickly to the demands of consumers. These consumers are paying attention not just to the price and quality of goods and services, but they are also watching very carefully, in real time, for reputational missteps. Every day we see a major brand taking a hit, with the possibility that customers who leave will never come back. The marketplace is more competitive than ever before.

Though far from the only demand, diversity is one important expectation in modern commerce. Customers, especially younger ones, expect to see diversity reflected in everything a company does—board composition, corporate leadership, marketing, customer service and their choice of outside counsel.

Since the launch of the Leadership Counsel on Legal Diversity (LCLD) in 2009, we have worked with our 265 member organizations, which include many large law firms along with corporations, to develop a wide range of action programs to help diverse legal talent advance toward the ranks of leadership. A big part of this is establishing and maintaining a robust dialogue around D&I in the profession.

In 2017, we are seeing more and more corporate legal departments engaging in frank, meaningful discussions about diversity with their outside counsel. Because corporate clients have sophisticated tools at their disposal to analyze true diversity, these conversations go far beyond completing some chart in an RFP showing the minorities and women on staff. To make the cut these days, firms must show a real commitment to bringing diverse attorneys into the client relationship.

## DIVERSITY IS EVERYTHING

### Competing for Customers, Clients and Talent

Written by Robert J. Grey, Jr.

The legal profession's challenges with diversity are well documented. As traditional centers of power, influence and wealth in America, *big law* in particular has seen little reason to bring diverse attorneys into its ranks, even as it slowly admitted women. But the world has evolved. Younger generations of lawyers—and more importantly, clients—are driving law firms and legal departments to find and retain diverse talent at all levels.

At LCLD, we're beginning to see a much more analytical, data driven approach to the development of a diverse talent pool. Clients are not just taking outside firms' word for it, but are deploying powerful data analytics tools to track the race, gender and ethnicity of the lawyers who work on their business and the amount of work and leadership opportunities they are afforded.

For example, HP, an LCLD Member, announced earlier this year that it would start withholding fees from law firms that don't meet diversity requirements. They will withhold up to ten percent of invoiced charges from firms who fail to bring in at least one diverse relationship partner or at least one woman and one "racially/ethnically diverse" attorney, to perform at least ten percent of the billable hours on HP matters. In a recent interview with *Bloomberg*, HP General Counsel Kim Rivera said she has already been contacted by a number of other *Fortune 500* companies with an interest in developing a similar program.

In the race to meet these new demands, law firms and in-house legal departments are now competing fiercely to recruit women and ethnic and racial minorities, who historically have had much higher rates of attrition from the profession than their white counterparts. To counter this, law firms and others in the profession are now investing in programs that support a diverse group of young lawyers from law school through leadership positions.

LCLD is doing our part. Last year we launched a new initiative, the Pathfinder

*LCLD's goal has always been simple: to create a legal profession that is as diverse as the country we serve.*

Program, to serve diverse young attorneys early in their careers, which can be a particularly challenging time when many decide that practicing law is not for them. And throughout our history, hundreds of attorneys and law students have benefited from our LCLD's Law School Mentoring, IL Scholars, Fellow and Fellows Alumni programs; the vast majority of these lawyers credit LCLD with making a real difference in their careers.

LCLD is not the only organization working to drive change, of course.

This summer, for example, the New York City Bar Diversity Leadership Program is convening 50 associates in this same at-risk career phase—from the fourth to eighth years of practice—for the inaugural Associate Leadership Institute. Hosted by the City Bar's Office for Diversity and Inclusion and taking place over the course of five Fridays, the program will include workshops and keynotes on subjects such as executive presence and communication skills, rainmaking, mentoring relationships and career planning.

Key to this effort is that it was created and is led by a diverse group of young attorneys, with older associates sharing their successes with those more junior. The cost of the program is covered by the City Bar and twenty eight New York City based firms who recognize the value of a deep talent pool representing a diversity of experiences and perspectives.

I'm often asked how I define diversity. My answer is that it's everything. It's gender, ethnicity, sexual orientation, nationality and educational background. Everyone—including white men—brings something to the table.

Diversity's power goes to the heart of what makes the legal profession so important to society. When a company faces a complex legal issue, a homogeneous team will find a solution that is based on a limited point a view, a single lens.

But when a diverse team is tasked with solving a complex problem or crafting the best deal, they bring all of their many varied experiences and talents to bear on finding the very best solution. Because they have

examined the problem from many angles, through many lenses, the client's business interests will be protected and advanced in ways they may never have considered.

Firms and in-house teams who understand this and meet the expectations of the modern world will remain highly competitive in uncertain and fast moving times.

That's an apt description, by the way, of the companies and law firms who joined forces in 2009 and built the Leadership Council on Legal Diversity. LCLD's goal has always been simple: to create a legal profession that is as diverse as the country we serve.

### And We Quote



*He who is different from me does not impoverish me, he enriches me...for no man seeks to hear his own echo.*

**- Antoine de Saint-Exupery**

### Facts & Figures



**90:** the percentage of LCLD Member organizations that participate in at least three of its programs, under a requirement to sign a statement of personal commitment to action.

**Source:** LCLD

### Author Biography

**Robert J. Grey, Jr.** is the President of the Leadership Council on Legal Diversity. He is also a Senior Counsel Emeritus at Hunton & Williams LLP. Robert is a former president of the American Bar Association, and was appointed by President Barack Obama to the Board of the Legal Services Corporation.



**TOPICS COVERED**

// *Strategy & Governance*

I couldn't be prouder that one of VF's cultural hallmarks is the pervasive integrity that drives our actions and is the foundation of all of our business practices. As a board, we are keenly aware that we set the tone, not just with our words, but with our actions. The areas we choose to focus on are intentional and always driven by our guiding principles. We choose to take a long-term focus, and we choose a culture of integrity.

**We shape strategy.**

First and foremost, our board focuses on business strategy and the creation of shareholder value. One of the most critical roles is overseeing the development and monitoring of goals and actions against our long-term business strategy. VF introduced its 2021 Global Business Strategy in March 2017, after a year-long process that included extensive board involvement.

**We promote diversity and inclusion.**

Diversity is a critical focus for our board and a major driver of our long-term strategy. VF's diversity—among our people, our brands, and our consumers—is a source of competitive strength and organizational pride. As we look to the future, we are committed to ensuring a diverse and inclusive workplace, which includes everybody, from the line workers in our factories to our senior leaders and board. As a global company that operates in more than 100 countries, we have unique access to a vast array of perspectives. Tapping into this range of perspectives enables us to achieve better outcomes and, ultimately, greater shareholder value.

One of many ways we demonstrate our unwavering commitment to diversity and inclusion is our 2016 commitment to joining the Paradigm for Parity coalition. By joining, we committed publicly to achieving gender parity in our corporate leadership by 2030. We're putting a stake in the ground that establishes our organization as committed, transparent leaders in this space. We also are actively engaged with the Human Rights Campaign, a leading organization advocating for lesbian, gay,

**FOR THE LONG-TERM**

**Laura Lang on shaping long-term strategy and fostering a culture of integrity**

Written by Laura Lang

The best boards provide a strategic compass for their organizations—helping to oversee their future direction in the near and long term. I believe deeply that the best boards also serve as a moral compass for their organizations' vision and values. As a member of the board of VF Corporation, a global leader in branded lifestyle apparel, footwear and accessories, I am deeply invested in the culture of our board and of our organization.

bisexual, transgender and questioning (LGBTQ) equality. Both these commitments foster a diverse culture that encourages creative and unique business perspectives.

### We take a long view of board and leadership succession.

We think long-term about board succession. The fact that we have a mandatory retirement age of 72 gives us a unique opportunity to plan ahead for board refreshment, and ensures that our board reflects where our company is going strategically. We have three female directors on the board and expect that number to grow as we achieve our Paradigm for Parity milestones and enact our diversity goals.

Another protracted focus of our board is thoughtful and deliberate CEO succession planning. VF recently completed a long-planned and well-executed CEO transition. VF's former CEO and current executive chairman, Eric Wiseman, identified a slate of potential successors and presented them to the board shortly after he assumed the CEO role in 2008. Over several years, our board had continual discussions and engagement with our potential CEO candidates. Based on that extensive process, we selected our new CEO, Steve Rendle, who began his role on January 1, 2017. Steve has already begun a similar succession planning process with the board.

### We commit to corporate social responsibility.

We recognize that sustainability initiatives, from climate change to workers' rights, drive value as well as a culture of integrity. Worker safety is a particular focus for VF, and we are founding members of the Alliance for Bangladesh Worker Safety, an organization that shares our organization's steadfast commitment to worker safety across the supply chain. Our work with the Alliance has granted us new insights about factory safety that

we have extended across our global supply chain, which includes more than 1,000 supplier factories. In addition, through VF's Responsible Sourcing program, we are sharing VF's values-driven internal manufacturing model with our contract suppliers to positively influence our supply chain and the industry.

We recently added formal oversight of VF's sustainability activities to the Nominating and Governance Committee charter. This gives our board the opportunity to closely oversee key programs and developments in these areas, which are so important to our company's integrity.

### We carefully consider risk.

As a board, we continually size up the challenges and disruptions that risk impacting VF. To make sure we're on top of these risks, our board oversees risk assessments and audits focused on the achievement of our strategic plan. Ensuring this commitment is the board's partnership with external auditors to better understand how the company addresses identified risks.

When boardroom issues arise, as they inevitably do for any company, a forward-looking board must continually ask: How does this decision fit with our overall long-term strategy? It's the board's role to do what's truly best for the company, which includes building shareholder value over the long term and not just quarter-to-quarter.

In so doing, we set the tone. It's an honor and a big responsibility. We do our best to lead with independence and accountability, and ensure that management achieves meaningful progress against the initiatives that underpin VF's culture of integrity. Our ethical culture is central to VF's strategy and shareholder value. Actions always speak louder than words, and I'm deeply proud of the actions we're taking.

### Facts & Figures

# 170

VF has a footprint in 170 countries worldwide.

Source: VF Corporation

### Author Biography

**Laura Lang** has served on the VF Corporation Board of Directors since 2011. Ms. Lang has been the Managing Director of Narragansett Ventures, LLC since January 2014. Prior to this role, Ms. Lang was the Chief Executive Officer of Time Inc., a division of Time Warner, one of the largest branded media companies in the world, until 2013. From 2008 until she joined Time Inc. in 2012, Ms. Lang was Chief Executive Officer of Digitas Inc., the largest digital agency in the world and a unit of Publicis Groupe S.A.Ms.

### Stats & Data

#### Board Performance Evaluations Should Be Regular

One necessary component of a strong board is ensuring that all board members are contributing well to their governance duties. That makes periodic efforts to measure the board's performance, both as a group and as individual directors, imperative.

#### How frequently does your company conduct performance evaluations of the Board or individual directors?



Annually, Full board



Annually, Individual Directors



Every 2+ years, Full board



Every 2+ years, Individual Directors



Ad hoc, Full board



Ad hoc, Individual Directors



No eval., Full board



No eval., Individual Directors

**Conclusion:** Companies are much more likely to conduct performance evaluations of their entire boards than they are to review the performance of individual board members. However, individual performance on the board is just as important as individual performance in any executive role, and board and committee functions can be hampered by underperforming board members.

**Source:** Ethisphere's Early Insights from 2017 World's Most Ethical Companies® Honorees



## A Community Committed to Solving the Big Challenges of Business Integrity. **Together.**

The Business Ethics Leadership Alliance (BELA) is a globally recognized membership organization of leading companies that fosters the sharing of best practices in governance, risk management, compliance and ethics. With founding members that include GE, PepsiCo and Jones Lang LaSalle, BELA's goal is to enrich its members through the collective experience and expertise of their peers, and come away with actionable strategies to help their programs perform better. The members of BELA collectively believe that by leading the way in ethical corporate behavior, you can have a direct impact on company performance.



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*Feature*

# CONVERSATIONS ON CULTURE

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## *A Strong Culture Comes from Engaged Leaders*

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Illustration by RJ Matson

Creating an ethical corporate culture is certainly a momentous achievement, but it's never the finish line. Cultures require constant vigilance to ensure that the right values remain ingrained in every aspect of operations across an organization and that new trouble spots don't develop.

Creating and then sustaining an ethical culture is not just a job for the ethics and compliance team—to be truly successful, it requires buy-in from employees at all levels. In the following pages, we explore strategies for accomplishing this goal. We lead off with Hui Chen, until recently the U.S. Department of Justice's Compliance Counsel Expert, who lays out one approach for organizations working across cultures. Other contributors discuss making your ethics central to your corporate identity, as well as effectively measuring and communicating your ethical commitments to employees. We also get a sense of the bigger picture: ethical corporate cultures don't just generate returns for individual companies, but for entire societies. Turn the page to find out more.



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

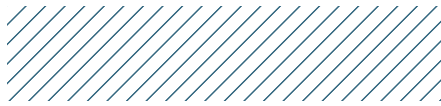
## THE CRM OF ETHICS & COMPLIANCE

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.”

*The values that guide compliance - honesty, fairness, kindness - have their expressions in every culture.*



**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 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.



## TRANSPARENCY IN REBRANDING

A Conversation with Bill Amelio, CEO of Avnet, Inc.

Interview by Tyler Lawrence

Avnet, a global design-and-supply chain service provider and distributor of electronic components based in Arizona, recently refreshed and launched its global brand identity. Bill Amelio, CEO, talks about using that rebranding as a chance to reaffirm the company's core commitment to ethics, his own belief in the importance of transparency for corporate success, and how managers should stop trying to be ethically "bulletproof."

**Avnet recently rebranded, and in that process, you redefined your core values. Can you talk a bit about that?**

**BA** We surveyed more than one thousand customers and conducted interviews with many leaders across the company. Through those interviews, we were able to pinpoint six authentic characteristics that better reflect what we do for our customers. Those six authentic core values are: integrity, objectivity, know-how, ingenuity, empathy and collaboration. We don't see them as anything new, but as a refinement of who we are.

**You're relatively new to the CEO position at Avnet, having taken the job less than a year ago. Can you talk about your approach to your executive role?**

**BA** This is my third CEO role, so I've had the privilege to be in this seat before and I believe that there are three basic processes critical to the success of any company: the strategy process, the talent management process, and the execution process.

One of the things that we've done is make sure that we all completely understand the current strategy and that everyone is on the same page. We've also had great history with respect to elevating young leadership and presenting them with opportunities to cross-train and move and develop laterally through the organization. And on execution, we review regularly what is happening in all business units so if there are problems, we can identify them as they develop and fix them before they cause financial impacts.

**Does revamping those processes give you a chance to look at ethics processes?**

**BA** Absolutely. As I mentioned, one of the core values is the integrity of the company. When I think about hiring somebody, I think about three things: their intellectual horsepower, their passion, and their integrity. Integrity is the most important of all of them. Without integrity, you can destroy the reputation of a company if you have unscrupulous character. We walk the talk and lead by example. We encourage awareness and participation across every level of the company, in addition to having a really robust ethics and compliance office that reports directly to the board of directors.

**You've been particularly vocal about how important it is for executives to be transparent with employees. Why do you think this kind of transparency is so important?**

**BA** The most powerful companies are the ones that are able to align their people to the same set of objectives and get everybody to row in the same direction. Having regular forums with senior leaders, open Q&A sessions at town halls, and business updates are all critical to make sure everybody knows about opportunities and challenges and how we're facing them. We should be able to stand the scrutiny of difficult questions.

Additionally, I think "360s" are a must in every organization, when you get independent, anonymous feedback from people who report to you, your peers, and the people you report to. It starts with the CEO. I've been here less than a year and I've already done a 360 review, and I shared my findings with the top extended team as well as the board of directors. Here are my strengths that you identified, here is where I can develop, and here is my action plan. Feedback is a gift, and if you don't act on it, then you only have yourself to blame.

**Any stories illustrating how this transparency plays out in interactions with employees?**

**BA** There's actually an anonymous pen pal that we have inside the company, and this person goes by "Chip Avnet." This employee periodi-



cally sends me short emails. I respond to them, and I've actually used some of the really hard questions in town hall meetings because I know they're on other people's minds too. I think that's a way to demonstrate transparency, and it's actually surprised "Chip."

One other vehicle that we use is a new intranet site called Compass we introduced last year. It operates a lot like a newsroom, and it's open for employee comments. We don't censor anything. If employees disagree with strategy or a decision, we've seen employees go into a dialogue about that, and I think that's a healthy way to answer questions and listen to people's concerns.

**You've also held the CEO role at other companies. What have you learned over the course of your career in terms of ethics and compliance?**

**BA** Earlier in my career, when the audit team would come do an audit of my particular area, we'd try to do whatever we could to be bulletproof. That's not necessarily the best approach. You want to be concerned about compliance and driving a sense of urgency. But if you don't have any findings, it usually means you don't have a good audit function. I appreciate now how important audit is to discover trends that may be developing innocently, to catch them early before they become a problem. It helps build a stronger organization from an integrity point of view.

There should be an open understanding that there will always be some issues, and that it's healthy to find them. If we get zero calls on the hotline, it's not very effective as a hotline. You want to make sure there's some level of traffic, or it means that people aren't talking about problems. The problems could be trivial, but you want to hear about them.

**How do you get your managers on board with that point of view, that they don't need to be "bulletproof?"**

**BA** I get our top 150 leaders on the phone on a monthly basis, and audit is a key topic of discussion. The message is that there's never a retribution if you have a finding, there's a retribution if you have a cover-up. If you give that sort of message regularly, it gets through. Healthy organizations put problems on the table and get them fixed, versus organizations that try to shove problems under the rug.

**Expert Biography**

**William (Bill) J. Amelio** was named chief executive officer of Avnet in September 2016. He has been a member of Avnet's board of directors since 2014. Amelio's experience includes serving as chief executive officer and president of CHC Group, a global helicopter services provider; president and chief executive officer of Lenovo Group Limited; senior vice president/president for the Asia-Pacific/ Japan region of Dell; and leadership roles at NCR Corporation, Honeywell International and IBM. Mr. Amelio previously served on the board of directors of National Semiconductor. Amelio and his wife, Jamie, founded and continue to lead Caring for Cambodia, a nonprofit organization that works to educate the children of Cambodia through building schools, training teachers and providing for basic human needs.



## FIGHT CORRUPTION, BEAT POVERTY

HL Rogers on How Corporate  
Anti-Corruption Work Helps Fight Poverty

Written by HL Rogers

**Corruption creates poverty, private industry destroys poverty, and ethical companies destroy poverty faster. For this statement to be fully true, private industry must take the initiative. Anti-corruption compliance in emerging markets is driven too much by the directives, priorities, and impulses of the US and UK governments (and a line of other governments following their lead).**

I say this not to criticize the government prosecutors, but to focus on the companies that fall under their jurisdiction. Companies that enact compliance initiatives for the primary purpose of avoiding the pains of prosecution or investigation often make poor decisions leading to slothful inaction or wasteful and inefficient action. Instead, corporations should seize the initiative on anti-corruption compliance because it is good for their customers and good for business. Ultimately, when corporations efficiently improve compliance and reduce corruption, they also effectively join the fight against poverty. Private industry has been the primary tool around the world to reduce poverty, not government, and reducing corruption often increases private industry's ability to increase revenue and thus reduce poverty. If corporations can enhance that ability to reduce poverty by enhancing compliance, we all become winners.

Corporations need the cooperation of government, to be sure, especially in the form of reforms forcing governments to be less corrupt in order to create needed changes. But ultimately, private industry must take the lead and carry the responsibility of building a less poor and more ethical society. Several years ago I had a client in China who reported potential bribery to the local corruption agency. The next day the agency officials arrived in their black sedans at company headquarters. My client had prepared a detailed report on the potential incident, complete with an action plan and a willingness to face the proper and legal consequences. The local agency was uninterested. They instead wanted to know what the company was willing to pay the officials in attendance to make the problem go away. Unfortunately, companies cannot necessarily rely on prosecutors, regulators, and agencies to lead the way.

The first reason private industry should seize the initiative on compliance can be simplified into the mantra that reducing corruption reduces poverty. Reducing corruption and the corresponding illegitimate power it gives to governments over private industry is a societal good. Government corruption has an outsized impact on poverty. It is no surprise that the countries with the deepest poverty are also the most corrupt: Venezuela, Cuba, North Korea. As the IMF has shown, government corruption dampens growth, creates biased tax systems, and hampers social programs. All of these effects lead directly to an increase in poverty.

The IMF study further found that "a broad measure of social spending" appeared to have no effect in reducing income inequality in corrupt countries. This suggests that governments were not only the problem, but they may not even be able to create the solution.

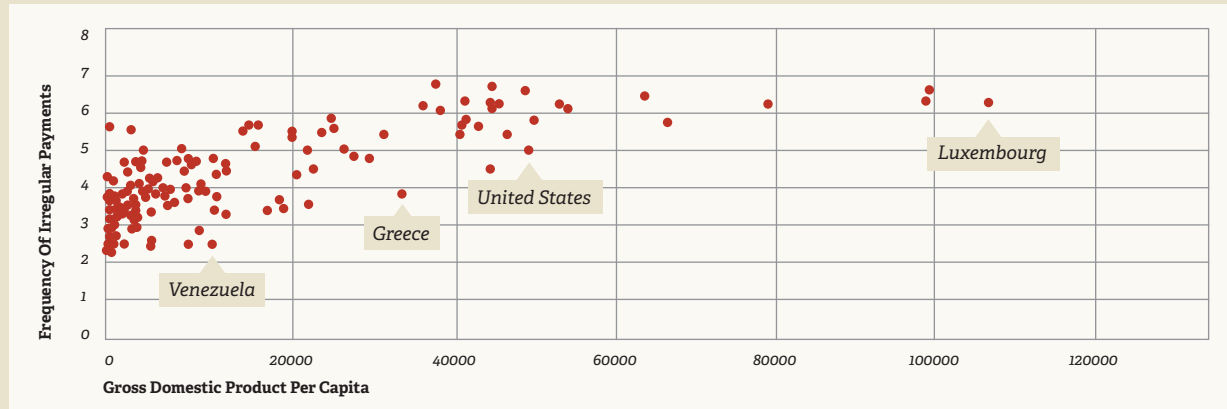
On the other hand, private industry has had an enormous impact in reducing poverty over the last 30 years. Between 1990 and 2010 global extreme poverty was cut in half—5 years ahead of the United Nations' Millennium Development Goals.

The reduction in poverty was driven by growing economies through free and open markets and expansive trade. As the Economist reported: "Around two-thirds of poverty reduction within a country comes from growth."

Private industry has been the driver for poverty reduction and it should fight corruption to accelerate its impact. As companies and markets grow poverty declines. And as the IMF showed in its study, corruption must be reduced for that growth to increase.

## Facts & Figures

### CORRUPTION & GROSS DOMESTIC PRODUCT PER CAPITA



**Source:** World Economic Forum, Global Competitiveness Index 2016. For links to the sources and research in this piece, and for more data-driven content, find this piece online at [insights.ethisphere.com](https://insights.ethisphere.com).

*Corporations should seize the initiative on anti-corruption compliance because it is good for their customers and good for business. Ultimately, when corporations efficiently improve compliance and reduce corruption, they also effectively join the fight against poverty.*

This leads to the second reason companies should take the lead on fighting corruption: corruption slows economic growth. Thus, the reduction of corruption increases company revenues and profit. Various studies have found that corruption reduces economic performance because of “rent seeking, an increase of transaction costs and uncertainty, inefficient investments, and misallocation of production factors that come with corruption.”

A recent study from the Max Planck Institute found evidence that in countries where bribery is rampant “non-bribing (or less frequently bribing) competitors are likely more efficient in production and growth and are better at complying with bureaucratic regulations, as otherwise they would be displaced from the market.” Thus the non-bribing companies, even in highly corrupt countries, are better performers. By remaining compliant, they arguably increase their revenues. This is also the case in countries where bribery is less common where “bribery acts as an additional fee, or an increase in operational costs that only impedes firm performance.”

In other words, companies that increase compliance and reduce corruption increase their bottom lines—regardless of the countries they operate in. They are better performers and more efficient. There are certainly short term corrupt winners—companies that bribe often benefit in the short term. But over the long term clean companies, forced to be more efficient and effective at seeking revenue and profit, likely outperform their corrupt competitors. This is an argument that all compliance officers can take to management, the board room, and shareholders.

Compliance officers must pay close attention to the regulatory and prosecutorial regimes within which they operate. But those regimes cannot be the impetus driving compliance efforts. They are not faced with the same incentives private industry is: to grow the economic pie. It is that very incentive that should drive companies to reduce corruption. It is that incentive compliance officers should exploit. Companies need to grow and increasing compliance and reducing corruption will accelerate that growth. And when growth is accelerated, poverty declines.



#### And We Quote

**Corruption never has been compulsory.**

- Anthony Eden

#### Author Biography

**HL Rogers** is Executive Vice President and Chief Ethics and Compliance Officer for Millicom. Previously, he was partner in the Washington DC office of international law firm Sidley Austin LLP where he represented individual, corporate and government clients in compliance issues and complex litigation.

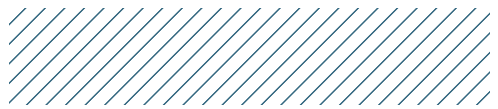


## THREE YEARS TO GO

How the Skills Revolution is Changing the 2020 Workplace

Written by Leslie Mays

We are in the midst of the fourth industrial revolution. While technology—Artificial Intelligence, 3D printing, drones and wearables, for a start—is a big driver, equal impetus comes from the twin challenges of talent scarcity and what the modern worker wants from a job. Companies will have to hire employees with new skills even as those workers' expectations become less professional and more holistic.



While disruptive events around the world have strained global cooperation, they also have highlighted the need for equity, transparency and accountability in decision-making. All of these forces combined will have a profound effect on the workplace of the future, and, as a result, the organizational culture of every company in virtually every industry.

The next three years will be pivotal. Companies will be grappling in real time with three major imperatives: building for an unknown future; cultivating a thriving workforce; and attracting and retaining tomorrow's talent.

Mercer recently released our *Talent Trends 2017 Global Study*. Subtitled *Empowerment in a Disrupted World*, the report includes findings from a survey of business executives, human resources professionals and employees from 37 countries and 20 industries.

This report includes not just survey results but also concrete advice for companies to stay ahead. A critical piece in all of this guidance is around constructing the right culture.

So how to build a culture when we don't know what the future holds? *Agility* will become increasingly important in the near future. Companies struggling to determine what's next should be asking themselves a number of questions, key

among them: "What culture do we need to have in place to facilitate success?" and "How does that translate into leader and colleague behavior?"

Key to a future focused approach is identifying which people and roles will be driving the business forward. Given the pace of change, it's quite likely many of them won't have formal positions of influence right now. Expect to see Chief Data Officers and cybersecurity talent getting a seat at the table very soon.

Whether drawing from current ranks or recruiting from the outside, the most effective way to meet shifting market demands is assembling talent with a diverse set of capabilities. Hard skills, particularly those related to data analytics, will be highly sought after. But just as important will be so-called *soft skills* related to innovation, including a global mindset, an entrepreneurial spirit, looking constantly for new ideas, calculated risk taking and character traits such as tenacity and resilience.

These traits have not traditionally been measured, but our survey shows that nearly 3 in 4 organizations globally are drawing upon the rigor of talent assessments measuring key personality traits and cognitive ability. These sophisticated metrics look for underlying qualities not just for promotion or hiring but also for success in future roles, including some that don't yet exist.

Also essential is creating an agile and empowered workforce for the big changes expected in the near future. Doing so will require fresh styles of leadership, new rules for establishing teams and innovative approaches to develop talent.

The detrimental effects of stress are now well known. The best companies understand the most motivated employees are healthy and energized, can grow and contribute and feel a sense of belong-



*Health has now surpassed money and job title as a priority for workers—they overwhelmingly wish to be treated as a whole person. With an increasingly diverse customer base domestically and globally, failing to understand the relationship between inclusiveness and brand loyalty could be the difference between blockbuster success and obsolescence.*



ing. Health has now surpassed money and job title as a priority for workers—they overwhelmingly wish to be treated as a whole person—but our survey showed that only 41 percent of companies are focusing on the physical well being of employees. Even fewer have policies in place for psychological (37 percent) and financial (35 percent) health.

Given that company leadership has identified talent scarcity as its biggest challenge, one of our most surprising findings was that Diversity and Inclusion (D&I) falls well below respondents' top five priorities for the year.

While 96 percent of companies have D&I plans in place, only 14 percent of executives surveyed believed that D&I investment would make a sizable difference in their company's performance. And fewer than one in three human resource professionals reported their D&I strategy being tied to business goals.

With an increasingly diverse customer base domestically and globally, failing to understand the relationship between inclusiveness and brand loyalty could be the difference between blockbuster success and obsolescence.

Attracting and retaining quality talent will be a significant differentiator between competitors. Global companies now operate in a diverse workplace that must adapt to five generations

with different norms and expectations about what it means to have a fulfilling career. A range of interactions, from recruitment to employment to treatment as alumni, will have an impact on attraction and retention of the brightest stars for the future.

A strong digital presence is now a corporate imperative, especially when trying to reach potential "great fit" employees. This isn't just about efficiency—for example, targeting qualified candidates with algorithms capturing and evaluating social data—but also to ensure a positive candidate experience.

Advancing women through development of robust talent pipelines continues to be one of the most pressing talent related issues for global companies now and over the next few years. Despite well-intentioned efforts, the parity gap is widening. Mercer's research, set out in our 2016 *When Women Thrive* report, indicates that, given this limited progress, businesses are not on track to achieve gender parity—even by 2025. Currently, women make up only 35 percent of the average company's workforce at the professional level and above. Meaningful efforts to close this gap will benefit not just women, but will create a thriving workforce overall.

As in all relationships, the quality of communication makes a huge difference. While analytics can alert managers when employees might be a retention risk, only individual managers' abilities to have effective stay conversations and engage teams in future focused career planning will result in a vibrant, sustainable culture that will prevail over the next three years and beyond.

### Facts & Figures

1/3

On average, by the year 2020, more than **a third** of the desired core skill sets of most occupations will be comprised of skills that are not yet crucial to the job today.

Source: World Economic Forum

### Author Biography

**Leslie Mays** is a Partner in Mercer's Workforce and Careers business, leading the firm's Diversity & Inclusion consulting practice. Mercer is a global consulting leader in talent, health, retirement, and investments.



## MESSAGE AND MEASURE

Getting the Most Out of Your Efforts to Measure Ethical Culture

Written by Douglas Allen

After assisting dozens of companies around the world in this work, we have noticed a common factor that separates those who measure ethical culture well: the degree to which the company supports their efforts with robust, periodic, and diverse communications throughout the entire process.

If you are considering surveying your employees on their perceptions of ethical culture, we recommend supporting your efforts with a well thought-out pre-, mid-, and post-survey communication strategy. Investing in the right amount and type of communication resources at each stage of the process will encourage participation, build awareness of the impact of participation, and build engagement for future measurement efforts – while enhancing organizational perception of the compliance program.

### Before You Measure – Inform and Prepare

A critical, albeit obvious, tool for bolstering employee response rates to your survey is a pre-survey notification communication campaign. Take advantage of your existing ethics and compliance communication infrastructure to set the context for why participating in the perception survey is so important and how employee input will be used to shape the program. Are you considering enhancing compliance training as a result of the feedback collected? Explain to your survey participants ahead of time that their input will have direct impact into how future training plans are developed.

In our experience, successful messaging campaigns are multimodal and go beyond email. For instance, place a message on the compliance and ethics intranet homepage, hang posters in offices, encourage middle managers to mention the forthcoming survey in department meetings. Have regional compliance and ethics liaisons around the world? Give them the tools and messaging to disseminate the message across their respective jurisdictions.

Don't limit your communication efforts to only those receiving the survey. Use your pre-survey time as an opportunity to engage with managers

to communicate expectations behind what will or should be done when the results come in. Failing to prepare managers is a surefire way for all of your hard work measuring and documenting your company's ethical culture to go from data to insight to...nothing. For example, if the plan is to isolate underperforming locations or business units and follow up with focus groups or interviews, prepare leaders of those groups in advance by informing them that you will follow up with areas identified as having ethical culture weak spots. Think through how you will need these managers' support during and after the ethical culture survey is administered, and set expectations as much as is feasible up front.

Unsure as to what communication mechanisms might work best at your organization? Try reaching out to your Human Resources colleagues. HR often runs regular employee engagement surveys and may be a helpful resource in communicating before, during and after the survey process.

Finally, in an environment where cyber and phishing attacks are increasingly common, using your communication platforms to inform your workforce of the forthcoming survey (especially if using a survey software platform or partner) will build confidence that the communication is legitimate.

### Mid-Survey Messaging – Go Beyond Broad Reminders

Undoubtedly, when surveying your workforce on their ethical perceptions, supplying periodic reminder messages is an easy way to bolster participation. We have observed that a contributing factor to what separates a "good" from a "great" ethical culture survey response rate is whether the company has local support

*Measuring employees' perceptions of your company ethical culture is time and resource intensive, but can yield tremendous insights. Don't let a substandard communication strategy hinder these efforts.*



in encouraging participation. In other words, don't rely solely on periodic emails to employees if possible. Work with your survey provider or partner to receive periodic response rate updates broken out by business unit, plant, country, or however else you classify your employees and parlay this information into personalized messaging. Identify key managers for low participation locations and arm these leaders with customizable language they can use to cascade down throughout their organizations or regions.

Don't forget to inventory and document survey completion rates by these demographic criteria as part of your overall ethical culture analysis. Multiple organizations we have collaborated with in measuring ethical culture use these meta data points of low participation as indicators of potential issues. Discovering a significant proportion of employees in a particular location chose not to participate in the ethical culture assessment may suggest additional research is needed.

#### **Build Trust through Transparent Post-Survey Communications on Findings**

The communication should not cease once your ethical culture survey efforts have closed. Ethisphere recommends as part of your post-survey follow up that you reach out to participants and let them know that their voices have been heard and the changes or actions that may occur as a result of providing their input.

Consider sharing with your employees – and not just managers – sanitized stories and insights coming out of the survey data. By illustrating key insights and subsequent planned program changes, employees are shown how the time and energy dedicated to the survey effort is resulting in real change. This can result in increased trust through transparency and enhanced engagement in future survey activities.

Doing so requires a change in perspective: don't view your efforts to measure ethical perceptions as a discrete event. Instead, view it as a continuous activity. Measuring employees' perceptions of your company ethical culture is time and resource intensive, but can yield tremendous insights. Don't let a substandard communication strategy hinder these efforts.



#### **Author Biography**

**Douglas Allen** is a Managing Director in Ethisphere's Data and Advisory group and is available at [douglas.allen@ethisphere.com](mailto:douglas.allen@ethisphere.com)

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# RIDING THE WAVE



## *How Culture Will Drive Success in the Data Revolution*

Written by Sue Lyon-Boggs // Art by Marc Aspinall



Only a few years ago, ethical behavior around data was regarded as an engineering issue relegated to stewardship by technical wizards tasked with keeping it secure and private. Our collective learning curve has been steep. It's now clear to most everyone that data is an inherent part of doing business. Every company is now a technology company—working within the Internet of Things, the infrastructure of our information society—whether they want to be or not.

**Those riding this sea change successfully will have one critical characteristic: a culture that grapples openly with how data affects their operations, their employees and their customers.**

While none of these companies has a crystal ball—in fact, those tackling it head on will tell you unintended consequences are part of modern commerce—what they do possess is a sturdy yet flexible culture with several key qualities.

**They take a broad view of data risk in business.** “Companies are realizing that concerns beyond cyber security and data privacy are not emerging risks but are existing risks,” says Brian Beeghly, a former vice president of compliance at Johnson Controls and now a co-founder and CEO of Informed360, a technology company that utilizes data and benchmarking to support clients in ethics and compliance programs.

Beeghly says it’s critical for organizations to look carefully and routinely at the potential for problems that arise from a combination of data collection and subsequent analysis. “We all are making a personal digital footprint with every transaction and click,” he says.

Pulling this data together means it’s possible to understand very granular information. For example, where we fly, the seats we pick on the plane, the kind of car we like to rent and whether we like boutique hotels or five star chains. Companies need to think through how building these models for individual customers will be received.

This can be a real cultural challenge for companies whose businesses have not historically dealt in data but must now rise to new challenges. So Chief Data Officers (CDOs) may find themselves dealing with issues far beyond original job scope.

A consumer products company, for example, may just be starting to grapple with the management of end user consent data. Customers may be providing consent for the use of information collected by the company on a variety of platforms, including its website, in an app, in the connectivity features of a product and at the point of sale. Each platform has a separate consent agreement created by a discrete business unit and maybe even separate legal teams.

So interpreting data at an aggregate level may be difficult and ineffective because of the way it has been gathered reflects the structure of the company in its historic way of doing business rather than what’s needed to address the commercial realities of the present. Trying to bring together all of these data streams in a meaningful way becomes expensive and very complex.

Companies dealing well with these issues, on the other hand, recognized early that they must transcend the way things have always been done. Looking far beyond traditional risk areas, they take steps to integrate data governance into the product development process and carefully guide the development of the IT systems that collect and manage consent information.

**Durable cultures put a premium on process.** Amaresh Tripathy, an Analytics Leader and Partner at accounting giant PwC, says the key to putting big data insights to work in an organization is through rigorous process. He emphasizes that his team relies on four key stages in a project: discovery, drawing insights, action and outcome.

Tripathy also teaches a data analytics class at the University of North Carolina at Charlotte. He says he uses this same process in a case study with his students, where they evaluate what he calls an “excellent” data set of crime rates for the city of Charlotte. In discovery, the students dig into the data set and engage in intense evaluation exercises. The insights process involves an equally structured method of drawing conclusions gleaned from the discovery phase.

Then comes the painful exercise of determining how these insights can be put into action. Where should police officers be



“Put in historical context, this projected upheaval is nothing new. Every major technological innovation has put industries out of business, but it has also established vocations that had not previously existed. Internal combustion was a death knell for buggy manufacturers but ushered in the rise of the modern automotive industry. The difference in this revolution is that the life cycle of skills is shorter than ever and change is occurring at an unprecedented scale and pace.”

deployed for best use? At what times and on what days? Should they be in cars or on foot? Coming up with actions that are supported by data insights is tough, says Tripathy, because even in a business context, the exercise forces the tough decisions. Yet he sees enormous potential for upside. “Leveraging data to determine how to best use a scarce yet essential resource like law enforcement can have a large and positive effect on society.”

The message in the final stage, outcome, is that the process is never really final. It’s important to evaluate which actions worked and which did not. Things change constantly and rapidly, and the process of data collection must begin again and bring to bear what’s been learned in previous phases. “What’s working now won’t necessarily be effective two years from now,” says Tripathy. “It’s a constant process to stay out in front of trends.”

Beeghly also touts the benefits of having a structured, well-articulated process that works throughout an organization, particularly in the face of a crisis related to data. It’s impossible to avoid every misstep and remain competitive in the face of disruption across every industry. “But when things do go wrong, you can take a look back at the process that led you there, disclose what went wrong to the extent possible and incorporate what you’ve learned back into the process.”

A recent white paper from Deloitte titled *Building a Culture of Continuous Improvement in an Age of Disruption* emphasizes that successful initiatives arise in a culture of data driven deci-



sion-making rather than one where the loudest voice in the room carries the day. Without an objective process to make decisions, the authors state, “managers with the most persuasive or aggressive personal styles often win—whether or not their pet projects are the most beneficial to the business.” In this way, strong data analysis can support a culture of continuous improvement.

It’s not until faced with an unintended and very public consequence that a company’s ethical mettle is truly tested. Those that make it through such a crisis with their reputation intact and have the best chances of long-term success have built a culture where rigorous, formal processes permeate all of their operations and conversations.

Just as important, the process should be something a company can communicate fluently when such a crisis arises, so the public understands the current controls and the steps taken to mitigate damage.

**Transparency is critical with customers and within the company.** Companies must now look at risk from a wide variety of angles; equally important, they must have open and frank discussions about the organization’s tolerance for risk. Each new iteration of a product or service opens up a potential ethical dilemma.

Organizations must weigh providing customers with a new option that provides more convenience with its potential for exposure. Privacy agreements must reflect these new conditions. While the market has thus far shown that most consumers are willing to trade some privacy for free services, as unintended consequences become clear as the industry quickly matures, this may not be the case down the road.

It will be increasingly important for companies to be open about how they are going to use a consumer’s data. Maybe they promise not to sell the data, but do they buy other data and aggregate it with their own and monetize it? Are they taking that data and using it someplace else? For example, GPS systems may be tracking a person’s visits to areas with high crime rates. A hypothetical question might be: can this data then be sold to insurance companies that result in a raise in rates?

This secondary market for data is big business, and it opens up enormous debate about informed consent and other transparency issues. An article titled “Fuel of the Future” in the May 6 edition of *The Economist* draws an analogy between data and another resource with a history of contention.

“Data are to this century what oil was to the last one: a driver of growth and change...Digital information is unlike any previous resource; it is extracted, refined, valued, bought and sold in different ways. It changes the rules for markets and it demands new approaches from regulators. Many a battle will be fought over who should own, and benefit from, data.”

The piece notes that it took decades of small operators jostling for position before well-functioning markets for oil began to emerge; similarly, the nascent marketplace for data is populated with wildcatters rather than cartels, opening up fundamental challenges on the regulatory front: “The dearth of data markets will also make it more difficult to solve knotty policy problems. Three stand out: antitrust, privacy and social equality.”

The only things certain for now are that regulators must do their best to be as nimble and adaptive as the companies making plays in this field, and that organizations engaged in buying, selling, aggregating and distributing customers’ data must anticipate not just regulatory measures but also public expectations.

Ultimately, behaving with integrity—complex though it is in this climate—boils down to protecting relationships of trust. Richard Buchband, Senior Vice President, General Counsel and Secretary at ManpowerGroup, emphasizes that reputational capital remains the most valuable asset a business possesses.

## INSIGHTFUL DATA & RESEARCH



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“Unless senior management and boards invest time and energy understanding the many disparate data streams flowing into the company and then develop an effective, ethical strategy for centralizing data assets and for leveraging them as part of an overall business strategy, these walls may never break down. Without leadership to shift the culture, they will be left behind.”

Like many companies, ManpowerGroup is devoting resources to protect itself and its clients against the latest generation of phishing activity. “We are constantly working to stay ahead of these scams, testing many different formats within our systems,” says Buchband. “We work in partnership with our clients, helping them minimize their own role in risk as well as being transparent about the ways in which we are protecting their information.”

Phishing scams are growing more and more sophisticated. Scammers are continuing to develop methods that appear legitimate even to a generation that has lived with technology since childhood. “There is a tremendous financial incentive for this type of activity,” says Buchband, “so it’s not going to go away.”

So it’s critical to stay ahead of the curve, particularly in the new gig economy that employs large numbers of freelancers. A data breach that exposes part time employees can mean the loss of confidence of both current and potential workers, leading ultimately to a chilling effect on hiring.

**Ethics and technology are no longer in a silo.** Buchband and his team focus not just on traditional risks like data security and privacy but on broader social implications of a particular decision. “To do this right, it’s critical not to compartmentalize,” he says.

Beeghly agrees. For years, companies have been analyzing product liability claims and incorporating what they’ve learned into the development phase to build a better, safer product. “Expertise on ethical issues can be brought to bear at the same time and in much the same way.”

Potential ethical liability needs to be considered from the very beginning of the development process because the fiscal and reputational costs of fixing even a minor ethical misstep can be very steep. The companies engaging compliance and ethics personnel at the earliest stages of a new product or service will ultimately have fewer issues down the road, although the tension between addressing ethical issues and being first to market will continue to be a challenge.

The technological disruptions affecting almost every industry will also eventually mean a profound change to the formal influence of Chief Technology Officers and Chief Data Officers (CDOs) especially at large corporations. Drivers for this trend are both ethical and bottom line oriented.

In non-traditional industries such as consumer products, for example, an effective CDO can convince the compliance, audit and legal functions that a systematic approach to data management can reduce risk while also improving operational efficiency and increasing data quality.

Engaging a CDO on the business side can reduce, rationalize and centralize data purchases, which in traditional environments are still executed by narrow business units, which have only limited rights. He or she can also facilitate discussions across departments, so successes in one area may be replicated in others.

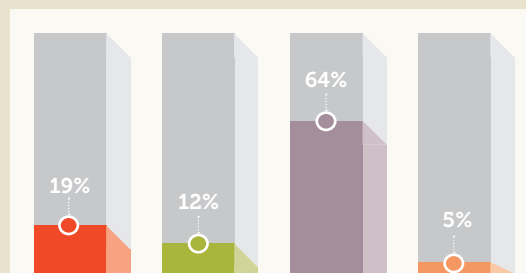
And since all major business enterprises rely on data, nothing is more important than ensuring its quality. Low quality data means that engineers in particular can spend large amounts of time transforming, translating and reconciling information. An improvement in quality, then, measurably reduces the cost to create and maintain the analytical data assets, thereby reducing the cost of analytics.

Only cultures that are bold enough to have conversations about breaking down internal barriers and finding ways to collaborate will succeed.

For smaller, younger companies, this may be easier as they have grown up with roles across departments having a data component. They are much more likely to already be recognizing that data and automation issues must be baked into the corporate planning process.

But larger, older enterprises not “born digital” are bound to face turf wars that will stall progress. Unless senior management and boards invest time and energy understanding the many disparate data streams flowing into the company and then develop an effective, ethical strategy for centralizing data assets and for leveraging them as part of an overall business strategy, these walls may never break down. Without leadership to shift the culture, they will be left behind.

### Facts & Figures



#### Digitization and the Workforce

“How will digitization increase or decrease headcount?” Despite rhetoric, the majority (64%) of employers expect no change. 19% actually expected digitization to increase headcount for them, and only 12% expected headcount to decrease. Another 5% didn’t know.

**Source:** “The Skills Revolution,” ManpowerGroup

**Never forget the importance of the human element.** In July of 2016, ManpowerGroup commissioned a quantitative global study, *The Skills Revolution*, surveying more than 18,000 employers in 43 countries and across industry sectors.

For the short term, the outlook of employers was very positive, with only 12 percent of employers planning to decrease their headcount as a result of automation. The other 83 percent expected to increase their headcount and up skill their people over the next 24 months.

But the report also confirms what headlines are telling us: up to 45 percent of the task people are paid to do each day could be automated with current technology.

And it cautions that the industries most affected will “disproportionately impact some workers more than others; low skilled, low earners and women. Roles in sales, business & financial operations and office & administration are all under threat from automation, and these tend to have higher proportions of women...if the current trajectory continues women could face three million job losses and only half a million gains, more than five jobs lost for every job gained.”

Put in historical context, this projected upheaval is nothing new. Every major technological innovation has put industries out of business, but it has also established vocations that had not previously existed. Internal combustion was a death knell for buggy manufacturers but ushered in the rise of the modern automotive industry. The difference in this revolution is that the life cycle of skills is shorter than ever and change is occurring at an unprecedented scale and pace.

Despite robotics and self-teaching algorithms, people will still be essential to connecting with customers and determining strategic corporate direction. Companies that succeed will not simply recruit staff with new skill sets to replace existing employees but will also engage current staff with a strong desire to develop new competencies.

Establishing a culture of learning—and investing resources to support it—will be a critical differentiator. It will require a long-term view and constant adaptation as societal and commercial transformation is expected to continue at exponential rates.

Tripathy at PwC works frequently with clients in the healthcare and aeronautics industries, both of which are highly dependent on data analytics to drive efficiencies and find innovative ways to serve their client bases. This process can be fraught with concern for employees who feel analytics tools may land them on the unemployment line, but Tripathy insists it’s not an either/or proposition.

“It can’t be man versus machine,” he says, “but man working with machine. That’s where the magic happens.”



### Author Biography

**Sue Lyon-Boggs** is a freelance writer and editor. She writes frequently about and for the legal industry, covering issues of ethics and compliance as well as the broad business trends that are shaping its future. She also collaborates on writing projects with lawyers and senior executives to create compelling content for print and online publications.



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## LEADERSHIP IN A TIME OF REVOLUTION

“Now is the time for leaders to be responsive and responsible: we cannot slow the rate of technological advance or globalization, but we can invest in employees’ skills to increase the resilience of our people and organizations. Individuals also need to nurture their learnability: their desire and ability to learn new skills to stay relevant and remain employable. We need to take immediate action to fast track the upskilling and reskilling of existing employees to ensure we have a workforce for the future. We also need to draw in those that are not fully participating in the workforce. We need to be ready for new jobs and new skills. That’s what we mean by the emergence of the Skills Revolution.”

**Jonas Prising**  
Chairman & CEO, ManpowerGroup

### Big Data: Key Compliance Considerations

- Look far beyond traditional risk to areas such as product development
- The process is never really final—continually evaluate what’s working and what isn’t
- Be open with customers about how you are using data, whether it’s selling or buying
- Antitrust, privacy and social equality are the biggest issues companies will face
- Chief Technology Officers and Chief Data Officers will gain much more formal influence in the near future
- People will remain essential to connecting with customers and establishing strategic direction



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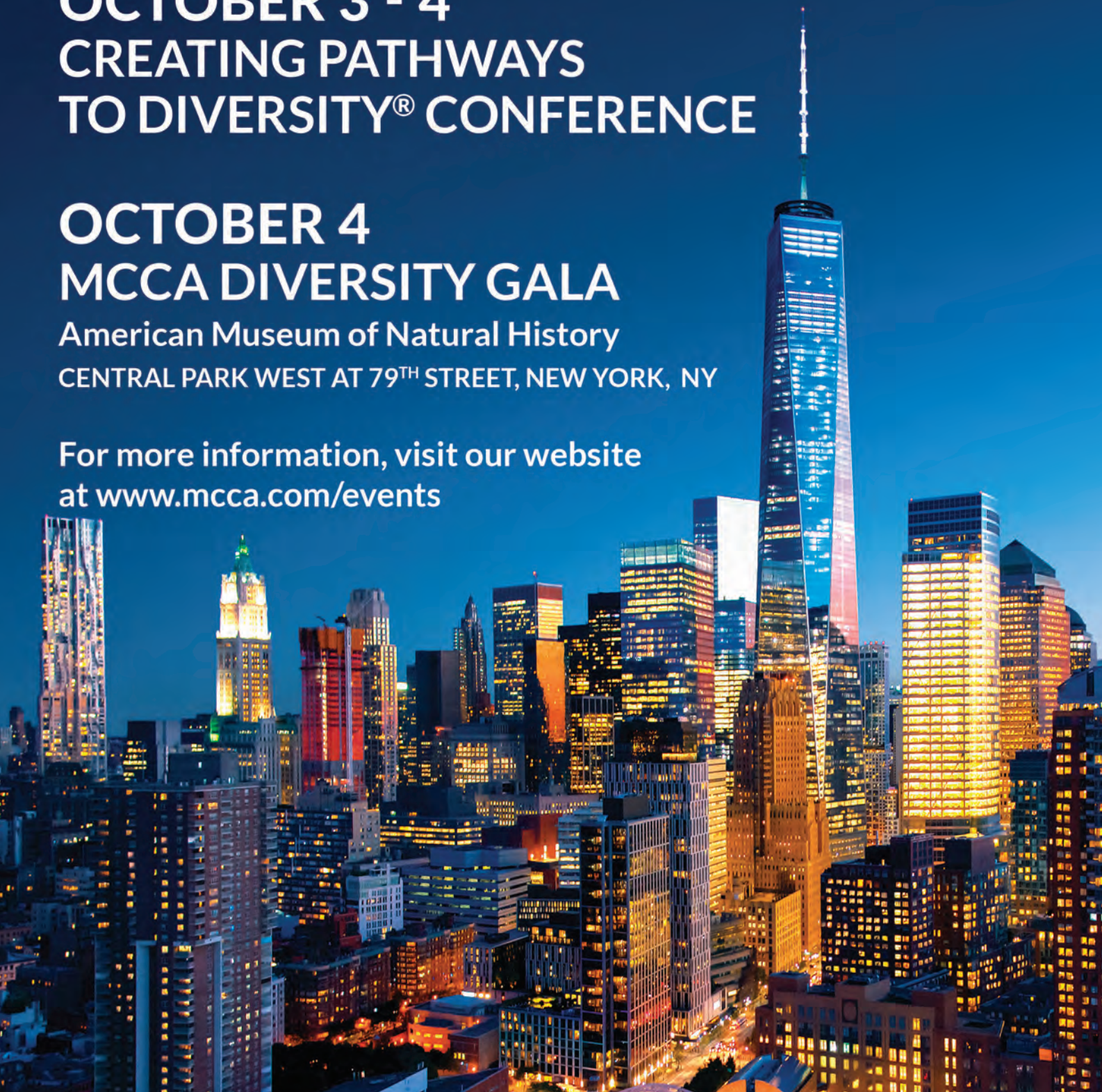
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# COMPLIANCE & ETHICS

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## TOPICS COVERED

// *Strategy & Regulation*

While much has been made this past year of countries and cultures turning inward, international levels of travel and tourism (T&T) have never been higher. In its *Travel & Tourism Competitiveness Report 2017*, the World Economic Forum is clear in its optimism: "...in an increasingly protectionist context—one that is hindering global trade—the T&T industry continues building bridges rather than walls between people, as made apparent by the increasing numbers of people traveling across borders and global trends toward adopting less restrictive visa policies."

At the Department of Tourism and Commerce Marketing (DTCM) in Dubai, we are embracing and driving this development. We're working every day towards strengthening the economy by attracting inward investment to the emirate and delivering on Dubai's ambitious tourism vision, which includes welcoming 20 million visitors per year by 2020 – last year we attracted 14.9 million – and tripling the fiscal impact of tourism.

Connecting diverse cultures and maintaining compliance across jurisdictions where we do business is critical to meeting our goals. With a cultural mosaic woven into the fabric of the city, home to over 200 nationalities, our citizens are accustomed to interactions with people from all over the world. Our outreach beyond our borders, then, is an extension of our own culture.

My role as General Counsel involves varied and exciting work, as DTCM serves as the principal authority for the planning, supervision, development and marketing of tourism in Dubai. We also market and promote the emirate's commerce sector, and are responsible for the licensing and classification of all tourism services, including hotels, tour operators, travel agents, event venues and holiday homes.

## CULTURAL FLUENCY

### Sahia Ahmad on How Robust Legal Support Helps Dubai Build Bridges

Written by Sahia Ahmad

As part of Ethisphere's ongoing partnership with the Association of Corporate Counsel, ACC Middle East's President Sahia Ahmad shares her perspective as the general counsel of Dubai's tourism authority, and how she balances the legal risks in the tourism industry with broader business and cultural objectives.



Image: Vendors in Dubai's Old Souk, a hub of the spice trade in the historic Deira neighborhood.

In addition to our headquarters in Dubai, we work through our offices around the world to grow this critical sector of our economy. And in the face of disruption by technology across virtually every global industry, the human element of hospitality remains essential: the World Economic Forum estimates that for every 30 new tourists to a destination, one job is created in T&T.

To support the growth of the sector and train the next generation of tourism professionals, we recently launched the Dubai College of Tourism (DCT), providing an alternative option for further education that bridges the gap between in-house training and a full bachelor's degree. DCT has also launched training tools for tourist-facing staff in Dubai to ensure visitors receive a high level of service and knowledge at all touchpoints on their visit.

Making certain our visitors' expectations of a safe, enjoyable and high quality visit is top of mind for the entire team. We lawyers are responsible for establishing regulatory frameworks that ensure all events in Dubai are licensed according to strict and consistent safety standards, for example. We also play an integral role in ensuring there are incentives for the expansion of mid-market hotels, a segment which until recently lacked adequate

inventory, to give tourists and business travelers on a lower budget more options. And the holiday home and ridesharing segments are rapidly evolving around the world, meaning we've had to swiftly yet diligently develop a framework to safeguard the wellbeing and satisfaction of visitors from all over the globe.

Data privacy and security ranks among the biggest concerns of companies operating everywhere, and Dubai is no exception. In our work with satellite offices, we're constantly monitoring new legislation on these fronts in every jurisdiction where we conduct outreach so we are ahead of the curve on compliance and ready for regulatory changes. Data regulation is a rapidly shifting legal landscape, particularly with the changes expected in the EU, and as businesses operate in many markets, it is essential to look at compliance from a global perspective.

Our marketing operations also fall under the legal department's purview. Here, too, DTCM handles a sprawling and complex operation, including 108 social media channels in sixteen languages, as well as print, television and broadcast platforms. Marketing has transformed in the last few years to have a heavy digital tilt, meaning there is a need to be ahead of the curve with

developments in the content and analytics space.

Dubai carries a strong brand and much of what we do supports what the world already knows about Dubai—its soaring architecture, world class shopping and dining, and of course the beaches— but we also are determined to dispel some myths that persist.

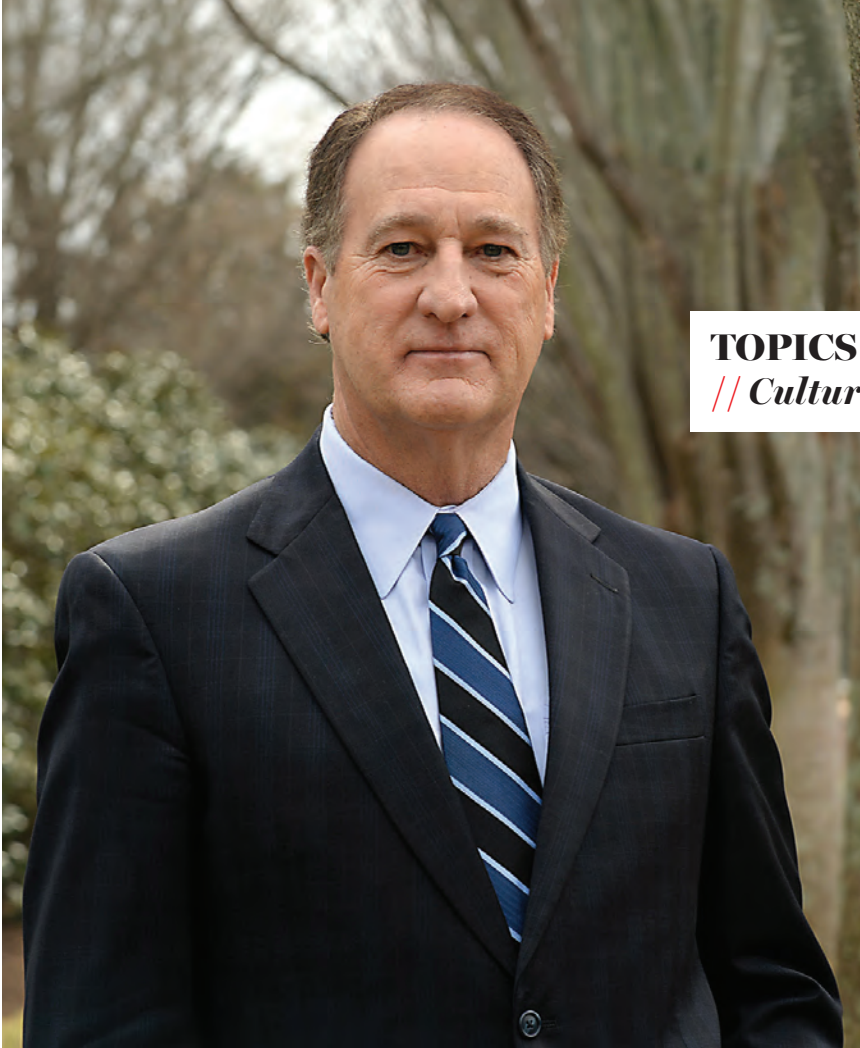
Dubai's culture and history gets overshadowed with the stories of modern development. However, when people spend some time here, they realise that the city has a rich past, and efforts are well underway to showcase this with the Dubai Historical District, a 1.5 square kilometer project around Dubai Creek which provides a glimpse into the emirate's past and will feature museums, forts, restaurants and open-air spaces. A second common misconception we make efforts to correct is about safety and security: according to the latest Travel and Tourism Competitiveness Report by the World Economic Forum, the UAE ranks second globally for safety and security.

Another stereotype we face is about women. As a woman heading a group of talented lawyers in a key industry whose goal is to break down cultural barriers and misconceptions, this is particularly incumbent upon me. I want potential visitors to know that Dubai is a safe and secure environment where women enjoy full access to education and opportunity. They serve as parliamentarians, judges and business leaders. We are also the beneficiaries of equal pay which is market practice here. Our leadership, under the vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, not only empowers women, but empowers the whole community through women. I am testimony to this environment, as a professional, a leader, a wife and a mother.

And in my role as a leader, I'm proud of my team and the recognition we've received. In May of last year, we earned the "Legal Department of the Year" award from *Corporate Counsel Middle East* for our efforts to position Dubai as the first choice for international leisure and business travelers, as well as to steer diverse economic growth in the emirate.

**Author Biography**

*Sahia Ahmad is General Counsel at Dubai's Department of Tourism and Commerce Marketing and President of Association of Corporate Counsel Middle East.*



**TOPICS COVERED**  
*// Culture & Leadership*



**Milliken has been on our World's Most Ethical Companies list for 11 consecutive years— what does this honor mean to you and Milliken?**

**JHC** We at Milliken are extremely proud to have been recognized by Ethisphere as one of the World's Most Ethical Companies for the 11th consecutive year. Honesty, integrity and ethical behavior lie at the core of our company values. Our associates and owners share an extraordinarily strong commitment to ethical behavior, and it is this shared commitment that we are honored to celebrate with this highly-esteemed distinction.

**How do these kinds of recognitions help support the culture at Milliken, and vice versa?**

**JHC** Milliken is, fortunately, a very healthy company culturally. The atmosphere is quite competitive, and we are driven by growth, but not at any cost. We recognize that how we grow is as important as how much we grow. This is an integral belief that each Milliken associate holds, and that directs their work daily. We seek opportunities for meaningful work, work that is guided by our foundational values and a commitment from our associates to act with integrity. Additionally, we invest in more than just our products. We support the communities where we live and work and strive to be a good corporate citizen and neighbor. For example, our 600-acre corporate campus is a noted arboretum that is open to the public and our associates donate many hours of volunteer work each year.

**Can you tell me more about Milliken's 150-year commitment to "doing good"?**

**JHC** Our legacy has always been to innovate, to combine science with unique product features. We strive to provide solutions that add value to people's lives, improve health and safety, and make this world more sustainable. In fact, long before "sustainability" entered our everyday language, Milliken understood that a living enterprise and a living Earth were inextricably linked. As early as the early 1900s we were reusing packaging and textile materials in our operations and documented our first recycling policy.

**ETHICAL INNOVATION**

**An Interview with Milliken & Company  
CEO J. Harold Chandler**

Interview by Aarti Maharaj

Earlier this year, as part of a celebration into Milliken & Company's recognition as a World's Most Ethical Companies® honoree for the 11th consecutive year, Ethisphere visited the Milliken headquarters in Spartanburg, South Carolina. Attendees included President and CEO J. Harold Chandler, alongside the company's board of directors, Spartanburg Mayor Junie White and Bill Barnet, CEO of Northside Development Group. The following is an excerpt of a conversation we had with Mr. Chandler.





**Facts & Figures**

**THE PRINCIPLES MILLIKEN WORKS TO EMBODY ON A DAILY BASIS:**

**Beyond Ethics to Doing Good:** While we hold ourselves accountable to the highest ethical standards, we derive our greatest satisfaction from creating innovations that help solve the world's problems, adding value to people's lives, improving health and safety, and making this world sustainable.

**Beyond Excellence to Creating New Experiences:** We create the highest quality products and services because our customers deserve no less. While we take pride in demonstrating excellence in everything we do we find even deeper gratification in creating products that completely change the customer's experience.

**Beyond Leadership to Building for the Future:** Following our founders' long-term view, we recognize that for our customers and our company to be economically sustainable, our innovations must enable us both to win in the market and to reinvest for the future.

**Source:** Milliken & Company

By the late 1900s Milliken developed a comprehensive plan to eliminate waste, increase product performance and preserve resources—years before the first clean air and water acts and the U.S. Environmental Protection Agency was formed.

**As the CEO and Chairman, what do ethics and integrity mean to you?**

**JHC** Ethics and integrity are important to me because they shape who I am as a leader. I am committed to honoring our more than 7,000 associates by holding their leaders accountable. We use agreed upon, achievable expectations and remove obstacles to support the progress of our individual associates and their teams. I encourage alignment, engagement and transparent communication. Our leadership team works to be respectful, considerate and courteous so that we bring out the best in others. We hope to fuel innovation and teamwork by embracing the diversity of our community and individual perspectives. It is these leadership qualities and expectations that I hope will support our next 150 years of success.

**Expert Biography**

**J. Harold Chandler** is the President and CEO of Milliken & Company and a native South Carolinian. The product of a textile family, Mr. Chandler is a veteran of the diversified financial services industry where he has served as chairman, president and CEO while also contributing to the boards of directors of eight public and family-owned companies over the past 30 years.

**Stats & Data**

**Compliance Working with Other Functions**

Every company's compliance and ethics team interfaces with other company functions in a different way depending on industry, risk areas and other concerns. However, there are some commonalities across the vast majority of companies. The most effective E&C programs have varied interactions with other functions.

**What types of interactions does the compliance and ethics function have with other functional groups in your company?**



**Conclusion:** It is important for E&C teams to work alongside other functions in the company at all levels, from intake of entry-level employees all the way up to participation in board-level discussions of strategy. Although some areas immediately relevant to E&C such as audit obviously get direct engagement, most companies also give E&C chances to engage on broader strategy questions. Broader engagement increases the ROI from E&C and helps companies avoid unnecessary risks earlier in the decision-making process, so time is not wasted.

**Source:** Ethisphere's Early Insights from 2017 World's Most Ethical Companies® Honorees



TOPICS COVERED

// Program Advice & Strategy

Unlike many functions within a company, it can be difficult to measure the impact of ethics and compliance on a company's bottom line. However, the data from Ethisphere's World's Most Ethical Companies is clear: our honorees have outperformed the S&P 500 over the last four years by approximately ten percent. To delve a bit deeper into how and why ethical companies accomplish this feat, executives from three WME companies have shared their perspectives. Although Premier Inc., Schneider Electric and Applied Materials all operate in different geographies and industries, they share an impressive commitment to ethics that helps drive their performance.

Talking to these companies, three advantages created by their cultures of ethics become clear: the flexibility of following values instead of rules, the benefits of a "speak up" environment, and the morale boost for their employees. Robust compliance programs, and the technology needed to automate them, support their healthy cultures and help companies adapt to meet ever-higher ethical standards.

Follow Values, Not Rules

Whether a small business with twenty employees or a multinational corporation with twenty thousand, every company must grapple with constantly-changing demands from both the consumers who keep them in business and the regulators who keep them out of trouble. The pace can be dizzying, and business practices acceptable five years ago might soon be regarded as immoral or even illegal.

Given that reality, the World's Most Ethical Companies realize that it is much easier to follow a firm set of ethical commitments rather than a constantly-changing set of rules. Steve Adams, Vice President of Ethics and Compliance at semiconductor and display equipment supplier Applied Materials, puts it this way: "In a quickly changing environment, being able to articulate training in terms of values rather than as rules statements is a lot more useful and flexible for people. It's easier to adapt within values than within rigid rules."

Even once a company has settled on those principles, they cannot become

# EXPLORING THE ETHICS PREMIUM

Doing Right Leads to Doing Well, No Matter Geography, Scale or Industry

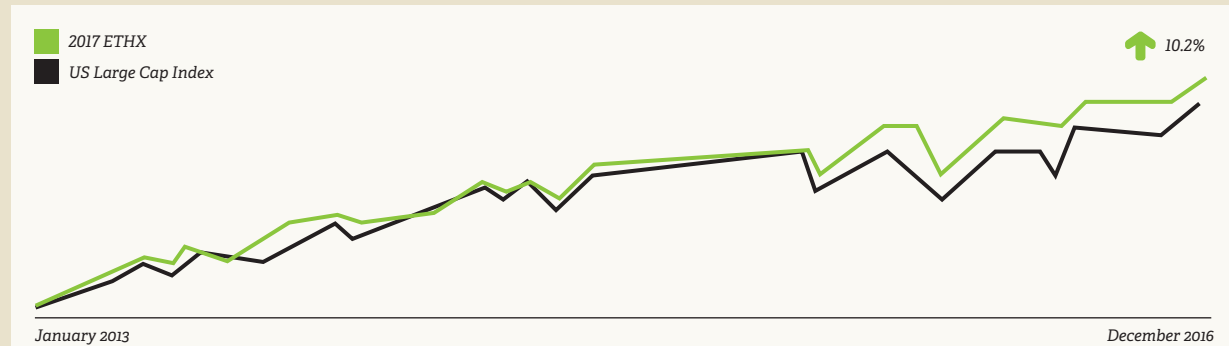
Written by Tyler Lawrence

The financial returns of World's Most Ethical Companies® have historically outpaced the market, proving there is a measurable return on ethics and a competitive advantage to ethics and compliance—an "ethics premium." We discuss these advantages with three WME companies.

 Facts & Figures

**THE ETHICS PREMIUM: WORLD'S MOST ETHICAL COMPANIES® OUTPERFORM THE MARKET**

Performance of the 2017 Honorees as compared to the US Large Cap Index over the 2013-2016 calendar years



Source: Ethisphere

complacent. According to Alan Sauber, Chief Ethics and Compliance Officer at healthcare company Premier, Inc., "It's an ongoing process. It's not once and done, because today's issues that might lead you to think it's working well might be challenged by tomorrow's issues that are harder and riskier." Ensuring that your culture is committed to values, and not simply following rules, makes that task more manageable.

Emmanuel Babeau, Deputy Chief Executive Officer in charge of Finance and Legal Affairs at multinational energy management company Schneider Electric, believes that at the end of the day, "I don't think you can be a truly ethical company if *ethical ambition* is not deeply rooted everywhere in the company. Ethics is not a matter for a small group of people, it is a responsibility that has to be shared by everybody in the organization."

#### Building Trust in a "Speak Up" Culture

Of course, having clearly-articulated values can only get a company so far. The World's Most Ethical Companies also place a premium on open, honest communication about ethics concerns in a "speak up culture." Emmanuel Babeau describes such a culture as "the collaborative atmosphere which is crucial for all companies. It depends on trust and openness, and you're not going to have that if you're not impeccable from an ethical standpoint.

*There's a tremendous opportunity on the data analytics side. We will be able to improve our capabilities on early identification of issues and trends, before they become significant problems. – Steve Adams*

It enables a much more efficient way to work internally."

Importantly, having a culture that values this sort of honest communication doesn't just benefit companies by helping them to avoid ethical entanglements. As Steve Adams notes, "Another key element to both business success and to having a great ethical culture is to have an atmosphere where people feel free to speak up about concerns or opportunities that they have, without having to worry about negative consequences." The benefits flow both ways: companies with a speak up culture that empowers employees will get more honest feedback in all functions, not just ethics and compliance.

#### Ethics' Impact on Retention & Recruiting

By creating values-based cultures, the World's Most Ethical Companies don't just make the compliance team's job easier—they motivate employees with the

knowledge that they work for an ethical organization. Alan Sauber has been at Premier for many years, and he believes that their sustained commitment to ethics has a distinct impact on employee morale and retention. "Employees see that [ethics] are valued by management. We are not without our problems, but employees, particularly those who have been here longer, feel good about that culture."

Schneider Electric finds that strong ethics are an advantage in recruiting new employees as well. "When it comes to people, absolutely no doubt, you're able to recruit much better people based on what they see in behavior, ethical standards," asserts Babeau. "It's particularly true with millennials, a sense of purpose is absolutely crucial to them."

The data supports his assertion that ethics are particularly important for millennial employees. The 2016 Deloitte Millennial Survey found that 56 percent of

*I don't think you can be a truly ethical company if ethical ambition is not deeply rooted everywhere in the company.*  
— Emmanuel Babeau

millennials globally had “ruled out ever working for a particular organization because of its values or standard of conduct.” The data is clear that companies without ethical cultures are at a growing disadvantage in attracting the best talent.

### Ethics & Financial Returns

Even given the compelling data on the ethics premium, it can be difficult to quantify the financial value of each organization's commitment to ethics, especially to shareholders and investors. The WME honorees each stressed different measures of the value of ethics.

For Steve Adams, a culture of ethics goes hand in hand with smart risk management. As he emphasizes, “Having strong

practices is a critical part of ensuring you're not the next risk management story.” It is significantly cheaper for a business to proactively promote ethical values and a speak up culture than to spend money constantly revamping compliance rules and paying hefty regulatory fines.

Sauber stresses the long game. “I don't think long-term performance can be sustained without an affirmative and positive ethics culture,” he insists. “You might be able to make it for a quarter or two, but you won't make it eight quarters in a row.” Companies without strong commitments to ethics might be able to grow—the history of capitalism is riddled with tales of soaring growth in ethically-dubious companies—but without a strong ethical backbone, most of them eventually fly too close to the sun.

Babeau takes still a different tack, focusing on the value of an ethical brand reputation. “I think at the end of the day what you build beyond the topline, in terms of brand, in terms of image, the fact that your company is praised, you are increasing the value of the brand, and that's something you can measure,” he claims. “People want to be associated with a great company with a great image, because it's good for their image as well.”

### The evolution and future of compliance and technology

Whether the ethics premium is the result of risk management, a long-term view or the value of an ethical brand—and it may well be all of the above—companies can and must foster a culture of ethics to maximize their potential. However, new technologies will cause rapid evolution in ethics programs over the next five years. How can companies best support their ethical commitments in a globalized, digitized world?

The static code of conduct and dry compliance presentation are rapidly being replaced. Steve Adams highlights the possibility to tie reminders into daily routines, saying, “You will have the ability to adopt a communications channel that ties directly to the issue that you're concerned about, to insert a two-minute video into a workflow rather than to talk about it in an annual presentation.” Why rely on an employee to remember an obscure

rule somebody told them six months ago, when you can remind them just before they hit “send?”

For Schneider Electric, the answer is more: “More reporting, more tools, e-learnings, more trackers and tools for the people to report any doubts or questions they have on behavior and ethics. Big data can play a role, we're able to deal with a lot more data... more automation, and more capacity to report,” says Babeau. Technology in ethics and compliance has given companies more tools than ever before to help reach their employees and reinforce corporate policies.

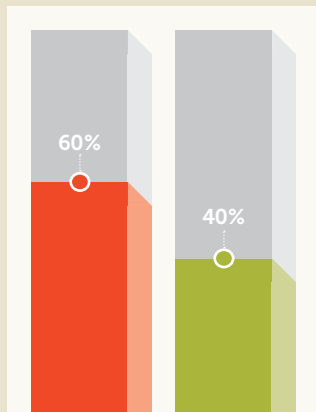
Perhaps more than any other shift in the digital landscape, ethics professionals must grapple with the promises and pitfalls of big data. For healthcare companies such as Premier, the stakes are especially high. According to Sauber, “[Premier has] the perpetual problem of protecting private health data. Technology will play a role in protection, and balancing it with transparency to help people save lives and get well, in the next five years.”

But data is not just one more risk to be managed. As Steve Adams predicts, “There's a tremendous opportunity on the data analytics side. We will be able to improve our capabilities on early identification of issues and trends, before they become significant problems.” For instance, algorithms may soon be able to flag potential embezzlement before any funds are even lost. The key is to have systems in place to capture data, and analyze it to inform decision making.

The possibilities for continuing to evolve and support ethical culture are immense, and so are the rewards. As Emmanuel Babeau puts it, “You recruit the best people, you have the best customers, you have the best internal organization and behavior... it's a win-win-win in all dimensions.”

### Facts & Figures

#### Automation Improves Screening



**60%** of companies who use automated systems screen all third parties for risk, vs. only **40%** of those who do not use automated systems.

**Conclusion:** Automation allows companies to leverage their data and more thoroughly manage their third-party risk.

**Source:** NAVEX Global's Ethics & Compliance Third Party Risk Management Benchmark Report

### Author Biography

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This article was written in partnership with:

**NAVEX GLOBAL**

# INTERNAL AUDITING AROUND THE WORLD

Perspectives From Women in Audit Leadership  
Roles – How Technology Is Impacting Internal  
Audit Functions

Volume XII

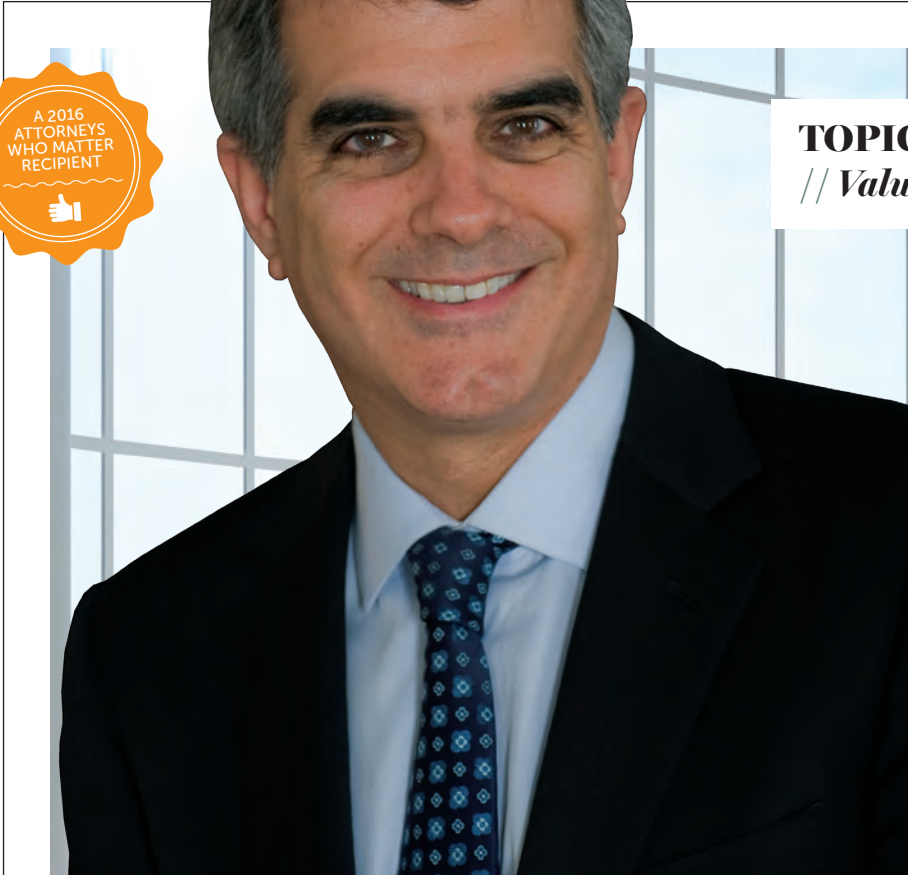
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# LEGALLY SPEAKING

Beauty Secrets // Peer Pressure // 56



## TOPICS COVERED // Values & Reputation

**You've been part of the Estée Lauder team for 21 years—what are some highlights of your program?**

**SS** The first thing that comes to mind for me is our mission statement of "Bringing The Best To Everyone We Touch." That's been our mission since way before the time I arrived. The second most important thing that I hear and see is the messaging that comes from the very top, including the Lauder family, regarding maintaining and enhancing our prestige reputation. As you know, in the marketplace, The Estée Lauder Companies is known for its high quality and prestige positioning. And that permeates everything we do here.

I also think about the benefit we get from our family values that are a big part of our culture. We're respectful, inclusive, collaborative and there's also an unmistakable desire to win. There's no one more competitive than the Lauder family.

We also benefit from the ability to focus on the long-term that comes with being a family-controlled company. We don't necessarily want to grow just quarter to quarter or even year to year. We're looking to achieve long-term sustainable growth, which has a collateral benefit of not taking advantage of short-term opportunities based on questionable ethics and integrity.

**I like your point about preparing for the long term and being a sustainable company—could you elaborate a bit more on long-termism and maintaining that commitment to ethics?**

**SS** Being in a family-controlled company helps to avoid some of the distractions that others may have. We don't need to take advantage of every opportunity that comes our way. We can be selective and do things that we think are going to be consistent with our culture and benefit us for the long-term.

## BEAUTY SECRETS...

### How Estée Lauder Maintains a Worldwide Culture of Ethics

Interviewed by Aarti Maharaj

Spencer Smul serves as Senior Vice President, Deputy General Counsel and Secretary of The Estée Lauder Companies Inc. He recently spoke to Ethisphere's Aarti Maharaj on creating a long-term sustainable culture.

**As Senior VP and Deputy GC, in your view, how has ethics and compliance evolved over the years?**

**SS** I joined the company the week we went public, back in 1995. Prior to that, I had the good fortune of working with senior leaders at the company as outside counsel on an acquisition and then on the IPO.

When I joined, the company had been in existence for almost 50 years. I was immediately struck by the values that were firmly in place, the Lauder family's focus on quality, prestige and reputation.

Over time, as the laws and stock exchange rules evolved, and our business has grown, globally, we find ourselves doing more business in more countries, and, as such, the compliance processes have become more formal and more robust. I know we benefit from some of the cornerstones I mentioned, such as tone at the top and our desire to maintain and enhance our prestige reputation.

In addition, we also have a strong legal department, led by our Executive Vice President and General Counsel, Sara Moss, a well-respected internal control department and a commitment that underlies our family values of working together with uncompromising ethics and integrity.

**That's interesting. I would say in a nutshell, here, as regulations change, Estée Lauder managed to keep up with the evolving role of regulations. Even though they had established processes in place, they managed to make that even stronger over the years.**

**SS** Precisely. And from time to time, external events, like enforcement actions under the Foreign Corrupt Practices Act and the enactment of the UK Bribery Act, provide us with opportunities to impress upon senior management the importance of ethics and compliance and the need to invest in programs, such as in-person anti-bribery and corruption training and education.

Under the leadership of Sara Moss, we have worked with our business leaders around the world. When a new person starts as general manager of one of our businesses, we make sure the Legal Department is part of the orientation agenda. We speak with the new GM about our code of conduct, our anti-bribery and corruption policies and impress upon them what's important.

We also send our lawyers out to various countries, particularly to riskier places, to impress upon them the importance of doing the right thing. I know that the people who work for us do appreciate that they have a point of contact to reach out to at New York headquarters who can help them with issues that may arise.



*Being in a family-controlled company helps to avoid some of the distractions that others may have. We don't need to take advantage of every opportunity that comes our way. We can be selective and do things that we think are going to be consistent with our culture and benefit us for the long-term.*

**At Estée Lauder, culture is seen as a rare mix of family values with a high performing public company. Can you talk more about the company's culture?**

**SS** I think the long-term focus and our focus on our people and the communities where we work are self-evident to people who join the company. It quickly becomes clear that, the Lauder family, where it starts, the Board, our President and CEO, Fabrizio Freda, and the rest of senior management are all aligned in this regard.

We have numerous high-profile initiatives. For instance, there is our Breast Cancer Awareness Campaign and the MAC AIDS Fund, which provide many opportunities for people to participate. We also celebrate individuals who do good work outside of our company-related initiatives.

The Estée Lauder Companies also has an actual program titled 'Good Works' which allows people to track the number of volunteer hours which they provide to their communities and because we're very competitive and want to win, people take this very seriously. Good Works has a dollar-for-dollar matching gift component, which is an added bonus for our employees.

We also celebrate our employees with awards. One is the Leonard A. Lauder Volunteer of the Year Award. It's named after our Chairman Emeritus, Leonard A. Lauder, whose philanthropic work is legendary. For the award, we bring in people from all over the world to New York to celebrate their achievements, whether they're doing it in the UK or in Asia. This helps build a strong culture. You see it ev-

## Legally Speaking

*From time to time, external events, like enforcement actions under the Foreign Corrupt Practices Act and the enactment of the UK Bribery Act, provide us with opportunities to impress upon senior management the importance of ethics and compliance and the need to invest in programs, such as in-person anti-bribery and corruption training and education.*

### Did You Know?

#### Supporting Communities with Good Works



Estée Lauder Companies Good Works is the Company's best-in-class matching gifts and volunteerism program that supports employees and the causes close to their hearts. Through the program, the Company matches employee donations dollar-for-dollar and \$20 per hour volunteered.

Since launching the US pilot last fiscal year, employees have already logged 27,000 volunteer hours and matched \$900,000 in support of our local communities. We are so proud of and inspired by the dedication and passion of our employees and are thrilled to be rolling out to additional countries in the near future.

everywhere. It's not just at the counters, but also in our manufacturing plants, R&D labs and distribution centers.

#### How do you stay true to your values and ethics? Can you provide an example?

SS We try to take the high road. For instance, we are a company founded by a great woman with women leaders throughout. We value the achievements and opportunities for women in the company. And we've been working on initiatives to support women outside the company. Girls' education is an important and growing initiative.

For instance, there is the Young Women's Leadership School (TYWLS) of East Harlem not far from our office. We have had an ongoing partnership with TYWLS, which is one of NYC's only public schools exclusively for girls and provides low-income students, grades 6-12, an outstanding college-prep education. The school boasts a 100% college acceptance rate providing many TYWLS students the opportunity to become the first in their families to attend college. The school is run by the Young Women's Leadership Network, a non-profit organization that helps low-income youth to break the cycle of poverty. Estée Lauder Companies employees (including the Legal Team) engage students in workshops throughout the school year to share insights about the beauty industry and the business world at large. Activities include mock product launches, a sustainability workshop with hands-on activities developed by top ELC research and environmental executives and scientists, college preparatory workshops, a legal day, ELC office visits, and "tea times" to discuss future dreams and build self-confidence.

As you can see, it's not always all about beauty products.

**With regards to impressing upon employees the importance of ethics and a strong company reputation, how do you keep them engaged throughout the year?**

SS I strongly believe that when you have the right tone at the top, it's not as challenging as it may be for others. Last week, we had a retirement event for three of our lawyers, two of whom had been here longer than me. Leonard A. Lauder, our Chairman Emeritus and William Lauder, our Executive Chairman, were both there demonstrating the "High-Touch" the family personifies across the business. Leonard, who joined the company in 1958, told the large group that was gathered there about our internal legal function. He noted that when he joined the company, there weren't enough people to fulfill all the functions. So he wore a couple of hats, including the handling of legal matters.

He then went on to tell us that he realized quite quickly that he needed the skills of actual lawyers. And after finishing his story, he looked around the room, pointed his finger and told everyone the lesson he learned: "Listen to your lawyer".

So when the biggest shareholder and senior member of the founding family says that in front of a group of people, it makes it clear to everyone that there should be respect for the Legal Department's role and for ethics and compliance generally. It doesn't really get any better than that.

**I feel overall your employees are your biggest brand ambassadors. If they are happy, then you have a good culture and a good reputation too.**

SS Can't argue with that. That's the way we look at it. For someone like me in corporate, it's hard to stick with one brand because we have so many. In some ways, the brands are like children. You can't pick favorites. A big part of my job involves M&A. We recently acquired three great fragrance companies to add to the ones we already have. It's not easy selecting the right fragrance to wear.

### Expert Biography

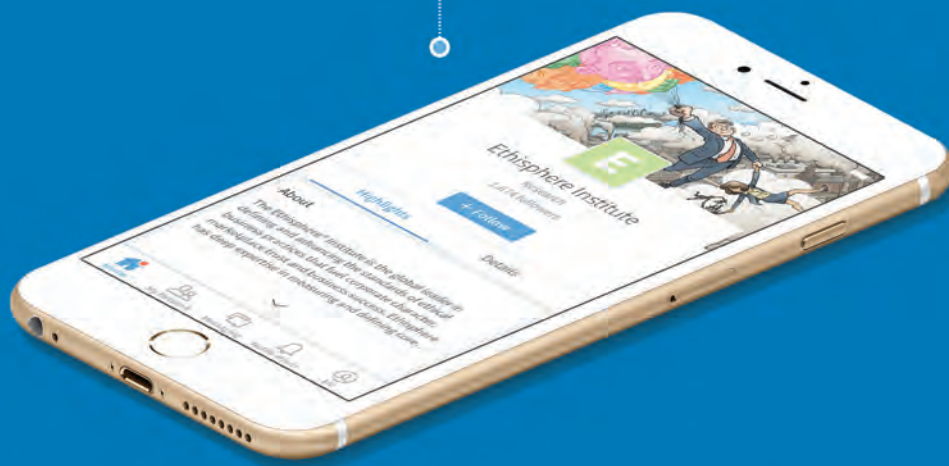
**Spencer G. Smul** serves as Senior Vice President, Deputy General Counsel and Secretary of Estée Lauder Companies Inc. Previously, Mr. Smul served as Vice President of Estée Lauder Companies Inc.

#### Important Note:

This interview has been edited for print. For the full transcript, please visit our online Insights portal at [insights.ethisphere.com](https://insights.ethisphere.com)



# CONNECT & NETWORK



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## TOPICS COVERED // *Leadership & Reform*

When a TIO is active in creating an ethical culture among its members, it creates a much bigger wave than a single corporation can make on its own. It sends a message throughout supply chains and to buyers and sellers, governmental and private, that transparency is a necessity for doing business in the industry.

This is particularly critical for companies engaged in the defense, infrastructure and extractive industries, where a single misstep by a company may mean the end of a relationship with a government as a large customer. By engaging the key players in the sector, TIOs can leverage a form of peer pressure and help keep members fully compliant with applicable statutes. Strong industry support can be the difference between success and failure in integrity-promoting efforts.

There are a number of creative and proactive ways TIOs can strongly encourage ethical behavior.

**Insist members' compliance programs and codes of conduct are clear on how to address specific and jurisdictional corruption risks.** Industries and markets with high risks of corruption also tend to have higher sanctions risks. The infrastructure, energy, mining and defense industries present high risks in both instances because the very nature of their business involves interactions with government officials and politically strategic industries and are therefore more likely to involve transactions with designated parties than other industries.

Certain countries and regions also present similarly attendant risks. For example, those countries subject to comprehensive sanctions, and with a high concentration of designated persons, tend also to be jurisdictions with a significant corruption risk.

TIOs that are successful in not only promoting an industry's interests but also in ensuring members adhere to the highest possible ethical standards set the bar high for entry, making it clear in specific, well conceived parameters that companies wishing to be a part of their organization must operate with transparency and integrity.

**Develop industry wide guidance on integrity for public procurement, policies on intermediaries, training and other sensitive areas.**

# PEER PRESSURE

## How Trade Industry Organizations Support a Culture of Ethics

Written by Fernanda Beraldi

A single company, no matter how large, cannot sustain the drive for a culture of ethics across an entire industry. This is especially true in sectors governed by complex trade agreements and those conducting sales to governments around the world; in this space, certain kinds of transactions are particularly vulnerable to corruption. While all stakeholders must be invested in ethical behavior to counteract these challenges, trade industry organizations (TIOs) can play a vital, positive and proactive role.

*When a trade industry organization is active in creating an ethical culture among its members, it creates a much bigger wave than a single corporation can make on its own.*

TIOs can provide opportunities for member companies to come together and share best practices and develop benchmarking so that members who may be behind the curve on compliance measures can gain from the experience of those who are more advanced. Specifically, TIOs might devote resources to:

- Helping members develop a sophisticated understanding of what works in high risk markets. Providing training about avoiding lavish dinners, for example, won't be helpful to managers in much of the developing world. Likewise, a discussion of whether or not gift cards constitute bribes won't ring true in much of Latin America, where gift cards are seldom, if ever, used. White papers, webinars and other training mechanisms provided by TIOs can buttress internal training by member companies.
- Developing a member handbook for best practices. Every country has a multitude of specific requirements regarding interactions with public officials, offset programs and sanctions violations, as well as cultural norms to be observed. A TIO can work with members to develop a repository of

information for all to draw upon and ensure it is up to date.

- Encouraging member companies to employ the right talent to remain compliant. This means specialized sales teams as well as compliance and internal audit professionals who are familiar with risk around public procurement across many diverse jurisdictions. Equally important are accounting and finance teams who understand how to put safeguards in systems around entering and approving transactions and registering third party vendors who could ultimately cause the company to be in breach of anti-bribery rules or sanctions.

**Put measures in place for all member companies to present regularly to the board of directors regarding the measures they have put in place.** For companies to retain membership status in a TIO that values ethics, an annual reporting mechanism with rigorous standards around compliance programs, training, financials and third party vetting should be in place.

The buy in and authority of a TIO is essential to achieving integrity across an industry. While the steps above may seem like yet another expense in the fight against corruption in vulnerable industries, the benefits outweigh the costs, because when there is no transparency, everybody loses.

**Facts & Figures**

**10**

Number of consecutive years Cummins has been named to Ethisphere's World's Most Ethical Companies® list: **10**

Source: Ethisphere

**Expert Biography**

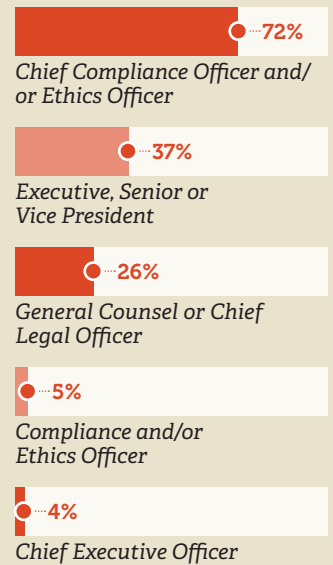
**Fernanda Beraldi** work for Cummins, Inc. as Director, Ethics and Compliance-International, and Corporate Counsel, a position she has held since 2015. In her role, she brings to bear her legal knowledge, business acumen and her negotiation and language skills in cross-border transactions and commercial agreements.

**Stats & Data**

**Organization Matters**

One of the key ways that an organization can demonstrate the autonomy and authority of its compliance and ethics function is via its organizational structure. The relative importance of an E&C program is most often reflected in the title and seniority of the person in charge of it.

**Most common responses for job title(s) held by the person assigned overall ownership of the compliance and ethics program**



**Conclusion:** As the Department of Justice's latest set of guidance made clear, organizational structure is one key way to determine whether a company's compliance function is sufficiently empowered and independent. Among World's Most Ethical Companies honorees, the rise of the Chief Compliance and/or Ethics Officer title reflects efforts by diligent companies to meet these standards. Companies that emphasize ethics know that they must have a C-suite representative charged with addressing and advancing ethical concerns in order for E&C to be seen as a complement to other functions.

**Source:** Ethisphere's Early Insights from 2017 World's Most Ethical Companies® Honorees

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# BELA OF THE BALL

»»»»»»»» BELA ADDING MORE EXECUTIVE EXPERTISE ««««««««



The inaugural team is comprised of key stakeholders from leading multinationals across the country. The overriding mission of this new committee is to develop strategy and elevate the conversation around organizational justice, while highlighting the financial and brand-enhancing value of prioritizing ethics in business. The Executive Steering Committee will meet several times during the year to develop research topics, aligning key strategies in the ethics arena and developing best practices in measuring and improving ethics programs to create sustainable, long-term value.

“Research, including Ethisphere’s, shows how organizations with a strong ethical culture regularly outperform their peers. We refer to this as an ethics premium,” said Erica Salmon Byrne, Executive Vice President and Executive Director, BELA. “This underscores the value of prioritizing a strong, innovative ethics program in an ever-changing business ecosystem. To that end, we are proud to partner with each of these thought leaders, representing first class companies, to develop new platforms that will help raise the ethical standards at companies around the world.”

“It is an invaluable opportunity to serve as a member of the Executive Steering Committee for BELA and the broader community,” said Diana Sands, Senior Vice President, Office of Internal Governance and Administration, **The Boeing Company**. “What’s especially impactful for us is the rich dialogue among industry leaders who are active members in BELA and the willingness of those leaders to take a cross-industry approach to collaborating and sharing best practices.”

According to Melissa Stapleton Barnes, Senior Vice President, Enterprise Risk Management, and Chief Ethics and Compliance Officer, **Eli Lilly and Company**, “Career development and mentorship are important components of a company’s ethics and compliance program and can help develop leaders who understand the value of business ethics and its impact on long-term success.”

“We appreciate the opportunity and value of being a part of BELA’s Executive Committee,” said **Bayer AG**’s Head of Compliance Thomas Pfennig. “It is a great privilege to join and contribute to the conversation along with other leading experts in the field.”

The creation of the new steering committee comes on the heels of Ethisphere’s recent announcement that it will create new Centers of Excellence that will serve the BELA community as online reference sites for all things ethics. BELA expects to have up to a dozen contributing company centers by the end of 2017 available for the entire global BELA community of companies. Each Center contains practical insights relevant to an area of challenge for ethics and compliance professionals, with multiple modalities of downloadable information. To learn more about other resources available to BELA members, please go to [www.ethisphere.com/bela](http://www.ethisphere.com/bela).

For more information about becoming a BELA member, contact Jonathan Whitacre at [jonathan.whitacre@ethisphere.com](mailto:jonathan.whitacre@ethisphere.com).

In June, Ethisphere was pleased to announce the creation of an Executive Steering Committee for its Business Ethics Leadership Alliance (BELA).

Members will include: **Diana Sands, Senior Vice President, Office of Internal Governance and Administration, The Boeing Company** – Cross Functional Executive Leadership: Aligning with the Business; **Melissa Stapleton Barnes, Senior Vice President, Enterprise Risk Management, and Chief Ethics and Compliance Officer, Eli Lilly and Company** – Career Development, Mentorship and Positioning Ethics and Compliance as a Launching Pad for Company Leadership; **Mark Ohringer, Executive Vice President, General Counsel and Corporate Secretary, Jones Lang LaSalle Incorporated (JLL)** – Long-term Company Investment Value (Ethics as a Driver); **Thomas Pfennig, Head of Compliance, Bayer AG** – Globalization: Global Voices and Culture; **Elisabeth Gehringer, Chief Ethics and Compliance Officer and Senior Vice President, Realogy Holdings Corp.** – Stakeholder and Board Communications & Engagement; **Al Rosa, Chief Compliance Director and Senior Executive Counsel, GE** – Measurement and Data Analytics; **Alan Yuspeh, Senior Vice President and Chief Ethics and Compliance Officer, Hospital Corporation of America (HCA)** – Program Structure and Industry Leadership; **David Howard, Corporate Vice President and Deputy General Counsel, Litigation, Competition Law and Compliance, Microsoft Corporation** – Leveraging Technology.

# EVENTS

## »»»» SOMEWHERE ELSE YOU HAVE TO BE? ««««

The following list highlights a few of the many events that Ethisphere and its partners host around the globe each year. Some are in-person forums, while others are virtual, but all provide unparalleled insight into the leading ethics, compliance and governance issues of today. For more: [events.ethisphere.com](http://events.ethisphere.com)

The following icons represent different characteristics of each event:  
 Live events take place in a physical location, while online events are broadcast virtually. BELA events are complimentary for BELA members and CLE Events are eligible for CLE (or local CLE equivalent) credit to attendees.



Live Event



Online Event



BELA Event



CLE Event

## AUGUST



**AUGUST 30<sup>TH</sup>, 2017**  
[Virtual Conference on Innovation in Training and Communication](#)  
**Online**

Ethisphere will partner with EVERFI on an inaugural half-day virtual conference, joined by senior legal, compliance and communications executives to discuss innovative practices whose application could have a transformative effect on ethical culture in global companies. Anticipated topics include:

- Next Generation Impact from Compliance Training and Communication
- Innovative Ways to Maximize and Measure Return on Training
- Training Third Parties: What Works, What Doesn't and Where It's Going

Hosted by [Ethisphere & EVERFI](#)



## OCTOBER



**OCTOBER 24<sup>TH</sup>, 2017**  
[Paris Executive Roundtable](#)  
**Paris, France**

Join your peers for this unique one-day event to be held in Paris, where the C-Suite leaders across industries and geographies assemble to advance corporate integrity and performance. Learn about the latest hot topics and current trends. Watch for future updates and additional details.

Hosted by [Ethisphere](#)



**OCTOBER 26<sup>TH</sup>, 2017**  
[London Ethics & Compliance Forum](#)  
**London, United Kingdom**

The London Ethics & Compliance Forum is a one-day event assembling diverse company leaders to address the issues largely impacting corporate integrity today. Join some of the most reputable multinational and leading regional company business executives, GCs, Chief Compliance Officers and other top experts as they assemble to take action, share cutting edge practices and offer new insights on ethics and compliance across Europe and around the world. This year's event will take place in the State Rooms and Rooftop Terrace of 30 Euston Square.

Hosted by [Ethisphere](#)

## NOVEMBER



**NOVEMBER 13<sup>TH</sup>, 2017**  
[India Governance and Ethics Forum](#)  
**Mumbai, India**

This inaugural Forum will highlight the ethics, governance and compliance best practices across India. This will be a half-day program, featuring 40-50 participants, whose goal will be to highlight best practices in ethics, governance and compliance both in how they relate to Indian companies, and to multinational companies operating in the country.

Hosted by [Ethisphere & Center for Audit Quality \(CAQ\)](#)

# ONLINE INSIGHTS

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## 9th Annual Global Ethics Summit Panels

To learn more about the impact of human rights, check out Ethisphere's YouTube channel, which provides unlimited access to all panels of our 9th Annual Global Ethics Summit including the keynote session, "Advancing Human Rights: The Corporate Impact on the Societal Integrity and Protecting the Value of People" which featured insights from Stephen L. Brown, Senior Advisor, KPMG Board Leadership Center and Stanley M. Bergman, Chairman of the Board and Chief Executive Officer, Henry Schein, Inc; and Caroline Rees, President and Co-Founder, Shift.



## Featured Expert this Month on Insights

Cindy McCain, co-chair of the Arizona Governor's Council on human trafficking and member of the McCain Institute's Human Trafficking Advisory Council, was interviewed by Stephen L. Brown, Senior Advisor at the KPMG Board Leadership Center, about advancing human rights, the corporate impact on social integrity & protecting the value of people. For more, check out #Ethicast.

### Asian Link: The Future of Corporate Ethics

Originally published in Asian Link magazine, this piece by Ethisphere CEO Tim Erblich discusses how younger generations' "healthy appetite for ethics," combined with research showing a strong link between business performance and ethics, means that the importance of corporate ethics will only grow.

### From the GES: Companies that Shine Focus on Ethics

Attendees at this year's Global Ethics Summit discussed how the summit lets them learn from their peers, the financial value their companies see from having strong ethical commitments, and ways to avoid becoming dangerously complacent in ethics & compliance. These and more lessons from the Summit, online now.

### The Evolution of Wyndham's Culture & Ethics

At our 9th Annual Global Ethics Summit this year, we had a chance to catch up with Korin Neff, Senior Vice President and Chief Compliance Officer, Wyndham Worldwide about what it means to be a fifth-time World's Most Ethical Companies® honoree, and trends in ethics and compliance. She's found that tone at the top really resonates with senior leadership.

### The 5th Annual Latin America Ethics Summit

Missed our 5th Annual Latin America Ethics Summit? Check out the hashtag #LatinAmericaEthicsSummit on Twitter to view pictures and live updates from this year's highly-anticipated event.

A graphic for downloading a podcast. It features a lightbulb icon with the word 'ethicast' written across it. Below the lightbulb is a hand holding it. The background is a light green color. At the bottom, there is an iTunes logo and the text 'Subscribe to the Ethisphere podcast on iTunes and never miss an episode.' The Ethisphere logo is also present at the bottom right of the graphic.

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# THE FINAL WORD

## »»» CLEAR TRENDS EMERGING FROM DATA ON CULTURE «««



Culture – that amorphous concept that so influences our work environment – has been a focus of mine for years. Importantly, for the last year, we have been dedicating considerable time here at Ethisphere to culture *measurement* – pinning metrics to something that sometimes seems so intangible. Our *Ethical Culture and Perceptions Assessment* data set now contains responses from tens of thousands of employees around the globe, from industries as diverse as retail, financial services, oil and gas, and more. Across that data set, we have seen consistent trends that were well articulated in the articles in this edition of *Ethisphere Magazine*.

First, speaking up depends on faith something will happen. We see a clear correlation between those employees who felt their organization would apply the same rules to everyone (a.k.a. the “Animal Farm” pillar – are some animals more equal than others?) and a comfort level in raising concerns. As Bill Amelio mentioned, the last thing a company should want is zero calls on the hotline (or zero questions to management). If people aren’t talking about problems, that indicates a challenge for the culture – and the business, as Steve Adams noted. Companies with a speak up culture that empowers employees to raise concerns see benefits across the organization. After all, if I’m comfortable asking a question about gifts and entertainment, I’m also probably comfortable pointing out a flaw in a process or passing along a customer’s comment about our product. All of those contribute considerably to the company’s profitability and smooth operations.

Second, pressure to compromise company standards to hit goals is real. A full third of the employees in our data set report that at some point in the last year they have felt pressure to compromise company standards to achieve business objectives. Sometimes that pressure is weak, but unfortunately too often it is strong. The source is most commonly an employee’s direct manager, middle management, or senior leadership. Every ethics and compliance professional should take a deep breath, acknowledge the chance is good that this disconnect exists somewhere within their organization, and go figure out where that tension exists and how to fix it. That “fix” should start with a review of incentives, communications, and performance evaluations. There will be times where you must choose between winning business and winning business the right way – and how you make that choice, and how transparently you make it, will have a profound impact on your culture.

These kinds of practices distinguish good companies around the globe – companies with a long-term vision, a commitment to measuring their culture and using those insights wisely.

A handwritten signature in black ink, appearing to read "Erica Salmon Byrne". The signature is fluid and cursive.

**Erica Salmon Byrne**  
Executive Vice President, Governance and Compliance  
Ethisphere

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