

Beware the Silver Bullet

There's a common thread in many current corporate narratives.

"We put in the anti-corruption policies, even installed an anti-bribery management system before the government enforced corporate liability. We came out with a statement on business ethics and put an employee code of conduct in place. We created a whistle-blower hotline. We walk the talk, and fire people who break the rules.

But, still we discover unethical behaviour, and it's costing us money and damaging our reputation."



Image taken from <https://arcanum-cyber.com>

It has a familiar ring to it. Back in 2018, global accounting firm Ernst & Young completed a survey of some 2550 executives from 55 countries. It found corporate values and real-life behaviour were often not aligned. The report recommended that organisations "focus their efforts on improving the effectiveness of these (ethics and integrity) programs by assessing the corporate culture, controls and governance from an integrity perspective."

A Board should start with some questions:

- What assurances do we have that the organisation is acting ethically?
- How do we know and measure?
- What's the cost of unethical behaviour?
- If we interviewed staff across the organisation, how would they rate us?
- Is our focus on compliance, or do we consider ethics and integrity issues?
- What else could we be doing on a continuing basis?

Unfortunately, many organisations have a knee-jerk response to the discovery of ethical short-comings. Directors are just as alert to the potential for personal reputation damage as they are to the consequences for the organisation. They look for a solution before they understand the problem.

Worse still, they breathe a sigh of relief once the solution is installed and stop looking. When disillusionment later settles in, the comment sometimes heard is: "We thought it was an internationally accredited system and would give us complete coverage".

Another example: "We looked at (XYZ Corporation)'s Code of Conduct. After all, it's regarded as the gold standard, so we felt it would certainly do the job for us."

The problem with both examples is the notion of a panacea – a one size fits all solution. It seems to offer comfort, but that's only if it fits. It's an unrealistic expectation.

The second example begs the added observation: "Your organisation isn't XYZ Corporation. Their Code was crafted by them to meet their unique circumstances and was driven by their own culture."

If I were to give two people the same map with a red X marked on it as the destination to which they must walk, it would be useless to them both without each knowing their own starting point. Only then, can they each start to plan their journey. Other factors which determine their pathway will be their skill sets and the resources at their disposal.

Their journeys to the destination will likely be quite different, as will the terrain they negotiate. The choices they make will also have an impact. A straight line through the jungle may look shorter on paper, but will probably take far longer and require greater effort than a more indirect route which follows a logging track.

As you can see, some Outward Bound lessons are life lessons.

So, if the Board understands it must plan by asking questions, it must also consider that its vantage point may influence the answers it receives. Like looking into a pool of water, the deepest parts are unclear. What you see most readily is your own reflection.

To really understand what happens in the murky depths of the organisation, you must see it from the perspective of the occupants. You can't address their concerns or how they affect the organisation without doing so.

And you can't assume that their world or yours will not change with other events. So, you must create a mechanism to identify change and monitor risk on an on-going basis, across the organisation.

Culture in any organisation isn't necessarily fixed. It evolves over time. Good Boards stay alert to change and its implications, not just at the level of the Boardroom.

Politically correct statements of virtue mean little if not backed by behaviour. A whistleblower policy is meaningless if the organisation doesn't protect identity, or pays the reporter for silence. A report on environmental awareness has little impact when set beside reports of workers living in unsanitary accommodation. Ethics and integrity statements carry little weight when a director uses obscenities at the company AGM.

It is damaging if the organisation loses credibility with its external stakeholders. It is worse if the organisation loses credibility with its internal stakeholders and worse still if the problem remains undetected. Like a cancer, it can spread and is more easily treated if detected early.

The regular testing of the state of ethics and integrity within an organisation is like a medical scan. It isn't sufficient only to take an external view or a simple test once in a

while. Comprehensive scanning can throw up markers that signal problems while still in a treatable stage.

For organisations, the process means asking the same questions in a structured and secure manner across the organisation, not just the C-suite, not just in Compliance and HR. When different people answer the same questions differently, it sends a signal. Those markers are what trigger responses from those whose job it is to protect the integrity of the whole organisation.

Being caught by surprise is never good for an organisation. Its Board must both be diligent and avoid traps. How can this be achieved?

- Do not believe in silver bullets; they can damage you.
- Do not start with solutions.
- One size doesn't fit all; made to measure beats it every time.
- Ask questions, not once, but continually.
- Question not only those at the sharp end of the organisation, but also those who have to implement and live with policy decisions.
- If you find a cancer, removing one bad organ may not save you; the whole body needs to be looked at.

Boards and organisations need to remember that they do best when they deliver more than they promise, and that a promise not kept is exactly that. They are judged by how they behave.

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