

SCCE's 7th Annual
Compliance & Ethics Institute

September 14–17, 2008
Sheraton Chicago Hotel & Towers
Chicago, IL

International Compliance Panel

Moderator: Marjorie Doyle, Global Practice Leader, Ethics and Compliance Solutions, LRN

Shin Jae Kim Hong, Partner, TozziniFreire Avogados

Monica Francois Marcel, Partner, Language & Culture Worldwide, LLC

Mollie Painter-Moreland, DePaul University Associate Director, The Institute for Business and Professional Ethics, Director, Center for Business and Professional Ethics, University of Pretoria, South Africa

Haydee Olinger, Vice President & Chief Compliance Officer, McDonald's Corporation

Society of Corporate Compliance and Ethics
6500 Barrie Road, Suite 250, Minneapolis, MN 55435, United States
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Reframing the global debate between values-driven and compliance-driven programs

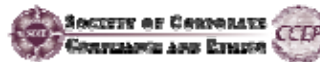
Mollie Painter-Morland

Associate Director: Centre for Business and Professional Ethics,
University of Pretoria, South Africa

Associate Director: Institute for Business and Professional Ethics,
De Paul University, Chicago

mpainter@depaul.edu

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The debate in organizational ethics

Compliance:

- Compliance with governance regulations & laws
- Sound control environment
- Reliance on disciplinary codes and policies
- Liability culture
- Structured programs with designated Ethics/ Compliance office
- Developed Ethics/ Compliance profession

Values:

- Focus on values: values are enduring beliefs about a preferable state of existence
- Ethics statements are aspirational
- Less rules, more principles
- Focus on organizational culture: habits and predispositions
- Decentralized notion of accountability for ethics
- Systemic leadership



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Pro's and cons of compliance-based approaches

- | | |
|---|--|
| + Clear guidelines, less room for misunderstanding/ misinterpretation | - Little discretion when faced with unprecedented dilemmas |
| + Control & predictability | - No moral imagination |
| + Easier to prosecute misconduct | - Target hardening |
| + Sends zero-tolerance message | - Minimalist rule adherence not understanding of principle |
| + Limits liability | - Sends message of cultural intolerance, arrogance or disrespect |



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Pro's and cons of values-based approaches

- + Values create expectations/ norms which defines roles & ID
- + Discretion
- + Communicates trust and empowerment, respect
- + Allows for flexibility whilst providing guidance > can deal with change, flux
- Risk of abuse of discretion
- Employees less clear about violations... may hesitate to report?
- Makes misconduct harder to prove
- Cultural diversity might lead to misunderstandings
- Consistency in brand may be compromised



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ISBEE insights into US versus Europe

US:

- Ethical compliance under FSG > interest in organisational culture
- Shareholder served through stakeholders
- Liability
- Consistency
- Strong internal reporting culture
- Weak TBL reporting culture

Europe:

- CSR focus
- Workers are important stakeholders
- Comply-or-explain
- Values-driven flexibility
- Whistle-blowing not seen as positive in all countries
- More concerned with TBL and sustainability

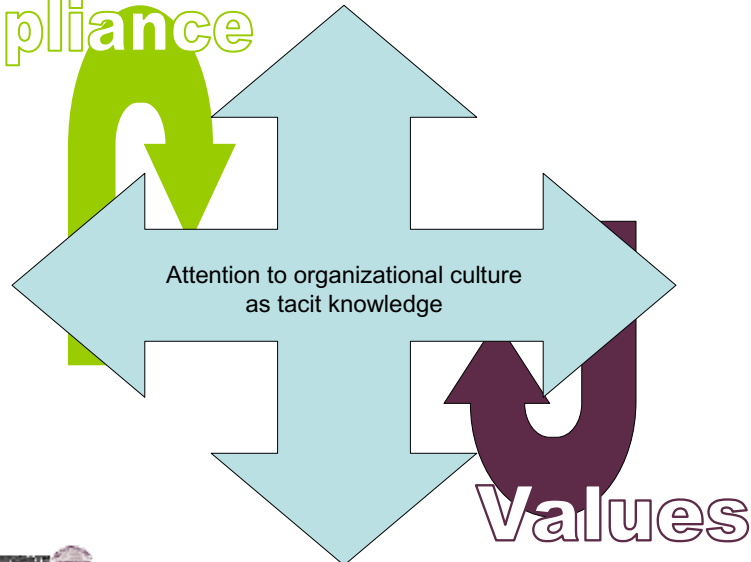


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Convergence? Yes, if...

Compliance



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Global Ethics and Integrity Benchmarks Categories

-
- Leadership and Accountability
 - Infrastructure
 - Legal Compliance, policies, rules
 - Disciplinary rewards and measures
 - Whistle-blowing
 - Measurement, research, assessment
- Vision and Goals
 - Confidential advice and support
 - Organizational culture
 - Ethics training and education
 - Ethics communications
 - CSR

Developed by Joan Dubinsky and Alan Richter



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Rethinking the tacit basis of both compliance and values

Rethink compliance...

- Wherever you are in the world - think about WHY this rule, compliance measure was instituted
- If it doesn't make sense here and now, kill it
- Draw on comply or explain and use EXPLAIN more
- Talk about budgets, policies, strategy documents as statements of what the org. care about
- Align policies to avoid tacit contradictions or confusions

Rethink values...

- Story-telling, jokes, activities that involve people's bodies, emotions, loyalties in the host country
- Explore rich metaphoric language: tap into multilingualism as an asset
- Anecdote circles: tell each other things about organizational life
- Talk about fears
- Foster responsiveness
- Acknowledge existing communities of practice

Painter-Morland, M. *Business Ethics as Practice* (Cambridge, 2008)



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**Ensuring Global Programs Are Locally Relevant:
*Viewing Global Business Ethics through Local
Cultural Lenses***

Monica Francois Marcel
Language & Culture Worldwide, LLC
monica@lcwmail.com, +1 773 769 9595

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Primary Concerns of Global Programs

- 266 Ethics Officers/General Counsels asked about Global Ethics/Compliance Programs in a 2007 Benchmarking Survey
- “What are the primary concerns you have regarding the successful implementation of a global program?”

1. Language & Culture
2. Communication & Education
3. Oversight & Administration



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What Can We Learn From This?



- Our ‘ethics and compliance culture’ acts as a lens through which we interpret what we observe around us—and how we administer our programs
- In a world of similarity, using this lens works well. But what of other lenses?
- In a multi-cultural world, we must learn to discern and apply other potential lenses in our organization and among our stakeholders



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Consequences of a Non-Localized Approach

- **Exposure to substantial risk** when the organization assumes that understanding or consensus has been built around the code, when in fact such understanding or consensus is not present
- **Lost opportunities** for the larger organization to learn about and benefit from the context and experience of local markets and an engaged global workforce; when a workforce feels disconnected to the organization's values—synergies, loyalty, and innovations are not possible
- **Attrition and reduced productivity**—as a result of employees not feeling connected to or engaged around their own core values and national cultural norms



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Local Opportunities for Global Programs

- Be BOTH ethical/compliant AND cross-culturally competent
- Develop new understanding around how policies will be seen, implemented and played out in different national cultural contexts by well-meaning and conscientious employees (benefit of doubt)
- Be more creative, empathetic, and effective in elaborating ethics and compliance messages or solutions that are effective across national cultures
- Achieve greater insight regarding culture's impact on investigations and program planning in cross-national and cross-cultural scenarios



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Consider these Impacts of Indian Culture...

1. Which national culture values are most likely to support/hinder efforts of an ethics and compliance officer in that country?
2. How might someone who prioritizes local values behave differently than an ethics and compliance officer when deciding what is “right” or “wrong” behavior in a business situation?
3. What national values can the organization benefit from or leverage in its efforts to promote ethics and compliance locally—in the national/cultural environment?

1. *Hierarchy consciousness, contextual worldview and personal relationship*
2. *Situation heavily influenced by how things connect and interrelate in the person’s sphere, over absolutes put forth in a Code of Conduct; example: supervisor expectations likely prioritized over individual accountability or transparency*
3. *Hierarchy consciousness: work with managers and leaders to act as champions and role models of GBE behaviors for their employees to emulate*
Personal relationship: connect efforts in corporate social responsibility to impact on community, friends, family

SOURCE: Cultural Detective®: Global Business Ethics



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State of the Practice Among Responding Organizations

- 90%:
 - Engage local representatives
- 75%:
 - Translate their code of conduct and provide helpline interpretation
 - Meetings / Teleconferences with local representatives
- Roughly 50%:
 - Adapt or modify code for non-US locations (beyond translation)
 - Involve local employees in code development
 - Training in employees’ local language “always” or “most of the time”
- Only 35%:
 - Formal communications or training to domestic and international consultants, vendors, and/or joint-venture partners
 - Involve international employees in the development of training materials.
 - Modify training to incorporate cultural differences, local laws and policies



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Opportunities Within Your Organization

- Support Your Managers and Leaders:
 - To better determine when and if local cultural differences need to be considered
 - To anticipate and plan for how organization-wide policies will play out in different cultural contexts
 - To uncover new risk areas where, for example, cultural differences and a lack of clarity may currently mask vulnerabilities to the business
- Support Your Local (worldwide!) Employees:
 - To better understand what your organization expects of them in their day-to-day duties and work life
 - To perform at a higher level and develop their own understanding of how to navigate, meet, and exceed the organization's expectations
 - To reconcile their own cultural values and beliefs with corporate policy, without giving up their own cultural identity



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