The CCO as Ethical Culture Leader

By Donna C. Boehme

"Tone at the Top"—I'm over it.

At one point, circa 2002, following the scandals of Enron, Worldcom, Tyco, and the rest of the corporate accounting fraudsters, the idea of the CEO and other senior leaders setting "tone at the top" as workplace role models sounded ground-breaking, even inspirational. What better way to demonstrate the behavior expected of every employee in the organization, from C-suite on down, than leaders who lived the stated values—through words and action—of the company? But now, after CEOs have spent well over a decade hearing governance and ethics commentators tout "tone at the top" as the magic cure-all for a multitude of corporate sins, the phrase has become nearly meaningless. It's up to the chief compliance officer (CCO) to change that.

Earlier this year, Michael Volkov, former federal prosecutor and good friend to the compliance profession, committed an act of near blasphemy in his column "The CCO—not the CEO—Creates an Ethical Culture."[1] The words "bloviating," "hot air," and "Kool-Aid" jumped off the page. It was enough to get all the corporate governance experts' collective knickers in a wad.

I guess that makes at least two of us politically incorrect, since in my column on this topic "Tone at the top: The movie"[2] I put the phrase "tone at the top" on my official Banned Phrases List. That's because, as Joe Murphy has observed, "tone at the top" has been conveniently interpreted by many in senior management as "tone from my mouth." For too many boards and C-suites, creating an ethical culture seemed as simple as joining hands and singing Kumbaya.[3] Words are easy. Meaningful, visible acts of ethical leadership across the organization are hard.

So what's the answer? Every smart CEO knows that nothing important happens in business without empowered, visible leadership who have the right mandate and resources to get the job done. When was the last time you heard a Fortune 100 CEO announce a major change or product rollout in the company by saying "So everyone, just go for it!"? That would be…never. I'm all for ethical leadership and management acting as role models, but boards and C-suites are dreaming if they think that happens without the leadership of an experienced, senior-level CCO who has been empowered and positioned to lead the way—as the organization's "subject-matter expert" of ethical culture.

The important corollary to senior management understanding the role of the CCO as the Ethical Culture Leader is for CCOs themselves to embrace that function with daily awareness and perseverance. Just as essential as the business of building, implementing, and overseeing the more tangible compliance program elements (e.g. training, monitoring,

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and the confidential reporting line), is the task of helping the CEO and his team deliver on the promise of "tone from ~~my mouth~~ the top." Otherwise, no one has their eye on the ball and the company has created a classic case of "When everyone is responsible for feeding the dog, the dog starves." Ethical culture in an organization doesn't happen by singing Kumbaya. It is truly the big dog that needs to be fed, and on a daily basis. As Volkov observes: "Every CCO knows that an ethical culture is developed in the trenches, through hard work and commitment."[4]

What is so different about a CCO who embraces their role as Ethical Culture Leader? The possibilities are endless. Here are a few ideas for starters.

1. Facilitating candid conversations at board and C-suite level

Whenever I see companies in trouble drag out the tired old "rogue employee" excuse within hours of a scandal hitting the media (long before any real internal investigation can be even started), it makes me wonder whether leadership has ever had a meaningful conversation about management's role in developing a culture of accountability and transparency.[5] Leaders who really want credit for "tone at the top" should understand the difference between "talk" and "walk"; and the CCO must use every opportunity, whether during board briefings, hallway chats, or other leadership training, to underscore this. CCOs should get beyond mere helpline stats and survey results to present the larger ethical culture "ask" to leadership.

2. Developing ethical leaders

Good parents look for "teaching opportunities," even amidst the endless daily demands of raising children in a challenging world. The CCO as Ethical Culture Leader should do the same. Leadership training and "What Is Expected of Leaders" brochures can only go so far, and attention spans are short. When a leader does "walk the talk," the CCO should call them, or better, stop by to praise them in person. Before long, the CCO may find the "push" turning into a "pull" as good leaders reach out to them for advice or as a sounding board. Those leaders should be developed as part of the CCO's network for supporting, and giving real-world input on, the compliance program. Many companies now have vehicles to recognize ethical heroes in the organization. Why not start at the top? And it goes without saying: Good news stories have a place in the board briefing, along with the bad ones.

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3. Building ethical leadership incentives

I know I'm preaching to the converted, because experienced CCOs understand that tying ethical leadership criteria to the way managers are hired, evaluated, compensated, and promoted is the key to driving "walk-the-talk" culture. Without incentives, ethical leadership behaviors fall into the "nice to have" rather than the "impacts me" category. For instance, I'm a big proponent of including ethical leadership behaviors in a 360-degree performance review, because most smart managers are experts at "managing up," but it's how they lead their teams that really matters to a compliance program. Simple rule: What gets measured is what gets done. This is an important conversation to have with the board and C-suite. If that conversation is daunting, help can be found in Joe Murphy's white paper on why incentives matter to a compliance program.[6]

4. Integrating culture as a key aspect of all compliance program elements

In addition to incentives, the CCO should be looking at all elements of the compliance program through the lens of ethical culture. You've just refreshed your compliance training matrix, but do the modules adequately reflect notions of accountability, transparency, and ethical leadership? Does the risk assessment process integrate issues of culture? Do the investigation guidelines and training make reference to how leaders should be supporting the process? Is there an effective retaliation monitoring mechanism? The CCO who embraces the role of Ethical Culture Leader takes time to reflect on how each element and part of the compliance program supports and encourages ethical leadership in the organization.

5. Having an independent voice of ethical culture in the C-suite

Over the past few years, CCOs have gained independence and stature in the organization and more are being heard as an independent voice in the C-suite.[7] The list of companies dealing with the fallout of high-profile compliance scandals—that would have benefitted from an independent CCO voice in the C-suite—is long indeed. Perhaps CCOs have limited control over the final decision whether to give Compliance a seat at the table (other than voting with their feet),[8] but they can be smart about what they say when they get there. CCOs need to be more than a human playback of training and hotline statistics; they need to be the subject-matter expert on ethical culture and the role of managers to develop, promote, and sustain it in the organization. These are messages leadership needs to hear often, and with real-life examples. If not from the CCO as the Ethical Culture Leader, then from whom?

I've written elsewhere about the enormous challenges facing CCOs just trying to do their jobs well. Some of you may be familiar with my "hot air balloon" analogy.[9] But challenges and perils aside, the CCO that embraces the role of Ethical Culture Leader does exponentially more to advance compliance and ethics in the organization than one who does not. Ultimately, a company can have on paper all the building blocks of a robust compliance program, but the glue that binds it together and makes it work is the sum of ethical leadership acts that occur on a daily basis. The CCO should view the nurturing of that ethical leadership as Job No. 1. ❏

Endnotes

1 Michael Volkov: "The CCO—not the CEO—Creates an Ethical Culture," CorruptionCrimeCompliance blog, http://bit.ly/volkov-cco

2 Donna Boehme: "Tone at the top: The movie," *Compliance & Ethics Professional*, July/August 2012, http://bit.ly/boehme-0712

3 Donna Boehme: "Kumbaya Compliance is not good enough," *Compliance & Ethics Professional*, May/June 2013, http://bit.ly/boehme-0513

4 See Volkov endnote 1.

5 Donna Boehme: "The 'Rogue Employee' and Dogs That Eat Homework," *Corporate Counsel*, May 3, 2013, http://bit.ly/boehme-rogue-ee (archived, for subscribers only).

6 Joe Murphy: *Using Incentives in Your Compliance and Ethics Program*. Society of Corporate Compliance & Ethics, http://bit.ly/murphy-incentives

7 "2013's 10 Big Moments for Chief Compliance Officers," *Corporate Counsel*, http://bit.ly/1aSUgLP

8 Donna Boehme: "There's no crying in Compliance" *Compliance & Ethics Professional*, September/October 2013, http://bit.ly/boehme-crying

9 Donna Boehme: "Evolution of a Global Profession," keynote speech at Compliance Week Europe 2013 Conference, http://bit.ly/boehme-compliance-wk