Covid-19: Crisis or opportunity for corporate culture

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The Coronavirus pandemic has wrought havoc across businesses, governments and the lives of millions of people. This crisis has touched us all in one way or another requiring very different responses. Crisis plans have been dusted off or frantically developed to ride the storm, but as vaccines are rolled out and there is light on the horizon, what next?

John F. Kennedy once said, "The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger--but recognize the opportunity."

We have seen the danger, many are now seeking the opportunity. The crisis forced boards and executives to rethink purpose and strategy, to refocus on sustainability and to become more agile and resilient. We should, too. This is our opportunity to refocus on how the various risk functions that we will call Ethics and Compliance support the organization's purpose and strategy. What role does ethical culture play in addressing today's business challenges? It is a major part of promoting customers' trust, employee engagement, and employee well-being and resilience – all of which are critical for an agile, resilient and ultimately sustainable business.

So this is a real opportunity for us to use our holistic view of risk to earn a place at the top table. Ethics and Compliance is one of the few functions that has a view across the entire organization. Now, if we raise our sights from a narrow view of compliance to take a wider view of risk, governance and sustainability, we can parlay our skills into a larger, more central role for the benefit of the organization.

Increasingly, investors and regulators expect boards to set out and encourage focus on the purpose, values, and the desired culture of an organization. This is an opportunity for us to add real value by helping them do just that.

What can we learn from the crisis? Corporate culture, often defined as a set of shared values and norms that characterize a particular organization, has been critical. What opportunities are presented to shape corporate culture as we move into new ways of working? We will explore this from the perspective of Ethics and Compliance by exploring the role of purpose, leadership, values, integrity and collaboration.

Purpose and Leadership

Any ethics and compliance program starts with leadership and the culture that leaders create. An organization's culture is demonstrated through behaviours and the decisions that are made. These ideally should reflect the corporate values that have been identified and endorsed by the leaders.

Whilst an organisation needs a strong culture it also requires a clear purpose, and the pandemic has placed a spotlight on the importance of purpose. Contributing to society and creating meaningful work are key priorities for employees.[1] Purpose can foster customer loyalty as well as employee engagement. Research suggests that purpose-driven companies outperform other companies[2].   Investors are interested in the sustainability of a business in light of the climate crisis. Executives recognize the importance of corporate purpose to these critical stakeholders, yet too few can state their company's core reason for being or its unique, positive impact.

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[1] McKinsey & Company, "Purpose: Shifting from why to how", https://www.mckinsey.com/business-functions/organization/our-insights/purpose-shifting-from-why-to-how
[2] Sisodia, Sheth, and Wolfe, Firms of Endearment: How World-Class Companies Profit from Passion and Purpose, Pearson Education (Second Edition 2014); See also, Meyer, C *Prosperity better business makes the greater good*, Oxford 2018, p. 40

Many companies have had to review their strategies and objectives as the world around them changed overnight. Those whose strategies were already aligned with a clear purpose must have found this more straightforward. A board that has already engaged deeply with stakeholders in order to articulate the company's core reason for being will be faster to recognize the wider impact of any change in strategy. This Covid-19 crisis has meant also looking at working practices and how they can best align to both current challenges and also to revised strategies and objectives. Companies with a purpose that motivates its employees will be more agile in adapting to new ways of working.

Addressing the challenges have required speedy decision making in an ever-evolving environment. In the UK, for example, the government regularly changed furlough rules, complicating an already challenging time for those involved and whose futures became uncertain. Conscious senior managers have therefore had to use their values and a renewed sense of purpose to lead people through the crisis and shape thinking and direction for the post-pandemic environment.

Greater transparency in decision making by leaders generally results in more engaged employees, as transparency increases trust. However, there are also examples of transparency having a negative impact on the perception of organisations by employees and customers. For example, while shopping online accelerated and Amazon's revenues soared, it came under intense criticism for workplace practices and tax avoidance. Deliveroo's disappointing IPO was attributed in part to consumer concerns about treatment of "gig" workers and the impact of high commission charges on restaurants. Of course, social media has increased the likelihood that unethical behaviour will be revealed, even if management seeks to hide it.[3]

The alignment of purpose and culture is fundamental for the longer term. Organisations are having to rethink how the changed commercial environment will impact future business models. To succeed will mean changes to working practices, policies and processes; requiring flexibility from employees and agility from management. Therefore, it will require a motivating purpose and a strong employee-focused culture.

The challenge for Ethics and Compliance is determining how it can support the purpose and values of the organisation and help the leaders to bring these to life. Among other things, greater skill and sensitivity in communicating at all levels will be required. Emphasising the importance of culture means helping leaders to recognise that resolving ethical challenges has the same urgency as addressing other business challenges. In fact, illustrating how an effective ethical culture is key to addressing the challenges they face in the business must be part of our job. We must be well-equipped to help leaders help themselves, as well as the organisation.

A recent study has shown that leaders in organizations with the strongest ethical cultures experience highest engagement, while those in a poor ethical culture suffer stress and burnout.[4] One critical aspect of culture is psychological safety. We have highlighted this as part of creating a "speak up" culture, but it is also critical for high performance and resilience. Employees who feel comfortable to ask for help or challenge the status quo are more likely to innovate and to adapt well to change,[5]as well as report misconduct or questionable behaviour. We must improve our skills in culture assessment and work with others in the organization who have the relevant skills in these areas. Values such as care and respect can support leaders in improving performance and resilience during times of great change and remote and hybrid working. Having a realistic view of the culture(s) in their organization can help leaders address issues where they arise and spread good practice across the company.

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[3] https://www.ethicalconsumer.org/covid-19-ethical-consumption/ten-companies-avoid-over-their-response-covid-19
[4] Huhtala, Mari & Kaptein, Muel & Muotka, Joona & Feldt, Taru. (2021). Longitudinal Patterns of Ethical Organisational Culture as a Context for Leaders' Well-Being: Cumulative Effects Over 6 Years. Journal of Business Ethics. 10.1007/s10551-021-04744-0.
[5] McKinsey & Company, "Psychological safety and the critical role of leadership development", February 11, 2021, https://www.mckinsey.com/business-functions/organization/our-insights/psychological-safety-and-the-critical-role-of-leadership-development

Ethics and Compliance can earn a seat at the table by bringing meaningful data and information to inform corporate decisions and by focusing on improving culture and on ESG. Now is a good time to be thinking about new ways of adding value to your leadership team.

Values

The reflection on purpose has also meant a reflection on values. Covid-19 has changed the way many people view their priorities in life. The values of making a difference, adaptability, well-being, and caring have come to the fore. People have tended to re-examine their personal values and, as a consequence, what they expect and value from their employer.

Covid-19 has challenged social norms, as well. Challenges that people have had to deal with such as ill health, furlough, hardships, the threat of redundancy, working from home and home schooling have not only changed the way people need to work, but also how they view their employers. The focus has shifted from processes and policies to people. This shift must be acknowledged by Ethics and Compliance. How companies treat their employees has become even more important.

The example of the former KPMG UK Chairman Bill Michael[6] telling employees to "stop moaning" and "playing the victim card" on a virtual town hall meeting indicates the heightened sensitivity around the issue of well-being. Earlier, over 50% of participants on the call had said they were either "hanging in there" or "drained". This caused substantial upset and Mr. Michael subsequently stepped down.

Employees that work in companies that did not/do not behave in an empathetic, fair and transparent way will become disengaged. Disengaged employees are significantly more likely to behave unethically and are less likely to report unethical behaviour in others.

The pandemic has given us an opportunity to climb out of a narrow view of our roles and reassess the importance of organisational values and behaviours. KPMG's Values include "Integrity: We do what is right" and "Together: We respect each other and draw strength from our differences." Yet the comments from the UK Chairman didn't appear to be in line with those values. His resignation may mean that organisations are taking values more seriously.

In the past, we may have focussed purely on the negative aspects of compliance, arguing that if a compliance failure occurs, the company will suffer penalties or loss of a license to operate. In the future, we must go beyond this focus on compliance and promote the positive benefits of an ethical culture. Part of this shift will involve turning our gaze inward and asking not only do we have an ethical culture, but do we have a culture in which we care for our employees and our communities? Are we assessing all aspects of our culture or are we only looking at narrow risk, ethics and compliance measures? Are we living our values and how do we know?[7]

We must be open to questioning whether our traditional approach is working. Ethics and Compliance needs to shift its focus from wrongdoing to proactively promoting care and support and must recognise that people are as much a control as process or compliance activities. Consider how the language might change from, say, viewing a Code as the rule book telling you what not to do to a guide that can help employees make ethical decisions and do the right thing. Are all our policies necessary, understandable, supportive and trusting of employee actions? There is a growing body of evidence that this approach is more effective; and less likely to have the unintended consequence of reducing trust within the organisation, as excessive focus on compliance can do.

Consider how communications and training can be reinvigorated to build a stronger more diverse and inclusive culture. These must be part of a broader approach including just and transparent leadership, regular storytelling

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[6] [KPMG's Bill Michael resigns after telling staff to 'stop moaning' | KPMG | The Guardian](#)
[7] Values assessments such as the Cultural Values Assessment are useful exercises at a time like this. www.valuescentre.com.

and relevant communications. As Richard Branson once said, "Train people well enough so they can leave, treat them well enough so they don't want to".

Integrity

With values as a strong foundation, with the right leadership, the culture should reflect an environment of integrity. Integrity requires trust. Trusting employees will increase employee engagement where actions are consistently equitable. A great example that has come to the fore is that of home working. Historically many employees were distrustful of employees 'working from home'. This image has been shattered by Covid-19 where working from home was a necessity and will become part of the new norm. A recent Institute of Directors survey found that 74% of companies plan to increase homeworking[8]. Such a move potentially changes the dynamic and culture of the work environment, particularly as we move into a hybrid universe. In this area, Ethics and Compliance can support the business in helping to think beyond just the compliance questions this move to homeworking poses. For example, ethical issues that may be inherent in fair and equitable ways of measuring productivity, ensuring safe and secure workspaces, defining what flexible working means, considering the new journey for new recruits as traditional induction does not work, and importantly how to promote wellbeing and help people connect or reconnect after a prolonged absence should all be considered.

Integrity risk therefore needs to be considered by the Board. Ethics and Compliance should raise subjects relevant to integrity risk, on both a pro-active and reactive basis to Board level. Psychological safety has also been shown to be key to effective team working. Therefore, one area where integrity and trust are paramount is speak-up and whistleblowing. Never has it been more important to make it easy for people to raise issues and celebrate them for doing so. This is linked to psychological safety, where people are not afraid to speak up when mistakes are made, and at the same time, are not treated unfairly or disproportionately blamed when things go wrong. Without examining errors and failure, learning and innovation do not occur. A learning environment benefits everyone and encourages employee engagement and retention.

Creating such an environment is preferable to having to resort to whistleblowing. Sadly, whistleblowing mechanisms are still needed in most organizations. What is important though is that the issue is raised and dealt with. Consider how you can better inform your colleagues of the right channels for various issues that if used will lead to a speedier resolution.

Collaboration

Now is the time to collaborate, collaborate, collaborate!

Ethics and Compliance cannot do all the things we have discussed here alone.   It has a responsibility to cooperate to help break down silos in the organisation. HR has never been a more important ally than now. Ethics and Compliance have often looked to HR for employee training, discipline statistics or other compliance-related procedure. Now, it's clear that employee well-being is critical to the sustainability of every organisation. Working from home has made it even more difficult for managers and colleagues to check in with one another. Ethics and Compliance should be concerned about people under increased stress, feeling alienated, or feeling uncared for and we need to cooperate with HR to ensure they understand any potential issues from the ethics and compliance perspective. This is only one example of the many ways in which Ethics and Compliance must reach out across silos and break them down.

Connecting dots has never been more important. Consider areas where Ethics and Compliance may not be accountable but should have a strong voice. Integrity risk can arise anywhere, and a solid knowledge of the business is crucial if Ethics and Compliance is to make a useful contribution.

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[8] https://www.iod.com/news/news/articles/Home-working-here-to-stay-new-IoD-figures-suggest

But it is also important to reflect on the inner workings of the Ethics and Compliance department; a healthy team culture starts "at home". The changing work environment will also have direct impact on how the department works and interacts. More than ever it is important to focus on the professional development of the team, and on team dynamics, as they will influence how the team members interact with each other and the wider business. Some working practices will need to change as well. For example, conducting remote investigations has its challenges, but it also has shown benefits and efficiencies in certain areas that should be leveraged in the future.

 It is therefore important to find ways to engage and with Zoom and Teams this has become easier. At Serco, the level of collaboration across the Ethics and Compliance department has increased with more regular dialogue, greater conversations and ownership of projects. It's possible that our new, more conscious, ways of working can lead to greater engagement in our own teams.

Opportunity

As John F Kennedy said back in 1959, in a crisis, be aware of the danger but recognise the opportunity. Covid-19 is an opportunity to turn our perspective upside-down, or perhaps outside-in. If Ethics and Compliance thought about culture as something that protects us from bad things outside the organisation, now we should be thinking about how it keeps us well within the organisation. If we thought about influencing employees to do the right thing, now we might ask how employees are. And instead of seeing them as employees and potential wrong doers, we are seeing human beings who need support.

So, here are some actions we suggest you may focus on:

Actions

- **Align to purpose** – ensure you have a seat at the table, champion the link to purpose and see that ethical issues are considered as part of every business decision. Bring values to the table to support delivery of business goals.
- **Focus on purpose and values** – shape new ways of working and behaviours to reflect the purpose and values of the organisation. Redraft your ethics and compliance strategy with values at its core and achieving purpose as its objective.
- **Understand the organisational culture(s)** – through regular assessments and other indicators, collaboration and joining dots.
- **Recognise integrity risk** – understanding those factors you believe will impact the integrity of the business will help shape your programme and focus it on those areas that need addressing to build trust. Is integrity risk on your risk register? What about culture risk?
- **Change focus** – employees to humans – consider how demonstrating care and trust can influence your ethics compliance programme, its language and communications. Instead of viewing employees as potential wrongdoers, it is time to see them as human beings with human frailties and as valuable resources and potential colleagues in the fight against bad behaviour in all its manifestations.
- **Break down silos** - continuing to focus solely on compliance will be even more counterproductive than before. Seeing yourself in a siloed function is old school. We need to work closely with functions across the organization and leverage this collaboration for a comprehensive view of risk and opportunities across the organization.
- **Create communities** – increase collaborative working and communications to drive greater transparency. Tell and listen to stories, celebrate success, create buddy systems, bring employees together, albeit virtually.
- **Build a 'just culture'** - where it is possible for learning to take place in an atmosphere of challenge and people can bring their values to work. Consider the consistency and openness of actions and decisions from investigations.
- **Strengthen communications** at all levels, including our own teams. We can and should lead by example. Be sensitive and, in particular, leaders need to be empathetic and bring people with them.
- **Have fun**.