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CEP Magazine – December 2022

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Boards care about culture more than you think

By Marsha Ershaghi Hames and Eric Baldwin

How can a board of directors be sure that a culture of integrity exists throughout the organization it leads? How can directors be sure that the company's statement of values is translated into action? How can they know that they will not be blindsided by a major ethical scandal that destroys the company's reputation?

Public attention to corporate culture and ethics has never been higher. Corporations are increasingly called upon to articulate a sense of purpose and a clear set of values while balancing the interests of a range of stakeholders. Consumers, policymakers, and the public expect companies to deliver on their promises: behaving ethically, treating employees fairly, being responsible environmental stewards, promoting racial justice, and working to benefit their communities.

Final responsibility for delivering on these commitments and ensuring a company has a strong sense of values, purpose, and integrity rests with the board of directors. Board members take that responsibility seriously and recognize the urgency of effective oversight of ethics and culture. As a Fortune 100 director said recently, "It's a board's responsibility as representatives of shareholders and stakeholders to make sure that we're doing everything we can to make sure the company has a culture that is more likely to lead to positive outcomes." But ethics and compliance professionals fear that culture and ethics do not receive adequate attention from many boards, while directors, despite their commitment to building a culture of integrity, acknowledge that effective oversight of culture presents unique challenges.[1]

The Ethics, Culture, and Compliance Network (ECCN) is a collaboration between Tapestry Networks and LRN. Over the last two years, it has worked to support boards in meeting the challenge of promoting values, corporate culture, and ethical decision-making in their organizations. The ECCN 2021 *Activating Culture and Ethics from the Boardroom* report assessed the realities of board oversight of corporate culture, ethics, and compliance, drawing on insights from in-depth, confidential interviews with approximately 40 directors occupying nearly 80 public company board seats, including at some of the largest companies in the world.[2] These conversations revealed that boards embrace their responsibility for ensuring that executives shape culture and compliance but struggle to find a natural home for culture, ethics, and compliance on the board. Critically, directors fear they are not well-positioned to "read" corporate culture, which they find inherently challenging to interpret.

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