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Perfecting the recipe for your ethical culture assessment 'sauce'

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How many of you, when visiting a restaurant, order your favorite dish with an extra side of the special house sauce? Do people look at you wondering, "Are those potatoes with a side of sauce, or is that sauce with a side of potatoes?" You really don't care, because it is so darn good and cannot be replicated, so you are getting your fill when you can. Likewise, compliance and ethics professionals spend countless hours over the course of their careers trying to perfect their "special sauce" or magic formula that can give a reliable indication of the health of their organization's ethical culture from a compliance and ethics standpoint.

As ethics and compliance professionals, you like to measure. You like to know where you rank among your identified peer group. But what if you shifted your thinking to revolve around creating your own strategy instead of imitating someone else's? That is, you can create your own special sauce unique to your organization. To help you do this, we'll introduce you to some basic tools that you may already be aware of and how to effectively combine them with a tool you may not have heard of: the Knoster Model for Managing Complex Change.

Thinking beyond a basic compliance framework

Unlike culture, compliance is generally measurable—an organization is either compliant or noncompliant. Compliance can be viewed as the fulfilling of official requirements, so it is a structure built to measure and assess standards. So, the question to ask is, can ethical culture be evaluated through compliance? There is thinking that the health of an organization's ethical culture may align more with an evaluation of their ethics. So, if we know that ethical culture eats structure for lunch, and we continue to use the structure of compliance as our cultural measuring stick, are we *really* assessing and measuring ethical culture? Our thinking is that compliance is transitory while ethics is perpetual. So, where do you start?

The elements of an effective compliance and ethics program from the Department of Justice (DOJ)—governmental measures against companies if there is an issue—would be a place to start for a compliance assessment.[1] However, even if leaders were to produce a construct to map your programs and determine whether your culture is healthy, this is not the single answer. A few things, such as tight budgets, limited time, and lack of resources, are remaining at the same pre-pandemic levels, so you must be creative. Again, the quandary: What is the magic formula, and where do you start?

We believe organizations already know of the most effective answer: acceptance of change. Leaders will not be satisfied, no matter the formula developed to measure the ethical culture of their organization, and ethical culture yields to internal and external pressures (e.g., movement within teams, shifts in chains of command, and practices that have been in place for years—maybe decades). The best that leaders can do is accept that change—and the change to the ethical culture as a result—is inevitable. So if this is true, why not measure and assess

ethical culture against a model of change?

The compliance assessment can be effective enough if the government comes knocking on the door, because it always includes a question about what flaw exists in the ethical culture that has allowed misconduct to happen. We advocate, however, that there is not one magic formula that can accurately assess your program and culture (i.e., interpreting the data in a way that gives you a red/yellow/green rating on ethical culture).

So, what if your organization could move from good to great?[2] Go beyond compliance and the DOJ's elements. Use the DOJ elements surrounding compliance *and* assess culture with a model of managing complex change: vision + skills + incentives + resources + action plan.

Identify your core tools

Typically, the data used to measure against the DOJ's compliance program elements are gathered from hotlines, training, employee relations, human resources, and ethical culture and burst surveys. Consider this data set as your special sauce, your tried-and-true standard of measurement for ensuring companies are operating aboveboard internally and externally. Knowing change is inevitable in organizations, however, we suggest including complex change management—the "spice" to your sauce that will help assess ethical culture—but be strategic. Do not just add data without understanding how they can change the outcome.

This is where being resourceful and looking for information and data in unlikely places can help you find the much needed "insider" information and data to assist you in a true assessment and evaluation of your ethical culture. For example, the use of raw information from exit interviews, investigations, annual compliance attestations, customer satisfaction surveys, and calls can provide you with a sense of what is really happening beyond the numbers. It is your context.

Other mechanisms you may have available to use is your in-house personnel. Organizations have a plethora of talent, especially in areas you might not have thought of before, so think beyond internal audit and toward the doctorates in statistics. Does your organization build its own surveys? Who's responsible for them, and what can you learn from the surveys and your own ethical culture survey? Where are those data analysts? What information and analyses can vendors provide? Use your networks or create new ones with like-minded or like-situated organizations.

We all know that just because you got 100% of senior leadership to participate in a training does not mean they fully understood or agreed with the training. Go beyond checking the box. Adding further accountability (i.e., measurements) can help you in continuing to create the ethical culture that aligns with your vision, mission, and values.

Introducing the Knoster Model

Despite training and policies, conflicts of interest and accepting gifts and entertainment, for example, are common ethics issues that get reported. Compliance and ethics professionals keep asking, "Why does this continue happening?" Earlier we mentioned using a model for managing complex change (vision + skills + incentives + resources + action plan) as a tool to measure an ethical culture. It can also help mitigate compliance violations, such as those previously mentioned. So, how does this model work?

The Knoster Model for Managing Complex Change, from the book *Restructuring for Caring and Effective Education: Piecing the Puzzle Together*,[3] suggests that management of change will fail if one of the elements (e.g., vision) is missing. In cases of conflict of interest, for example, if confusion is to blame, chances are the vision wasn't communicated clearly. It is important for employees to see how their individual actions can affect the vision of

the organization. Drawing connections between the accepting of a meal from a vendor (i.e., a violation of the gifting policy) to the vision statement, as another example, may be a way to measure the change in your ethical culture.

Communication and training of updated policies throughout the organization is another common pitfall in continuing to create and refine an ethical culture. According to the Knoster Model, without an action plan in place (made up of communication and training plans), when policies are updated, false starts can occur, and employees can get into trouble because they did not know about the policy updates. Connecting communication and training regarding updated policies to action plans may be another way to measure the change in your ethical culture.

Time to act

We all want ethical cultures that are supported by leaders and allow employees to speak up when they have concerns, where retaliation does not happen, and microaggressions do not exist. We all want a place where an organization's vision, mission, and core values are not only memorized and used in communications but upheld and followed by everyone from the board and senior leadership to the employees on the floor.

Use your special sauce to help create this culture in your organization. The biggest question you will have to answer is, how can you use the outcome to improve the ethical culture? But remember, before you change anything, think about what you want the ethical culture to be, then outline the steps to get there, and make sure the stakeholders are on board.

Your ethical culture is a living organism that inevitably changes, so your sauce must also be regularly refined and tested.

Takeaways

- Compliance and ethics professionals should look in-house for ethical culture measurement data and information.

- Engage with others in the organization who have the skills to aid with measurement and analysis.

- Combining the Department of Justice elements with a model of managing complex change assumes culture is constantly changing, thereby helping to minimize related risks.

- The Knoster Model for Managing Complex Change can be used by compliance and ethics professionals with in-house data and information to measure ethical culture.

- To measure ethical culture change, continually connect communication and training of compliance and ethics activities and updated policies, procedures, and guidelines to action plans.

1 U.S. Dep't of Justice, Criminal Div., *Evaluation of Corporate Compliance Programs* (Updated June 2020), http://bit.ly/2Z2Dp8R.
2 Jim Collins, *Good to Great: Why Some Companies Make the Leap and Others Don't* (New York: HarperBusiness, 2011).
3 Richard A. Villa and Jacqueline S. Thousand, *Restructuring for Caring and Effective Education: Piecing the Puzzle Together* (Baltimore: Brookes Publishing, 1999).

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