

Business for Social Responsibility

# A Practical Approach to Creating an Ethical Culture in a Global Corporation

Pravir Malik

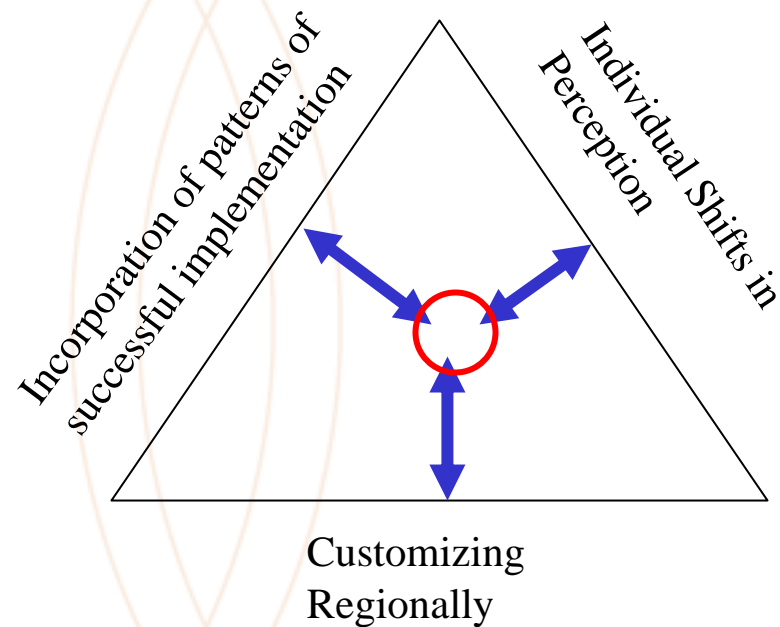
March 09, 2007

# Agenda

- Extrapolating Patterns of Implementation Success in the Creation of an Ethical Culture
- The Need for Regional Customization
- Bringing about Shifts in Individual Perception



# For the Sake of Simplicity the Creation of an Ethical Culture is Separated Along Three Dimensions



- In reality each of the dimensions would need to merge
- Ethics in a global corporation – an ethical culture comprising of different strands of ethics from different cultures



# Extrapolating Patterns of Implementation Success in the Creation of an Ethical Culture



# From “Lip- Service” to an Ethical Culture

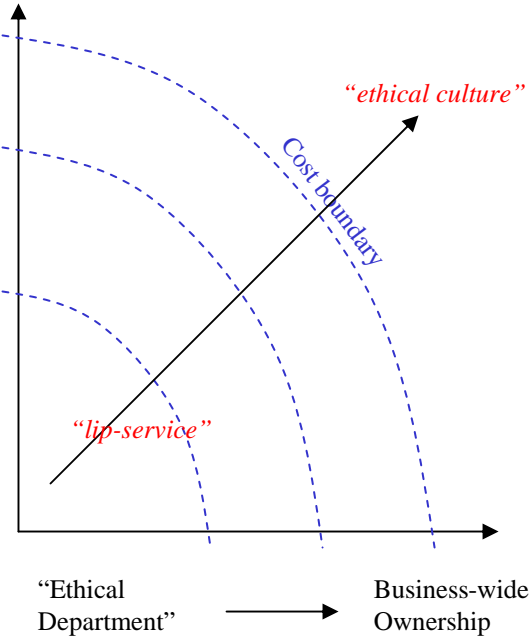
## Idea Enrichment Drivers

- Business Alignment
- Clarity of Intent
- Management of Capacity

Idea

Changes in Business Paradigm and Processes

Ethical Policy



## Program Drivers

- Management of Resistance
- Management of Culture
- Management of Synergy
- Governance
- Intent-Orientation Planning

Ownership

## Ownership Drivers

- Executive Ownership
- Reach of Ethical Department
- Cascaded Ownership



# Idea Enhancement Drivers: Business Alignment

- **Business Alignment:** The creation of a global ethical culture must be considered an imperative within the context of what the business must do in the next 2 years
  - Organizational commitment for any initiative is the key driver for success of the initiative
  - Commitment in turn is usually dependant on how important the initiative is deemed in fulfilling the critical business goals of the immediate future
  - While there are likely many goals that an organization has, the emphasis here is on the critical goals
  - Criticality of a goal may be established by a simple rule of thumb – is the cost of maintaining the current business reality prohibitively higher than the cost of implementing the goal? If so, then the goal must be critical



# Idea Enhancement Drivers: Clarity of Intent

- Clarity of Intent: The definition of the ethical culture – what it feels like in the future, what the costs of achieving it are, how it will be achieved - must be crystal clear
  - Mobilizing time, money, and resources, and achieving true buy-in, requires extreme clarity with regard to the goals and importance of creating an ethical culture
  - In something as fundamental as creation of an ethical culture, it will be important for this clarity of intent to begin at the top of the organization
  - This is usually accomplished through the executive team themselves going through a series of dialogues to conceptualize the intent that really then becomes *their* intent around the creation of an ethical culture



# Idea Enhancement Drivers: Management of Capacity

- Management of Capacity: The overall capacity of the organization must be managed with wisdom. If the implementation of an ethical culture is a true priority, then other “priorities” will need to be de-prioritized
  - Every new initiative demands utilization of some intellectual, emotional, and physical resources at the individual and departmental level in order to be successfully assimilated
  - Dysfunction can result when the demand on resources exceeds the available supply of resources
  - The dysfunction can manifest as whining, frustration, unwillingness to take risks, conflict, poor decision-making, poor communication, and poor team-work amongst other symptoms
  - Such conditions can easily compromise the success of the initiative
  - Hence, it becomes very important to manage individual and departmental capacity
  - The easiest way to do this is to have a well-designed approach to prioritization, where only the most critical initiatives are undertaken



# Ownership Drivers: Executive Ownership

- Executive Ownership: Strong executive level ownership and support for the creation of an ethical culture must exist
  - Successful execution on any initiative in an organization requires executive ownership of the initiative
  - This is especially true of initiatives, such as those that are ethically-based, that are not normally considered to be business centered
  - Executive ownership implies a complete understanding of why an initiative has to succeed, and what people in the organization are being asked to change as a result of this
  - Executive ownership implies not only an understanding of the personal, political and organizational costs that will have to be paid in achieving the initiative, but a willingness to pay the costs required for the initiative to succeed
  - Executive ownership implies a constant reinforcement of this willingness in public and private settings with peers and subordinates
  - It implies a willingness to sacrifice for the initiative by diverting resources and assets that may be required elsewhere, and a willingness to reward those parts of an organization that show commitment in making the changes required for success of the initiative

# Ownership Drivers: Ethical Department Reach

- Ethical Department Reach: The Ethical Department must be well positioned to successfully execute on implementing an ethical culture within the organization
  - The ethical department may create a very progressive ethical policy or even successfully implement new processes that embed ethical nuances into such processes as manufacturing, distribution, or procurement, amongst others
  - If, however, the ethical department cannot set meaningful consequences for those parts of the organization that are actually responsible for executing on the new policies and processes, the likelihood that these will be fulfilled remains low
  - A representative example is the relative placement of Procurement vis-à-vis Ethics. It is likely that these departments report to different executives, and when push comes to shove and procurement goals have to be met, then ethical policies and procedures can easily take a back seat



# Ownership Drivers: Cascaded Ownership

- Cascaded Ownership: Ownership for the implementation and subsequent practice of an ethical culture has to be sufficiently cascaded down the organization
  - While executive level ownership is critical, just as critical is the need for this ownership to be taken up at each subsequent level, all the way down to the front-lines of an organization
  - This is no trivial task and requires well-thought out planning, leveraging of sufficient resources and assets, and a gestation period designed to bring about the required shifts in ownership
  - The probability of creating an ethical culture will be increased with cascaded ownership



# Program Drivers: Management of Resistance

- Management of Resistance: People's expectations will need to be very well managed in order to minimize disruption
  - Resistance can be a formidable force to be reckoned with and can easily undermine the success of any initiative, even at the planning stage
  - It usually results when people's expectations are disrupted
  - Even the thought or knowledge of an impending initiative is enough to disrupt expectations
  - Hence, it is very important to plan for managing the resistance in order to insure successful implementation of a new ethical culture
  - Managing resistance is always expensive
  - But it is even more expensive to try to heal from unmanaged resistance



# Program Drivers: Management of Culture

- Management of culture: Behaviors, beliefs, and assumptions across the organization with respect to ethics will need to be well managed
  - A culture is acquired over time and is the result of behaviors, beliefs and assumptions that have made an organization successful in the past
  - Culture usually provides guidance on what is considered appropriate or inappropriate for groups and individuals to do in the organization
  - In considering a new ethical culture an assessment as to how aligned it is with the current culture has to be made
  - If it is not aligned, then an adequate price to create a new ethical culture will have to be paid
  - Not recognizing the importance of the existing culture, or an unwillingness to pay the price for the creation of an altered culture, will result in failure of the initiative



# Program Drivers: Management of Synergy

- Management of Synergy: Synergy between key leaders must be managed to take the creation of an ethical culture to completion
  - There are a vast number of ways by which the success of an initiative can be countered or even obfuscated to bring about its demise
  - In the face of this likely and commonplace reality, synergy is a source of directed energy that works to bring about the success of an initiative
  - It is often the result of a clear realization that leaders and / or business departments have common goals that can only be achieved by true interdependence
  - It is also often the result of a clear realization that organizational efforts must be structured in such a manner so as to allow pockets of genuine leadership maturity to hold center in the development and execution of an initiative
  - Presence of synergy can go a long way in bringing about the birth of a new ethical culture



# Program Drivers: Governance

- Governance: Champions of the implementation effort must be able to successfully manage a company-wide initiative of this nature
  - Large initiatives require a maturity in governance
  - This implies the ability to not only plan out in detail what is to be done, to not only track corresponding metrics of success and create the right instruments to bring in a continuous and efficient stream of useful information that informs the metrics, but to also effectively mobilize the needed assets and resources as and when they may be required
  - Inability to govern the execution well could easily result in its not achieving the needed integration within the organization



# Program Drivers: Intent-Orientation Planning

- Intent-Orientation Planning: The planning and implementation of the ethical culture must be oriented toward fulfilling the real intent behind the creation of an ethical culture, as opposed to simply putting the associated processes, structures, and systems in place
  - One of the biggest short-falls in achieving integration is in believing that an initiative has been successfully completed when the processes, structures, and associated systems that define only the body of the initiative has been put into place
  - Unless the true intent of the creation of a new ethical culture, as opposed to the external form that seems to define it, has been achieved, integration is not likely to occur. It is like having all the wires and switches in place, without any current to bring the structure to life
  - In planning an initiative hence, it is necessary to plan for full animation of the intent of the initiative
  - Such an intent-oriented plan would differ from other plans by embedding the insights just discussed here – business alignment, Ethical department structure & reach, executive ownership, ownership column, clarity of intent, managing of resistance, managing of capacity, alignment with existing culture, leveling of synergy, and governance – into the plan



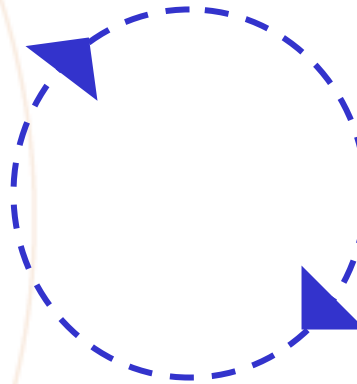
# The Need for Regional Customization



# Ethical Forces to Consider in Customizing for the Indian Region

## The Business Reality

- Evolution of Indian corporation vs. Western corporation
- Lessons to be learned from the West
- India as a key player at the margin: Challenge facing India/world now: environment etc. (retail example)



## Cultural Forces

- 100 diverse nations within a nation: different model of leadership
- “India has 2,000,000 gods, and worships them all. In religion, other countries are paupers; India is the only millionaire” (Mark Twain)
- Wisdom of villages: keeping the culture alive
- Misplaced spirituality

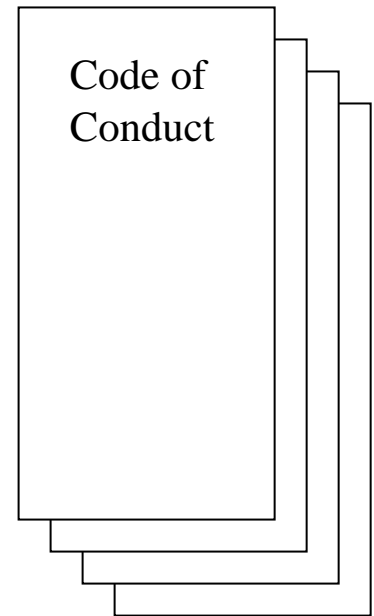
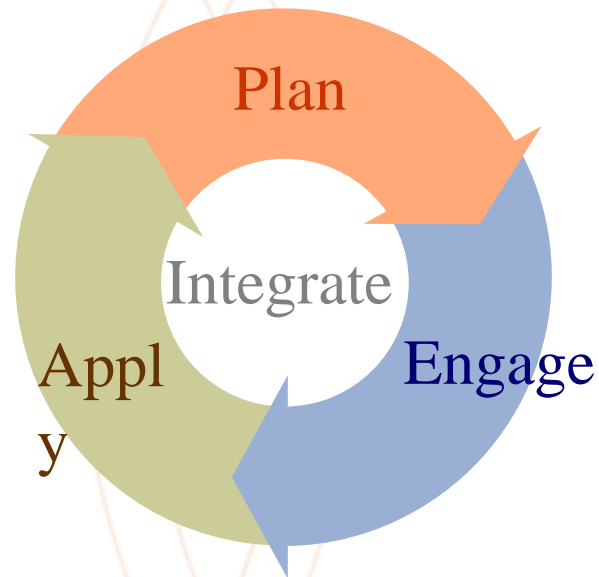
## Forces of Pragmatism

- Suppression of indigenous culture for 1000 years --- unleashing of vitality; India on the cusp from old to new
- Local vs. western ethical perceptions: child labor etc.
- Gunda-raj, licence-raj
- The question of authenticity

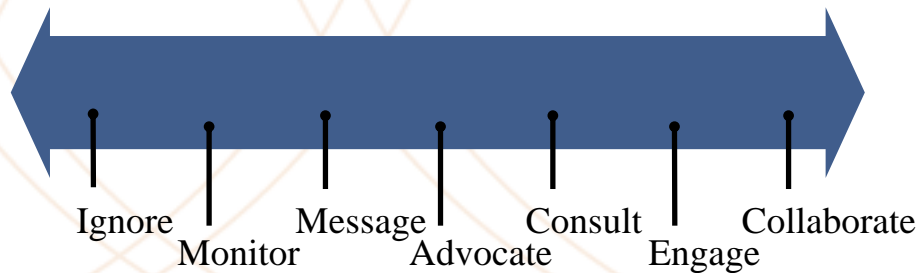


# Practical Tools from BSR in Customizing for the Region: Engaging Stakeholders & Creating Codes of Conduct

Stakeholder Engagement Cycle



Stakeholder Relations Continuum

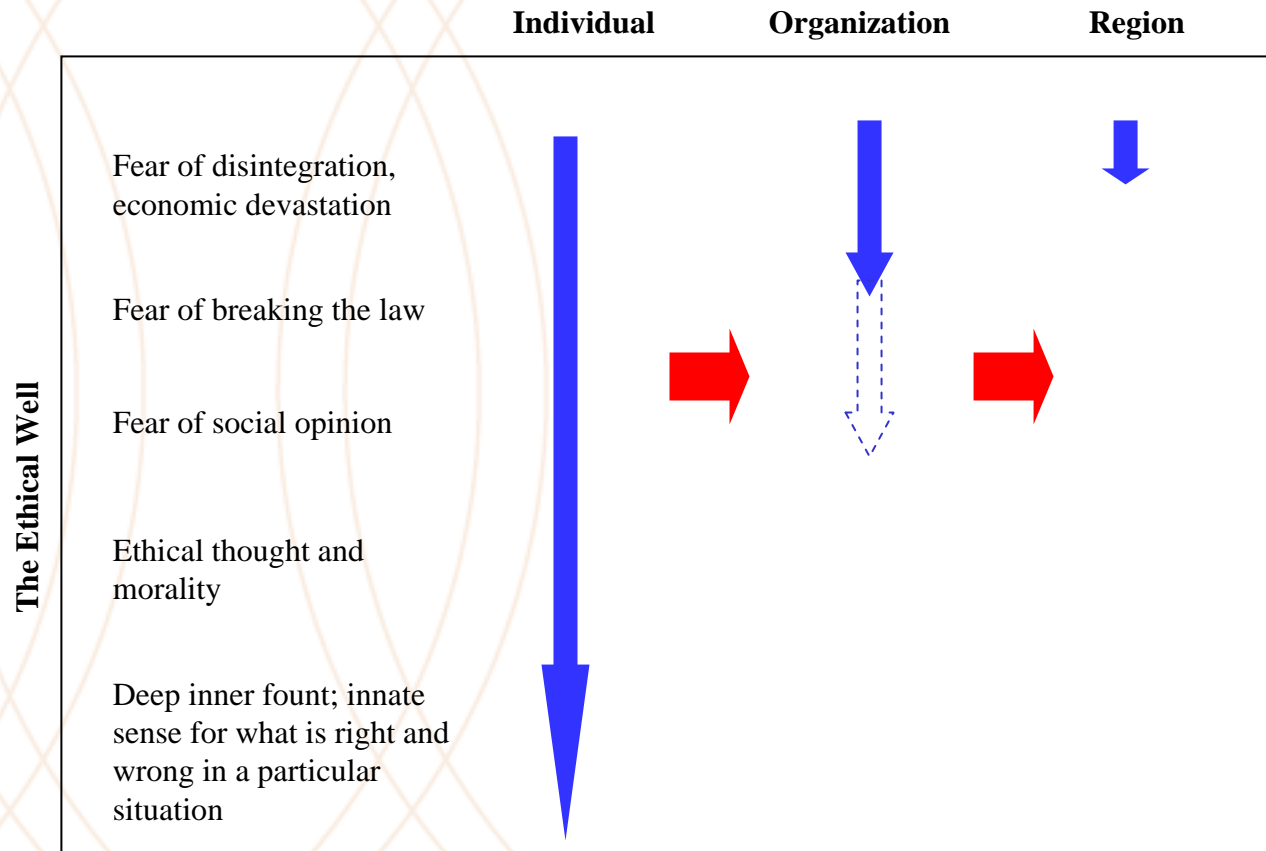




# Bringing about Shifts in Individual Perception



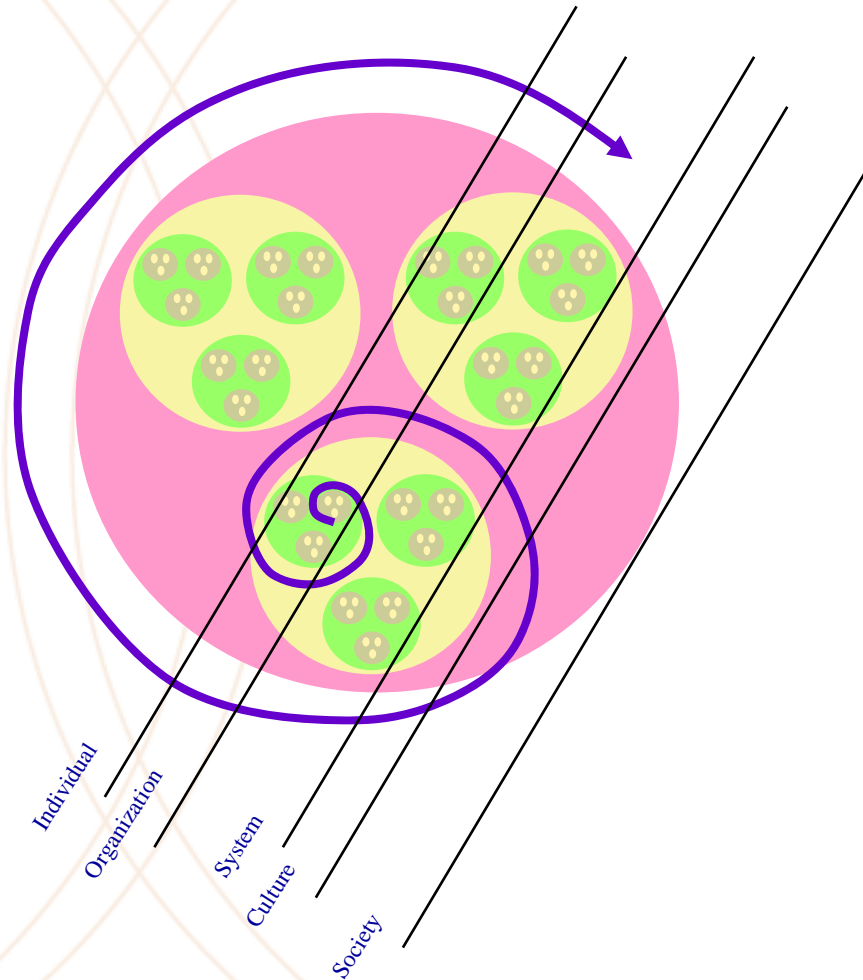
# Leveraging the Individual's Access to the Ethical Well



- Individual has access to a deeper core of ethics
- Individual's access has to be leveraged to drive progress in other areas



“Become the change that you wish to see in the world” (Mahatma Gandhi)



- Many approaches to bringing about shifts in individual perception

