

Compliance & Ethics Professional

July
2014



A PUBLICATION OF THE SOCIETY OF CORPORATE COMPLIANCE AND ETHICS

www.corporatecompliance.org



A conversation with Joe Murphy

Chairman of the Advisory Board,
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See page 14

21

**Compliance
program
implementation:
Gettin' 'er
done!**

Agatha Asemota

29

**"Gentlemen, this is
a football...": The
value of repetition
in communicating
compliance**

Laura C. Snider

31

**Keep calm
and bridge the
generational
divide**

Marsha
Ershaghi Hames

39

**Why compliance
professionals need
to think about
national cultures**

Dr. Nitish Singh and
Thomas J. Bussen

by Dr. Nitish Singh and Thomas J. Bussen, JD, MBA

Why compliance professionals need to think about national cultures

- » Even in a globalized world, local identities, values, and norms persist and need to be recognized.
- » Compliance professionals need to recognize the importance of localizing ethics and compliance programs.
- » Localizing your compliance program is an effective way to mitigate compliance risk.
- » Localizing is not just translating policies and procedures, but includes adapting them to meet cultural expectations and locale-specific requirements.
- » To effectively localize compliance programs, companies need to work with a cultural adviser who combines deep cultural and management insights with ethics and compliance knowledge.

“People cannot act or interact in any meaningful way except through the medium of culture”

- Edward Hall¹

Why worry about culture? Many compliance professionals speak of the culture



Singh

of compliance, the ethical culture, or the organizational culture, and all of these are indeed critical aspects of organizational conduct. However, the larger national culture and other locale-specific cultural elements also impact organizations and their people, and this issue is less commonly a point of focus.



Bussen

Compliance professionals need to better account for the importance of national culture when developing, managing, and implementing ethics and compliance programs. Cross-national differences in ways of thinking, communicating, and behaving have the potential to create

misunderstandings and miscommunications that could lead to compliance failures and ethical breaches in conduct. This is neither a simple, nor a superfluous issue, that we as compliance professionals can afford to continue sweeping under the rug.

A recent Wall Street Journal article argues that email exchanges between bosses and employees are a great source of conflict and miscommunication...

In our day-to-day business dealings, intra-cultural miscommunications occur frequently. A recent *Wall Street Journal* article argues that email exchanges between bosses and employees are a great source of conflict and miscommunication, and that these issues arise as a result of different communication and personality styles.² If “we” cannot

even communicate with the person down the hall clearly, “we” should not assume that we can communicate with someone on the other side of world with the level of clarity that compliance issues demand. The risks of compliance failures resulting from miscommunications are thus even more extreme in a global context.

Globalization has led to an increased exposure to people, practices, and institutions across the world. In 1983, Theodore Levitt, the famous Harvard Business School marketing professor, put forth the idea of a globalized consumer market in which a standardized marketing strategy could lead to a competitive advantage and cost savings.³ However, in the years since Levitt’s theory, a multitude of researchers, companies, and consultants have learned that ignoring local differences and leveraging a standardized business strategy often brings with it severe pitfalls. This includes corporate miscommunications, brand dilution, market share erosion, consumer antipathy, and most especially, the erosion of global competitive advantage.

The advertising industry serves as case in point for the importance of localizing advertising and marketing messages. Have you ever heard a company’s brands or products described as getting “lost in translation”? They could be referring to the Coors slogan, where “Turn it loose” became “Suffer from diarrhea” in Spanish; or Kentucky Fried Chicken’s “Finger licking good” translated into Chinese as “Eat your

fingers off”; and Clairol’s curling iron, where the pleasant-enough sounding “Mist Stick” translated poorly in German, where “mist” means “manure.”⁴ We are not picking on these companies. Unfortunately, they are far from alone, and comparable mistakes are being made every day with homogenized ethics and compliance programs.

Localizing ethics and compliance programs

Ethics and compliance are the products of a country’s formal and informal institutions.

Ethics embody core aspects of cultural

realities, including core cultural values, norms, religious values, myths, heroes, and national role models. In fact, cultural values of respect, honor, loyalty, filial piety, self-reliance, equality, competition, cooperation, seniority, group harmony, formality, politeness, materialism, freedom, and more play a

critical role in informing our ethical judgments and behavioral outcomes. Organizations need to account for the importance of cultural differences when developing ethics and compliance procedures that interface across countries and cultures.

Take Korean Air. It is one of South Korea’s, and the world’s, largest commercial aircraft companies. Throughout the 1970s and 80s, Korean Air had one of the world’s worst safety records, with collisions and crash landings tarring their reputation and costing lives. Its equipment was not deficient, and its people were top notch. But despite all of the hours Korean Air pilots spent in simulations,

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their training was inherently defective. The problem? Korean Air was training its pilots and co-pilots in the way the Western world had told it to, and in the way that had proven effective in so many parts of the world. But it turned out that when you asked a 20-something South Korean co-pilot to warn his older and more experienced pilot that something was amiss, the Korean culture of respect meant that too many times those co-pilots remained silent, with tragic consequences.⁵

Ultimately, Korean Air brought in cultural advisers, identified this deficiency, and overcame these barriers. Today, Korean Air is an award-winning airline, and one of the world's safest, with no accidents since 1999. This is an extreme example, but it is illustrative of a broader corporate issue: training all employees, from all cultures, as if they were homogenous. The reality is much more nuanced, and nuanced training is what is demanded.

The challenge of persuading employees from different countries to comply and believe in core corporate values is inextricably linked to their respective cultures. People decipher the meanings in the world around them through a cultural filter that processes, sorts, and interprets every bit of information. Thus, culture impacts how we perceive, process, and interpret information. Past research has provided evidence of cross-cultural differences in color preferences, organizational values, self-perception, field dependence, sex role portrayal, communication style, and other facets of our daily behaviors.⁶ For example, in some Asian cultures where saving face is important, bad news travels slowly. Consequently, compliance

programs need to create special mechanisms to help employees confidentially and anonymously report grievances or compliance issues. Similarly, in some Middle Eastern and South Asian cultures, bribery takes a semi-acceptable form in practices such as *baksheesh*, wherein gifts or facilitative payments become an instrument for influencing decisions and business outcomes. In other status or hierarchically oriented cultures, it is difficult for

subordinates to raise concerns against their superiors' misconduct or ethical failings; indeed, in these cultures subordinates may implicitly condone such behaviors of their bosses.

Finding the right adviser

Companies with worldwide operations often attempt to implement one single compliance program throughout all of their operations. Often, the most that is done is a translation of the code and key policies for the employees of the foreign office. But just as Korean Air found in more dramatic fashion, these implanted programs often fail to achieve their desired consequences. Instead, organizations must analyze unique cultural dimensions in the country in which they operate, and aim to balance organizational objectives with cultural realities.

The most important thing to remember is that mere translation is not sufficient. Your local workforce will not find it sufficient, and neither should you. For the successful implementation of worldwide compliance programs and policies, companies need a unique blend of cultural expertise and compliance knowledge to systematically manage and implement

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compliance programs. The true breadth of cultural localization is understood by only a few. Fewer still possess the knowledge and skills that can help you to implement such transformative, but highly effective programs in the form of cultural methodology, in-depth cultural training, and cross-cultural measurement testing. Contact the authors for resources and guidance which may assist your compliance localization efforts. *

1. Edward Hall: *Beyond Culture*. Garden City, NY: Anchor Press/Doubleday, 1976
2. Sue Shellenbarger: "Email Enigma: When the Boss's Reply Seems Cryptic." *Wall Street Journal*. March 11, 2014. Available at <http://bit.ly/boss-reply-wsj>
3. Theodore Levitt: "Globalization of Markets." *Harvard Business Review*, May 1, 1983.
4. John Yunker: *Beyond Borders: Web Globalization Strategies*. Indianapolis: New Riders, 2002.
5. Malcolm Gladwell: *Outliers: The Story of Success*. New York: Little, Brown, 2008
6. Nitish Singh and Arun Pereira: *The Culturally Customized Web Site: Customizing Web Sites for the Global Marketplace*. Oxford, UK: Elsevier Butterworth-Heinemann, 2005

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2014 COMPLIANCE & ETHICS INSTITUTE PREVIEW

SESSION 407: Pay-to-Play Pitfalls: A Rising Threat to Your Business Plan

MONDAY, SEPTEMBER 15, 4:30 – 5:30 PM

Has your company been barred from contracting with a state government because the spouse of a corporate executive made a (legal) campaign contribution to the governor? Surprised? The federal government and many states and local governments are enacting "Pay-to-Play" laws that restrict companies from doing business with them if they contributed to the campaigns of elected officials. Don't be caught off guard. Learn about Pay-to-Play laws and how you can craft policies, procedures, and controls to prevent violations and keep your company "in the game."



SIMON DAVIDSON,
Counsel, McGuire Woods LLP
and author of *Roll Call's A
Question of Ethics*



STEVE EPSTEIN,
Chief Counsel,
Ethics & Compliance,
The Boeing Company

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