
How to Create a Culture of Compliance

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integrity loyalty engagement

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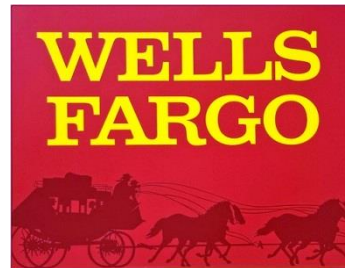
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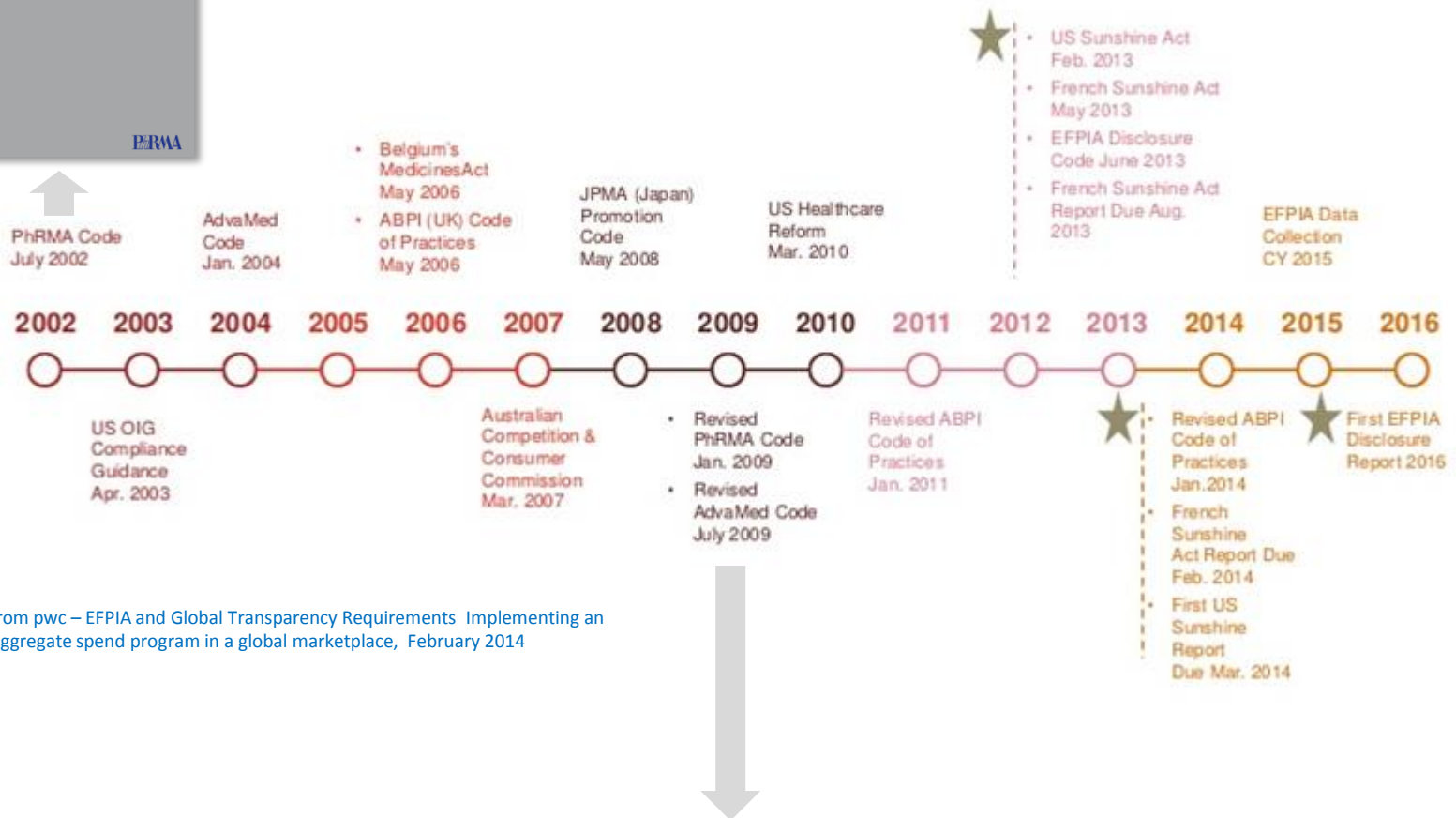


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PhRMA



From pwc – EFPIA and Global Transparency Requirements Implementing an aggregate spend program in a global marketplace, February 2014

\$ 31.3 Billion recovered by the US Government since January 2009 through the False Claims Act (\$19.3 Billion from Health Care Fraud)



Dictionary

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comply

verb | com·ply | \kəm-ˈplī\

: to conform, submit, or adapt (as to a regulation or to another's wishes) as required or requested • *comply* with federal law • the devices *comply* with industry standards

¹culture

noun | cul·ture | \ˈkəl-cher\

c: the set of shared attitudes, values, goals, and practices that characterizes an institution or organization • a corporate *culture* focused on the bottom line

ethic

noun | eth·ic | \ˈe-thik\

ethics *plural in form but singular or plural in construction*: the discipline dealing with what is good and bad and with moral duty and obligation

What is an Ethical Business Culture?

- It is more than elegantly written Codes of Conduct, Values Statements and Ethics Principles – it is the way things really work when conducting day-to-day business.
- It is a workplace that makes it easy to do the right thing and difficult to do the wrong thing.
- It is a workplace where people know what the right thing is and will do it even when no one is watching.

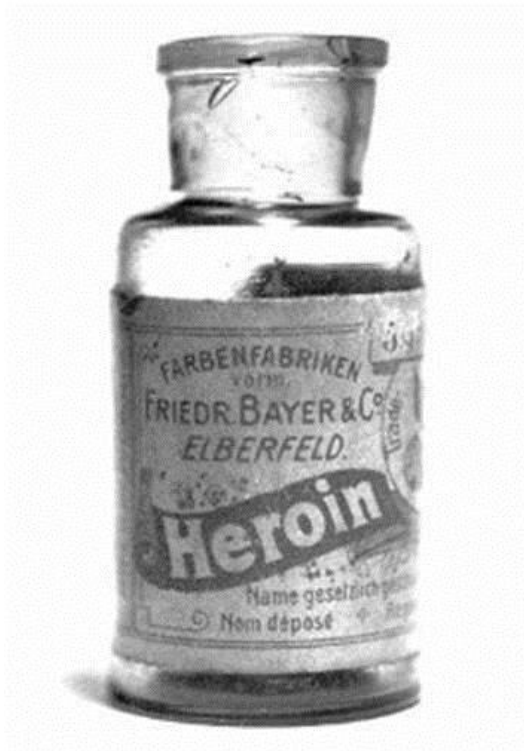


*“ Sometimes what is thought to be ethical in one time period,
is deemed not to be so later on ”*

Dr. Myron Scholes

Nobel Prize Winner

Partner, Long Term Capital Management



A bottle of Bayer's 'Heroin'. Between 1890 and 1910 heroin was sold as a **non-addictive substitute** for morphine. It was also used to treat children suffering with a strong cough.



Cocaine drops for toothache. Very popular for children in 1885. Not only did they relieve the pain, they made the children very happy!

strategy&

Formerly Booz & Company

CULTURE AND CHANGE

Why Culture Matters and How It Makes Change Stick

Cultural Outlook

60%

think culture is more important than strategy or operating model

84%

believe culture is critical to business success

51%

think a major overhaul is currently needed in their culture

ONLY
35%

think their company's culture is effectively managed

Who's driving the change?

Who **SHOULD** BE responsible for culture change?

43%

say CEO and other top leaders

42%

say all employees

Who **IS** in charge of culture change?

59%

claim the CEO and other top leaders are currently responsible for change

14%

say all employees are currently responsible for change

2,200 respondents
across seniority levels, countries
and company size

Although 84 percent
of all respondents think
culture is critically
important, less than half
believe their companies
do a good job of
managing culture

From: [pwc - 2013 culture and change management survey](#)

An Ethical Business Culture Preserves Reputation



It takes 20 years to build a reputation and five minutes to lose it. Lose money for the firm and I will be understanding; lose a shred of reputation for the firm and I will be ruthless.

Warren Buffett

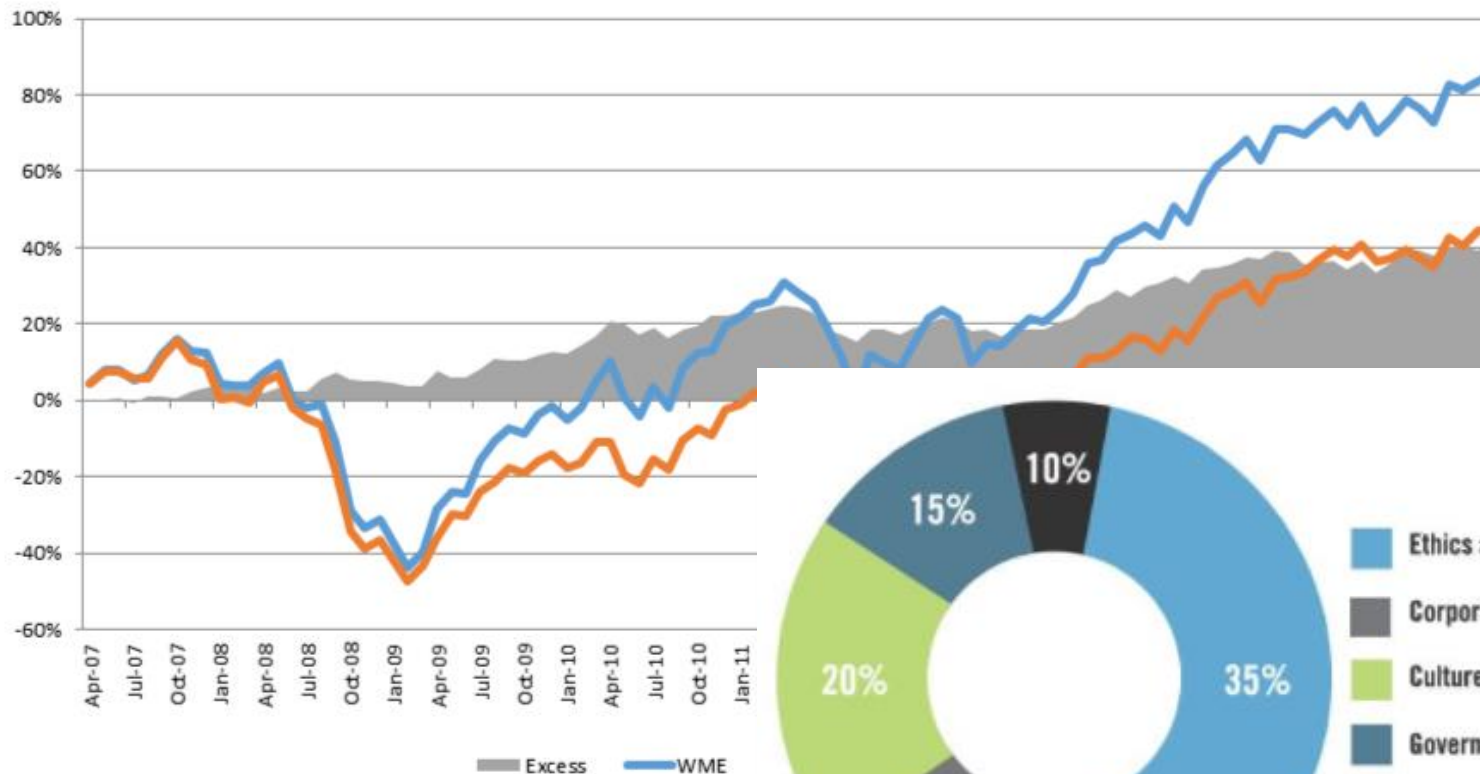
Sixty percent of a company's market value is based on its reputation

Weber Shandwick – November 2011

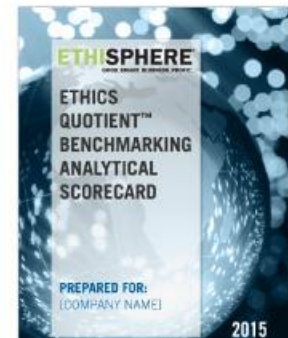
FORTUNE
100
BEST
COMPANIES
TO WORK FOR

Fortune Magazine “100 best companies to work for”
score 6% higher than the rest in the S&P 500 index

WME Index vs MSCI ACWI Cumulative Performance April 2007 - May 2015



Source: Ross Applied Investment

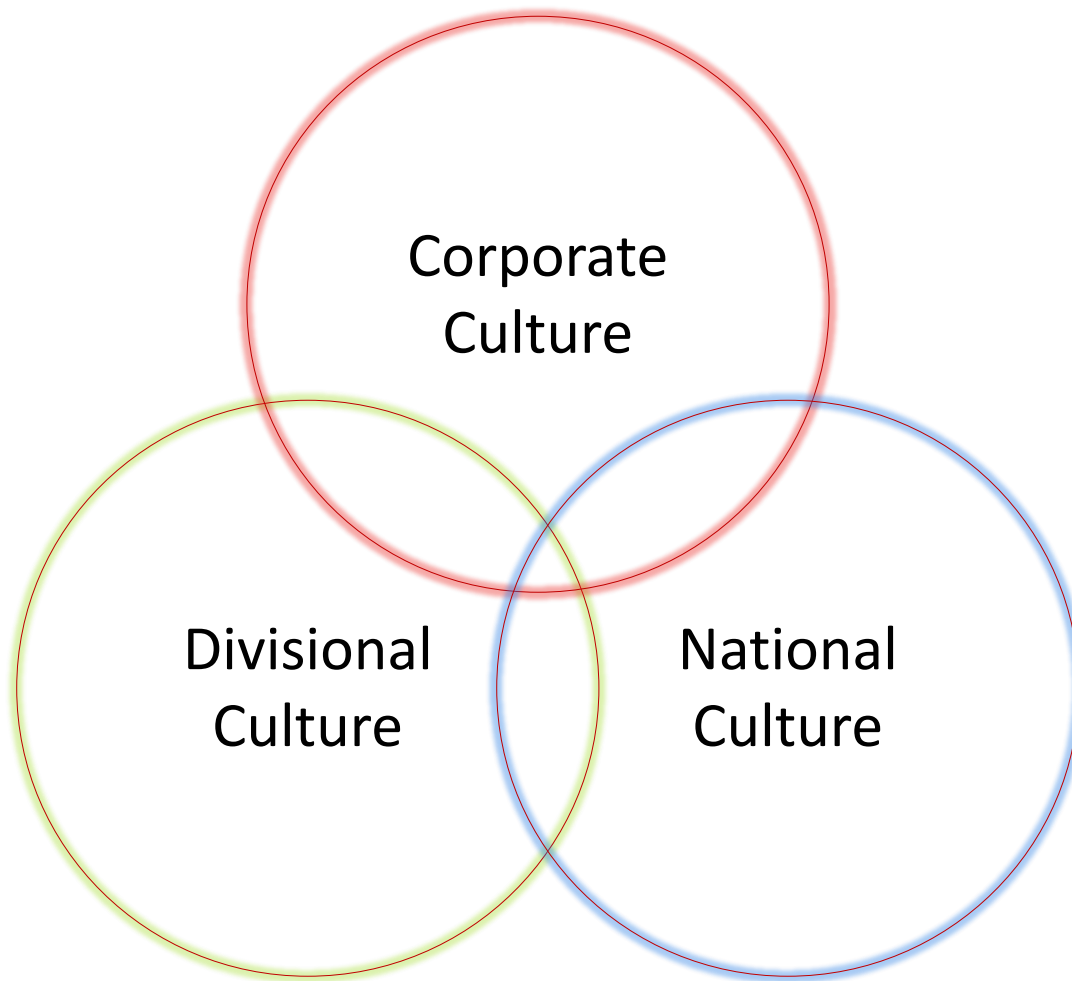


Positive Business Impact of an Ethical Culture

- Prevents non-compliance and fraud by communicating to employees that improper conduct is not tolerated.
- Counteracts government encouragement of employees to bypass internal reporting systems and go directly to them.
- Reduces costs related to litigation, fines, negative media impact and disruption to operations.
- Mitigates the exposure of Board members, Sr. Management and employees to criminal and civil liability.
- Increases attraction of best talent and employee retention by communicating the organization's commitment to ethical operations and standards.
- Solidifies the organization's credibility, which translates into an immensurable marketing benefit.



One or Many Cultures ?



Even in a brand new organization, there is never a cultural “clean slate” – people bring their cultural baggage with them

Not all subsidiaries are at the same level of organizational maturity, and have significant differences in local culture and regulations



An Ethical Culture can no longer be a country-by-country approach

- In a world of information, there are no more secrets and there is no place to hide.
- In today's world, news of a corporation's mishaps or missteps travel around the globe in a matter of hours, and the smallest local episode can have a global effect.

Latin American Business Culture



- Even for subsidiaries of Global Companies, the LA business model is a hybrid between globalization and the region/country historic traditions.
- In the workplace and with customer interactions, there is a collective spirit where loyalty and personal relations are of absolute importance.
- The survival of the organization greatly depends on social networks and government relationships.
- Despite courtesy and diplomacy are highly valued, in times of conflict people identify with their “in-group” rather than the entire organization.
- Processes and control mechanisms not driven by local needs will be difficult to understand/accept.

Corruption Perceptions Index



Ethical Culture Danger Zones



Fear of Retaliation

The fear of payback for doing the right thing is a powerful cause of inaction in organizations.

Avoidance

When bad things go unpunished or are ignored, it can lead to even worse behavior. It sends the message, "We don't care."

Rationalization

The "everybody's doing it" mindset can lead people into murky ethical waters. Using neutral terms to describe questionable actions (e.g., "creative accounting") is a subtle form of rationalization.

Thresholds Lowered

With each unethical decision, the next one becomes easier. It's a slippery slope.

From: Steven D. Olson, director of the Center for Ethics and Corporate Responsibility at Georgia State University and author of *Shaping an Ethical Workplace Culture*, a SHRM Foundation report.

- Increase transparency and personal accountability, particularly at the line management level.
- Preserve alignment between performance goals and business realities.
- Establish individual performance standards that are simple enough to understand and don't stop at "what" but incorporate "how", "when" and "who".
- Include ethical business goals in key performance metrics and personal performance evaluations.

- Incorporate risk assessment methodology in all key projects and initiatives to better understand and manage sources of risk.
- Define how much risk the company is willing to take while encouraging innovation and prudent risk-taking.
- Reinforce training and certification on critical processes/activities for Company personnel & third parties.
- Establish the concept that the only alternative to risk management is “crisis management.”

- Ensure that all communications have a message that is transparent, consistent and simple to understand
- When cascading messages through management layers and geographies, take steps to ensure that the tone at the top is not diluted or “lost in translation”
- Balance messages that ask for higher performance so they are not mistaken as tacit endorsements of excessive / improper risk-taking (“tolerate misconduct to reach goals”)
- In times of change and uncertainty, be transparent and deliver a clear message to counteract low morale, poor engagement, and employees’ shift to self-preservation

Culture is
a verb, not
a noun

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Workplace Culture Assessment

What gaps exist between your employees' perceptions and the culture you strive to create?

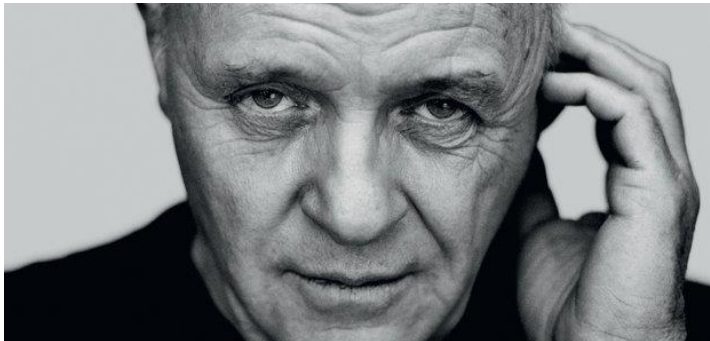


The Workplace Culture Assessment identifies gaps between the culture you intend to create and the one that employees actually experience. Findings from the Culture Assessment uncover whether your investments in specific programs and employee benefits are truly aligned with employee values and interests.

Built upon findings from the Trust Index[®] Employee Survey, the Workplace Culture Assessment overlays an audit of your company culture with an analysis and inventory of the policies, practices, programs and day-to-day management behaviors that form the foundation of your workplace culture. Responses are rated for variety, originality, all-inclusiveness, human touch, and integration. Combining these results with scores from the Trust Index[®] Employee Survey, our consultants create a complete assessment of your organizational culture, with data presented in a graphical, easy-to-understand findings report. Your consultant will present your company's unique strengths and help you explore areas of opportunity to set your company on the path towards creating an organizational culture on par with the world's leading companies.

For a Compliance Professional, competence and technical skills are necessary but by no means enough.

A Compliance professional must have the social intelligence to understand the business, navigate relationships, listen, communicate, influence, persuade and collaborate.



If you are not at the table
you are on the menu!



Compliance

Thank You!