

Using History to Create or Rebuild a Compliance Culture

I have wondered how organizations such as Siemens, Alcatel-Lucent or any others that have faced a wide-ranging, global charge of systemic bribery and corruption might change their culture. Many others have written about the structural changes that such companies have made. For instance, the compliance monitor for Alcatel-Lucent, Laurent Cohen-Tanugi, was quoted in a recent Corporate Crime Reporter article, entitled “*Alcatel-Lucent Monitor Questions Morgan Stanley FCPA Declination*”, as saying “I’ve noted a very significant change in the tone at the top since the time of those events that led to this deferred prosecution agreement. These changes are due to a number of factors – such as the merger between Alcatel and Lucent. Most of the facts predated the merger. But also the new leadership that came to the company – in the persons of Ben Verwaayen and Philippe Camus. I have noted that the company has in place the policies and processes that are generally expected to fight corruption. And that is very good news.”

Another method was used by the first Chief Executive Officer (CEO) who came into Siemens after its bribery and corruption scandal. One of the things that Peter Löscher did in his first 100 days with the company was to go on a round the world tour of the company’s facilities, including meetings with employees, customers and local governmental officials. He accomplished this final component through meetings with local leadership teams, town hall-style meetings with all employees and dinners with top leadership teams in specific locations. He basically learned that Siemens employees were “shocked and ashamed, because they were very proud to be a part of Siemens.” They wanted him to help clean up the company and they communicated that to him in these town hall meetings.

I have worked for and with a number of companies that may seem to have lost their compliance path and have become embroiled in a lengthy Foreign Corrupt Practices Act (FCPA) or UK Bribery Act investigation. They may need to try and change a culture that has slipped down a path that needs redirecting. I was, therefore, interested to read a recent article in the December issue of the Harvard Business Review (HBR) by John Seaman Jr and George David Smith, entitled “*Your Company’s History As A Leadership Tool*”, where the authors write about a different manner in which to change or modify culture, or what I call the “historical path.”

The authors begin by stating they believe that “For a leader who hopes to take an organization into the future, one of the most powerful tools may be a sophisticated understanding of its past.” To accomplish this, the authors advocate thinking like a historian because they believe that if you do not know where you have been, it is difficult to know where you are going. By this they mean that you should base any serious decision on facts. Next, you must be willing to treat facts “with intellectual integrity – viewing them with an open mind and a willingness to be surprised.” The authors recognize that many CEO’s are faced with great pressure regarding “quarterly earnings reports and the need to react to one crisis (real or perceived) after another,” yet they believe that the best leaders have “a long range perspective on the companies they manage.”

I believe that most employees want to engage in business ethically and that they do not want their company to be known as one which engages in illegal conduct, such as FCPA or UK Bribery Act violations. Employees want their companies to be successful because of better products, better services and better delivery of both to their customers. They want to understand, be a part of and have a sense of legacy for the company that they work for and the people that they work with as employees. To help facilitate this, the authors suggest that a company can engage in seven steps to help understand where a company has been to in order to help guide it where it may be going in the future. The authors call this the “*Seven Tips for Getting History on Your Side*” and they are:

1. **Company Archives.** Your company should begin with the archives. You should visit or begin compiling your company’s archives. The authors believe that your company’s history is “only as good as the raw material – documents, images and artifacts – that you have at your disposal.”
2. **Enrich.** You should expand and enlarge your company’s archives through interviews with departing executives and long-term employees and here the authors advise “especially the outlaws and the iconoclasts.” These interviews will help to ‘flesh out the written record, which often omits the rationale for decisions or fails to note what might turn out to be important ideas or events.’”
3. **Survey.** Your company should find out what is known about your company’s values and history through surveys. The authors believe that this can assist in separating “fact from fiction, identify missing pieces which you will need to address and begin to understand how history has shaped perceptions about your company today.”
4. **Dialogue.** Encourage your employees to engage in a dialogue about your company. Use social media to “capture stories about the company’s past” and about what the meaning of the past has for your company’s work and values today.
5. **Post-mortems.** Conduct post-mortems on major projects and initiatives – both the successful and unsuccessful. You must recognize that you can learn as much from failure as you can from success.
6. **Perspective.** Your company should seek to entertain a historical perspective “before every new decision, whether it involves a new strategy, a major acquisition or investment, or a new marketing campaign or communications initiative.”
7. **Talk-Up.** Your company should talk about its rich history. Its leaders, breakthrough innovations and decisive impacts and “what it says about the company you are today or want to become.”

The authors conclude by stating that “A company’s store of experience—its evolving culture and capabilities, its development within the broader contexts in which it has competed, and its interactions with government and other forces—shapes the choices executives have to make and influences how people think about the future. Great leaders respect and honor that basic truth.”

If your company needs to refocus its commitment to compliance, in addition to the compliance processes and procedures that you will need to install or enhance, you may be able to call upon a rich corporate history to assist you. It is there if you look for it and what you find may be similar to what Siemens CEO Peter Löscher found at Siemens, that employees were both proud of their company and ashamed that it had engaged in such bribery and corruption. But you do have to look.

This publication contains general information only and is based on the experiences and research of the author. The author is not, by means of this publication, rendering business, legal advice, or other professional advice or services. This publication is not a substitute for such legal advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified legal advisor. The author, his affiliates, and related entities shall not be responsible for any loss sustained by any person or entity that relies on this publication. The Author gives his permission to link, post, distribute, or reference this article for any lawful purpose, provided attribution is made to the author. The author can be reached at tfox@tfoxlaw.com.

© Thomas R. Fox, 2012