THE SECRET TO THE PERFECT ETHICS PROGRAM IS IN A BOTTEGA VENETA HANDBAG
Lessons on Corporate Ethics Programs from a Designer

By Mark J. Ohringer

Want to know the secret to a great corporate ethics program? Then turn to Tomas Maier. Is he a former US Attorney? The Chief Ethics Officer in a Fortune 500 Corporation? A law firm partner who has handled major FCPA cases?

None of the above. Maier is the head designer for the Bottega Veneta fashion label. I first read about him in a New Yorker article (January 3, 2011). What makes great fashion is not usually top of mind for me (ask my wife), but I was nonetheless struck by Maier’s approach to design and the philosophy that informs it. And I think that in Maier’s secret to a great handbag or dress we can also find the secret to creating the most effective possible corporate ethics program.

Maier says that “his goal as a designer is to strip away all unnecessary parts until a dress or a bag has been reduced to its fundamental essence.” A dress on the runway is perfect when you can’t tell how the model got into it, how it closed or where the seams are. “Luxury doesn’t show—it’s not something you can see from a mile away.” But beauty must not come at the expense of function: if one of his designers makes a dress a woman cannot sit down in, then “something is not really working.”

Moreover, whatever Maier produces must be built to last. That means he doesn’t think that Bottega Veneta’s high price tags make his goods beyond the reach of the normal buyer since he believes we have all been trained to want too much stuff: it is better to have one great piece of clothing that you replace rather than a closet full of mediocrity.

So, what does this tell us about how to construct a great ethics program? Plenty. You can certainly design a program with lots of stuff—hours of mandatory training, testing, certifications, gift logs, on-line courses and the rest of it. But what ultimately promotes the most powerful ethical environment—one in which everyone knows that it is not OK to break the rules and that there will be consequences if they do—is most often what we don’t immediately see: a strong culture where management is known for behaving with integrity and not tolerating anything less from everyone else. A healthy environment where everyone knows that the long-term interests of the company—its sustainability—depend on doing the right thing for customers, staff and the other constituencies that the company touches. An environment where everyone intuitively knows—even if they can’t exactly articulate it—that you need to comply not only with the letter of the explicit ethics rules (what you must do) but also, as importantly, with the communal morality that is embodied in the spirit of the rules (what you should do). In Maier’s vernacular, this is the luxury that clearly exists but doesn’t necessarily show. This is the dress that works really well but no one is quite sure how. This is the quality material that really lasts. This is how you approach perfection.

Now one of the complaints that you will sometimes hear from ethics officers about the senior managers at their companies is that they don’t value, or only grudgingly accept, and maybe even try actively to resist—the outward trappings that commonly form ethics programs: the training, the background checks, the certifications, among others. But it is important to think through the eyes of managers for whom the time spent on ethics training and other compliance activities is time taken away from revenue-generating activities without which, let’s be realistic, none of the rest of it matters. It’s not that they don’t want their people to act ethically since even the most cynical and self-interested of them will want to avoid the significant costs that can accrue from a big ethical lapse. But they do want the result—ethical behavior—without all the heavy lifting that ethics officers (not to mention the Justice Department) say is necessary to achieve that result.

Perhaps Maier’s philosophy can help effectively bridge the gap that may exist between ethics officers and business people. If we think in his terms, then the goal of the ethics officers—who in this case are the fashion designers—should be to architect an ethical and moral culture that permeates the environment without necessarily having to impose every last one of the possible training activities and other red tape that take up a lot of time, cost a lot of money and tell everyone what they already know. (Do you think there is anyone in your company who really doesn’t already understand that taking a bribe is illegal, or that an unwanted quid pro quo sexual advance is against company policy?)

This means figuring out how to conceive and prioritize your efforts so that you focus on the ones that will establish an enduring and deep culture rather than a checklist of tasks to tick off regardless of whether or not you think they’ll really do any good. It also means figuring out how to create an ethics program that has been reduced to its “fundamental essence,” namely one that maximizes its effectiveness while minimizing the costs to the organization in terms of the time and money spent to build and operate it. Within Maier’s rubric, this would be a program that universally conveys its inherent luxury by functioning well and being built to last without making everyone have to painstakingly experience every seam and clasp that holds it together.
The way to go about this will differ from one organization to the next since each one has its own cultural, demographic and geographical attributes that must be taken into account. I certainly am not arguing that all training and the various other bells and whistles that the consultants will try to sell you are all worthless. But in all cases, you will need to honestly evaluate what will get you to the fundamental essence of cultural permeation as opposed to what you really don’t need because, relatively speaking, its real value to the organization will be less than the cost of producing it.

The following are some of the ways that will help you seamlessly but effectively luxuriate in an ethical culture. Similar to what Maier would seek for those who wear or look at one of his designs, the point is to create a culture that everyone knows is there and intuitively senses as pervasive, but doesn’t feel hit over the head with it and doesn’t experience it in a clunky, demeaning or inefficient way. This is not an exhaustive list, but rather one intended to provide some useful examples of high-impact (and generally low-cost, easy implementation) techniques. Accordingly, some are intentionally non-obvious or non-traditional given the thesis that the subtle can be more powerful than the loud, and that what your people don’t immediately see may ultimately be sending them the strongest messages. If you don’t like these, perhaps they will at least prompt your thinking about what else will work within your own organization to achieve what for many is still an elusive goal. Even if your reaction is that none of these is anything all that new or innovative, ask yourself whether your organization really already does them in a serious, substantive and programmatic way, or, to the extent you are already doing some of them, whether they are optimally interacting with each other to give you the best possible result with a minimum of disruption to the business.

**VISIBLY INVOLVE YOUR BOARD OF DIRECTORS**

Most people probably think that the highest level of “tone at the top” means the CEO, but it can also be very powerful to make your Board of Directors a vocal and visible supporter of your ethical culture. Make it clear to your organization that your Board expects integrity and will tolerate nothing less. Also, show that they have fully embraced this themselves since nothing will deflate your effort faster than hypocrisy (which can go viral quickly these days given all the social media tools you are training your people to get so good at). In the way it spends money on itself, for example, and how it compensates your senior executives, the Board should consistently be demonstrating that it remembers that it too has a boss—the shareholders. Accordingly, some steps you might take to transparently engage your Board in the construction and maintenance of your ethical culture are the following:

- **Make your Code of Ethics apply equally to your Board, with particular reference to conflicts of interest, and then don’t bend the rules.**
- **Make sure your Board members are compensated at market rates.**
- **Make sure the Compensation Committee is providing compensation to executives that is clearly related to the company’s performance. These days, there is no pride in having your CEO show up on the top-ten list of the most highly compensated, especially when you lost money last year.**
- **Have your Chairman make a personal introduction in your Code of Ethics.**
- **Make sure there is a regular report on your Board’s meeting agendas about how you are operating your ethics program and provide indicia of the quality of your corporate culture.**

**HIRE YOUR WAY TO AN ETHICAL CULTURE**

No matter what your business, five thousand years of recorded history has shown us that nothing is more important to establishing that fundamental essence than how the boss behaves. Human nature seeks a leader to emulate and follow, with the vast majority of people being innate followers rather than leaders, and for a while at least even really bad leaders can develop quite a following. We all can easily think of examples of corrupt politicians or CEOs whose people have, without much hesitation, followed them right into the abyss. Conversely, it is much more difficult to cheat or steal when you know the boss isn’t doing it.
and won't respect you (or keep you) if she finds out that you are.

Therefore, attribute #1 for every leader or manager you hire—think of it as table-stakes or the gating element—is that there is nothing even questionable in his background from an ethics standpoint. Underline this when you are selecting a CEO or CFO.

When recruiting for a leadership position from outside your company, don’t just rely on a cursory background check that will tell you your candidate hasn’t stolen before (and then all you really know is that he just hasn’t been convicted of it). Take the trouble to talk to business and personal references and see if you really can develop a sense of his underlying integrity. Actually, see if you can find one of his former executive assistants to talk to you—they are, after-all, the true font of all inside corporate knowledge.

And if you are thinking of promoting from within, sorry but where there’s smoke there usually really is a fire, so if she’s ever fudged her expense reports, stretched the credentials on her résumé or taken credit for someone else’s accomplishments, think twice: giving her more power will likely only embolden her and send a terrible message to everyone else who has witnessed the less stellar aspects of her character. Indeed, I would argue that putting a bad person—even a sort-of-bad person—in charge will entirely undermine if not negate all of your other ethics efforts. On the other hand, so powerful is this element that finding a leader who really “walks the talk” will probably mean that you could get rid of the rest of your ethics program without really doing all that much damage (although I wouldn’t be so bold as to actually suggest you do that since the prosecutor who is looking at the Federal Sentencing Guidelines may be less persuaded).

Time and again, enormous companies (not to mention some major societies) have been destroyed by a rotten egg at the top, but this remains a lesson that never seems to be properly learned. Yet, recalling Einstein’s definition of insanity—doing the same thing over and over again and expecting a different result—that doesn’t mean that you have to re-make the mistake of putting all those followers in your company behind someone who is going to march them straight into Hell.

HOW YOUR LEADERS SPEND THE SHAREHOLDERS’ MONEY

Once you have successfully installed leaders who are good people at their core, they need to have the strength of character that will resist the temptation to stray which their new-found power—and a bigger budget—will inevitably present. For starters, they need to be visibly good stewards of the shareholders’ money by not spending it foolishly or selfishly. The choices they make—one way or another—will have a powerful impact on the ethical culture of your organization. No matter what the written policies may say, everyone else will emulate and follow how the boss spends the company’s money. If he redecorates his palatial office suite and orders $200 bottles of Cabernet over lunch, he will effectively be telling everyone it’s OK to be cavalier, thus creating an attitude that will eventually trickle all the way down to phony cab receipts and inflated mileage reimbursements (the poor man’s version of Cabernet). And if it’s OK to cheat on expenses, then why not inflate the monthly sales figures and make liar loans. The next thing you know, you have another Enron on your hands or, hmmm, maybe even a global financial crisis.

In the alternative, if the boss’s office is a cubical just like everyone else’s, or if the boss visibly loves nothing better than getting a great discount on a hotel room, then it will be infinitely easier to maintain a culture of respect for the company’s money that will just as inevitably translate into a respect for its overall finances and accounting. This is what ultimately will do the most to keep everyone out of jail and provide the greatest potential for the organization to sustain itself and prosper over the long-term.

And by the way, unless you can really, really justify its economics to your shareholders without dubious assumptions, consider getting rid of that corporate jet—that emotion-causing symbol of profligacy that has done more damage to ethical cultures than any other piece of equipment in corporate history.

HOW YOUR LEADERS TREAT THE CLEANING CREW

Not only can your leaders visibly spend the company’s money in a way that will strongly influence the ethical culture, but their day-to-day interactions with your people at all levels of the company will also have a significant cultural impact. You don’t have to be a psychologist to intuitively know that how the boss behaves will directly influence the behaviors of everyone else. The boss does not need to make the guy cleaning the carpet a best friend, but acknowledging his existence and showing him some respect will have a potent effect on the overall ethical culture by demonstrating that everyone in the organization has value (and you thought it was just your top sales people!). Nor should the boss invalidate this by how he then talks privately or behind the backs of those he is outwardly treating nicely. Secrets hate being kept and they inevitably find their way out, so whether we like it or not the reality is that how our leaders behave and talk, both outside and inside, will directly influence the organization’s culture for integrity. Every manager must recognize that she is an ambassador for that culture every time she takes a step or speaks a word. No exceptions.
TONE AT THE TOP COMMUNICATIONS FROM YOUR LEADERSHIP

So, assuming you’ve now hired good people who understand that the quality of the ethical culture is directly correlated to how they spend their shareholders’ money, how they treat the staff at all levels and how they behave (even privately), the last step is making sure that your managers also talk about the importance of culture and ethics as part of their regular discourse and communications. It doesn’t need to be the first thing out of their mouths—remember, ethics officers, it’s not all just about us—but at some point in their more significant written and verbal messages to their staffs it is always powerful to remind everyone that the context within which business must be conducted is ethical behavior. That we are being paid to do the best job we can for our customers and clients as well as to provide a fair return to the shareholders who have entrusted their money to us. Yes, in an ideal world this should go without saying, but we do not live in an ideal world and your people need to continue to hear this from your business leadership on a regular basis. And while this is painful for the ethics officers to hear, the mathematical reality is that every 30 seconds that the CEO spends talking about the importance of business ethics is probably worth 2 hours of on-line ethics training, and I am likely underestimating the latter number.

If your CEO or other managers don’t have a pre-disposition for including ethics references in their written or verbal communications, make their lives easier by sending them some brief talking points to include, or better yet, befriend their speech-writers and get it slipped in that way. Eventually, it will become second-nature to them and you can feel good about the influence you have had (albeit perhaps stealthily) on your company.

SO WHAT WAS THAT ABOUT THE DRESS?

Just like no family is ever perfect (there’s always a weird Uncle Larry), no company will be free from ever having some of its people exercise some astonishingly bad judgment, no matter how strong the culture. But establishing an environment of integrity will do more than anything else to reduce the instances and severity of fraud as well as all of the other anti-social behaviors that can arise. Moreover, it will assure that everyone (including that Federal prosecutor) will quickly recognize the occasional cheat, rogue or philanderer as an anomaly, an outlier who doesn’t represent or reflect your organization as a whole. And if you get to that point, then you will know you have achieved the fundamental essence that is at the heart of all great design, be it in a dress or an ethics program.

EXPERT BIO

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