CORPORATE CULTURE

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ATONE FROM THE TOP

Take a no-B.S. human approach and your culture will follow

Written by Patrick Quinlan

Smart leaders who want to win in today's competitive market must remember that culture is driven by how you make your company feel; and a company is, at its heart, one thing: a collection of the people who are employed by it and make their livelihoods from it. To connect with people, they have to trust you, and trust is earned with open, honest and human communication. The days that trust can be spun, managed or PR'ed are gone.

Google "workplace culture" and you get over 1.3 million results. There is not a one-size-fits-all concept, and by no means do I have all the answers (as my employees will tell you). But I have learned that the trust a leader needs is built by how their actions are viewed during a crisis. The definition of a crisis varies: it can be small (e.g., losing a large client) or more extreme and company-threatening (e.g., ending up all over traditional and social media because your largest outsourced manufacturer is caught using child labor).

Leaders who build trust and help their companies recover are often the ones who authentically look at their company and their company's actions—many times against the advice of their legal, PR or crisis communications teams. It is during this recovery that the culture moves forward; it advances and creates the obligations needed for a good company to become great. When this happens, it's not **compliance** that saved the day, but rather, **culture and ethics**, a much more powerful force.

Alongside Ethisphere's World's Most Ethical Companies®, we honor companies whose leaders recently faced issues that threatened the trust of their employees and customers, and how they used the incidents to move onward and upward. We also look at those leaders who, by deflecting, downplaying or flat-out lying about the issue, made things much worse. Because, as you'll see, there is a right way to set tone and a wrong way—rarely an in-between.

Mary Barra, General Motors (GM)

Don't "set it aside and explain away."
There's hardly a case study on how to do this right that's better than General Motors' CEO Mary Barra's handling of their ignition switch defect. The fallout from that scandal was staggering (and still ongoing); it sparked a 30-million-vehicle recall, led to

124 deaths, caused 275 injuries and cost the company $900 million to settle with the government, to say nothing of the beating they took from the Senate, the media and the entire country. A scathing internal report blamed a culture of silence and played the blame game for inaction.

Barra took the road less traveled: she owned it, and in earnest. She apologized—profusely and publicly. She wholeheartedly committed to righting the ship and walked the walk by firing 15 people involved in the defect, reorganizing GM's legal practice, setting up a $400 million victim compensation fund *before* any liability was established and creating GM's "Speak Up for Safety" internal whistleblowing program.

Prosecutors praised Barra's transparent accountability as surprising and "extraordinary." During one Senate hearing, one senator went so far as saying, "God Bless you…you're doing a good job." Markets responded well, too. Taken together with Barra's operational improvements, the company posted record profits in 2015. Barra broke the GM cultural mold by promising, "I never want to put this behind us. I want to put this painful experience permanently in our collective memories."

Matthias Müller, Volkswagen

"We didn't lie."
Then you have Volkswagen, which installed software in its diesel-power cars designed to evade state emissions tests and standards. The company stared down at a potential recall of 11 million cars and a civil suit that could cost $48 billion in fines. A year ago, VW had some of the strongest brand loyalty in the world. Now, crisis and PR experts compare the level of consumer deception to that of Arthur Andersen and Enron.

The long-term damage to VW's reputation in the form of loss of consumer and employee trust could be a force multiplier to the billions they'll pay in fines, settlements, fees and recall costs to clean this up. In addition to these external costs is how they appear to the best of the best young people who look to these companies to start their careers. They are hurting today and will be for years and decades to come.

So far, VW's handling of the issue has gone from bad to worse, giving consumers and employees reason to question if they can ever trust, and invest in, the company again:

- The downplay: There were "no fatalities involved."
- The finger point: VW America CEO Michael Horn's Congressional testimony placed the blame squarely on "a couple of software engineers," stating that it "was not a corporate decision."
- The dismissal: VW CEO told NPR, "We didn't lie," the company simply "didn't understand the question" the EPA was asking. VW immediately issued a statement blaming the "confusion" on a language barrier.

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Not exactly a sincere effort to take ownership of a massive deception scheme that has been blamed in no small part on a culture of overly aggressive sales targets, and a stifling "business at all costs" mindset—a culture based on fear and authoritarianism. VW can only expect issues like these to fester and multiply without leadership that's willing and able to publicly own up to the issue and make it right.

David Sacks, Zenefits

"Some decisions have just been plain wrong."
Recently, Conrad Parker, Founder and CEO of Zenefits, one of the fastest-growing B2B companies in history, was fired (although they said "resigned") from his job and the board position for critical compliance shortcuts (hello, Jeff Smisek).

The new CEO, David Sacks, former COO for the company, laid it all out in the open in his first email as the company's leader. He outlined what happened and how, and in no uncertain terms, the company needed to move forward. Here are some highlights, although the email is definitely worth reading in its entirety:

> *"I believe that Zenefits has a great future ahead, but only if we do the right things. We sell insurance in a highly regulated industry. In order to do that, we must be properly licensed. For us, **compliance is like oxygen. Without it, we die.***
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> *The fact is that many of our internal processes, controls, and actions around compliance have been inadequate, and some decisions have just been plain wrong.*
>
> *As a result, Parker has resigned. In order for us to move forward as a company, we cannot seek to hide or downplay the problem. We must admit it and remediate it as soon as possible….*
>
> *We all have a role in that, but I'm going to try my best to do my part. I'm making my first actions as CEO about culture and values because I believe these things are fundamental to a company's success and who we are and want to be."*

There's nowhere to hide. The only thing between the company and repeated crises are policies and rules, and remember, Volkswagen had those. It's how they acted that changed their course.

It's easy to get caught up in the idea of being authentic and saying you're authentic when, at the end of the day, most struggle with an authenticity paradox—walking the walk and talking the talk. Authenticity is not only a gold standard for leadership, it's what culture needs. Being true to yourself and intrinsically linking and maintaining what you feel with what you say or do will lend itself to making values-based choices. When leaders stand in front of their company and lack authenticity and humanity, their employees can and will see straight through it. When ego and agenda lead the conversation, a culture's fragility shows, and employees let go.

Stretch your limits in who you are and what you're doing; make small changes in how you communicate, carry yourself and interact. Work toward being your most authentic self; it will benefit you, your leadership style, your employees and your company.

Onward and upward.

Author Biography

*An entrepreneur at heart, **Patrick Quinlan**, CEO of Convercent, has a passion and skill for building companies from the ground up. Prior to leading Convercent's executive team, Patrick served as Chief Executive Officer of Rivet Software, another technology firm operating in the governance, risk and compliance space. In just two years, he propelled Rivet's quarterly revenue from $240,000 to $12 million, an achievement that earned the company a #6 placement on the 2011 Inc. 500 List among software firms and a #60 listing overall.*