

Ethics and Compliance Culture Working Group

İstanbul, 20 March 2019

Michael Kuckein, CIA, CISA, CCSA, CRISC

Agenda

- Recap: Hofstede 6-D Model of National Culture
- Excursion: Other models of culture
- Uncertainty Avoidance & Compliance in Turkey
 - Understanding «Uncertainty Avoidance»
 - Opportunities & threats for effective Compliance
 - Possible strategies within Turkish cultural context

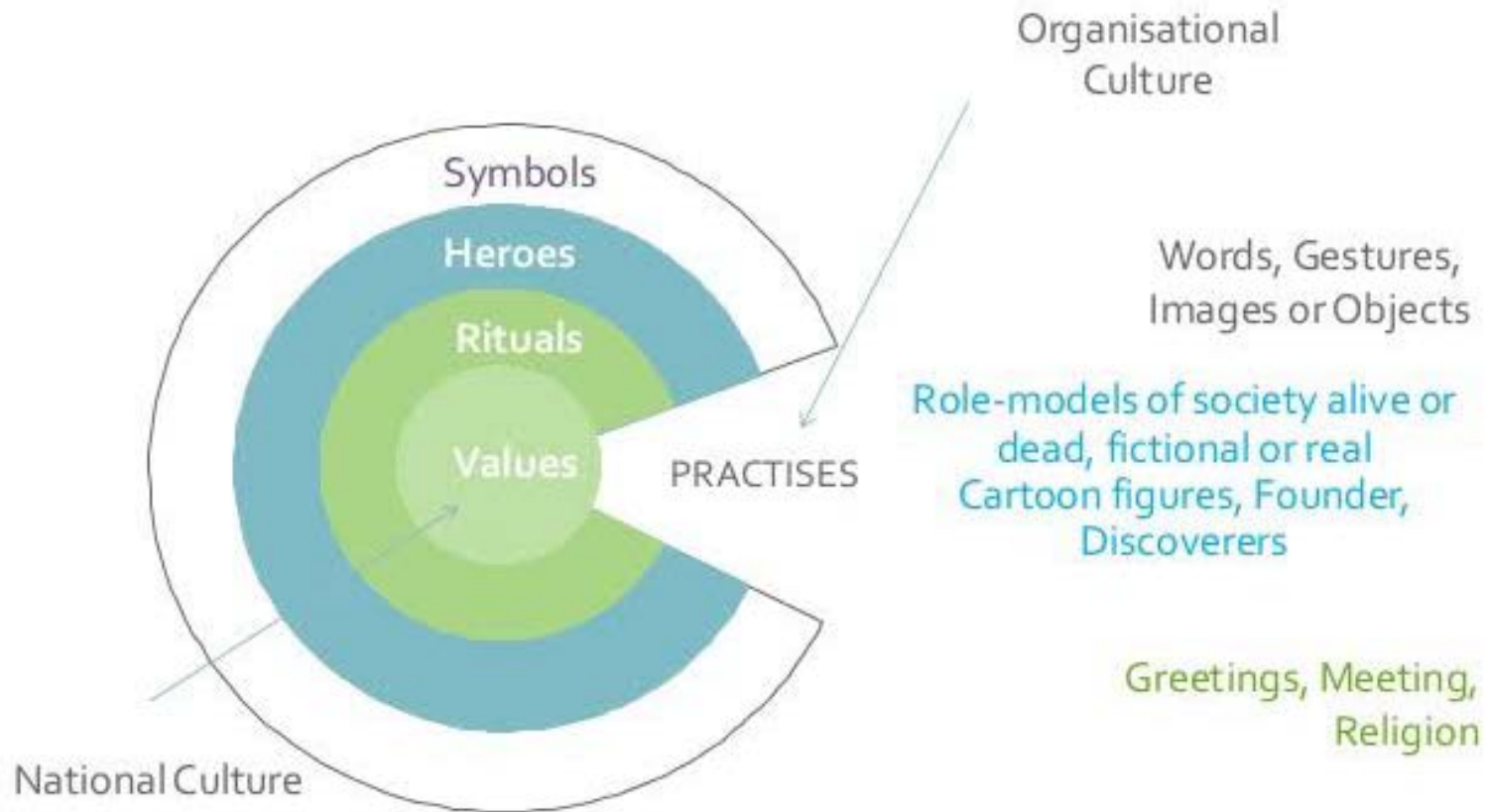
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What Is Culture?

- The **collective programming of the mind** that distinguishes the members of one group or category of people from others.
- Collective, shared by people within the same social environment.
- Unwritten rules of the social game.
- Learned, not innate.

Different Levels of Culture



Organizational and National Culture

National Culture is about the **value differences** between groups of nations and/or regions.

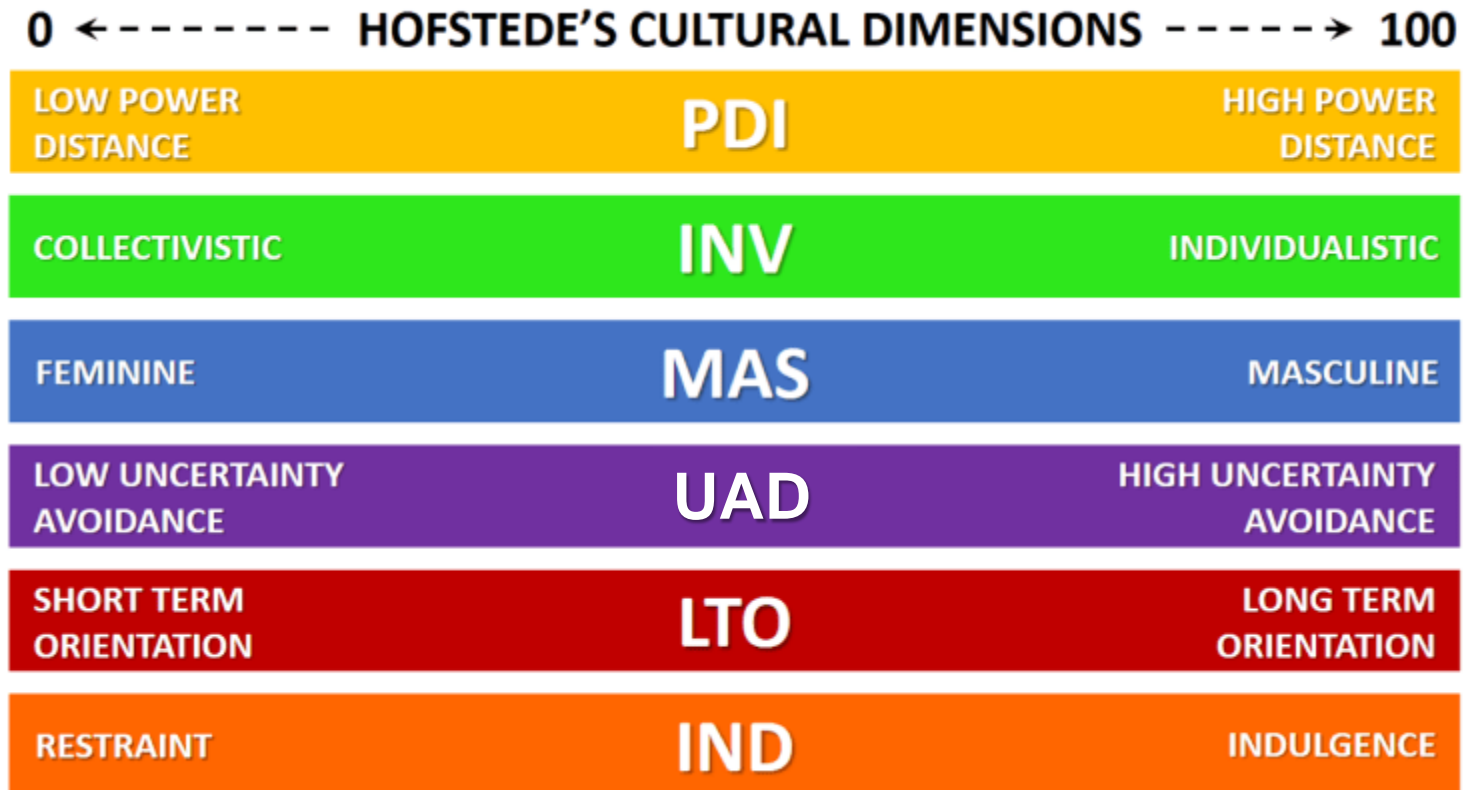


Organizational Culture is about the **differences in practices** between organizations and/or parts within the same organization (sub-cultures).

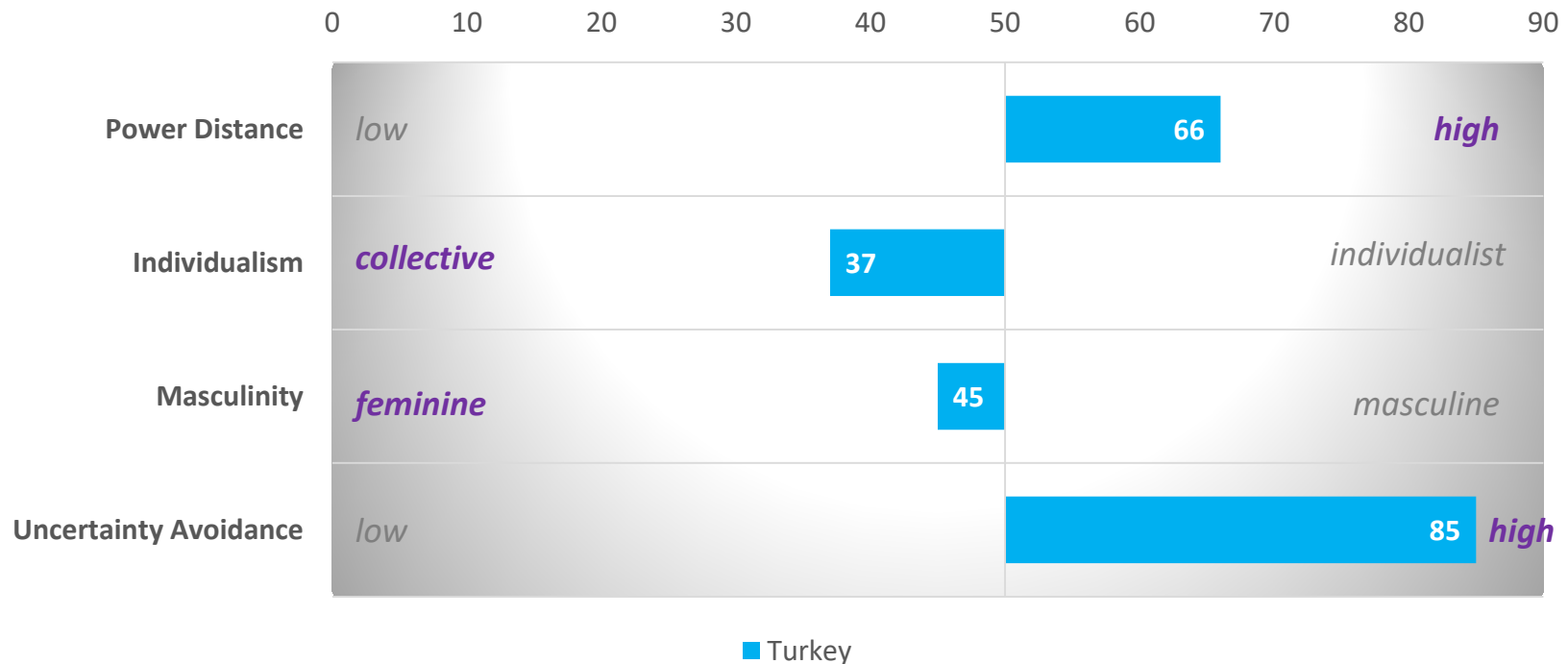
- Shared meanings
- Unconditional relationship
- Born into it
- Totally immersed

- Shared behaviors
- Conditional relationship
- Socialized into it
- Partly involved

Hofstede 6-D Model of National Culture



Turkish Culture in the Hofstede Model



Turkish culture is characterized by high PDI, collective (IND) , feminine (MAS) and extremey high UAD values.

Summary of First Session

- Company culture is embedded in national culture.
- National culture is deeply rooted. In conflict / under stress, employees will usually default to their national cultural values & behaviors.
- Culture affects perception. The same behavior can be deemed compliant in one culture but corrupt in another culture.
- No culture has absolute criteria for judging another culture as «good» or «bad». Culture just *IS*.
- We first want to understand Turkish Culture in order to then leverage its specific characteristics for more effective Compliance Programs.
- Hofstede found 6 distinct dimensions of national culture.
- Turkey is characterized by high PDI, low IDV (collective), very high UAD, more feminine.

New Paradigm for Effective Ethics & Compliance

- In a **VUCA*** global business environment, Corporate **reputation** is a strategic asset; Ethics / integrity as top reputation **risk** driver
- Trend towards **values & principles-based** system provides **agility in decision-making process**
- **Based on trust** induced by **corporate culture and shared values.**
- Personal empowerment and individual accountability

Source: https://www.huffingtonpost.com/harlan-loeb/principlesbased-regulaton_b_7204110.html?ncid=engmodushpimg00000006 [accessed: 15.01.2019]

* VUCA = volatile, uncertain, complex, ambiguous

Effective Compliance: Elements of Integrity Culture

Culture heavily influenced by **leaders' behaviors** and **organizational response mechanisms, processes, and communication**

Comfort Speaking Up

Employees seek advice from colleagues about ethical concerns and report unethical behavior without fear of retaliation.

Trust in Colleagues

Colleagues do not lie to advance in their company – power is not more important than honesty.

Direct Manager Leadership

Managers are honest and respectful, and hold people accountable.

Tone at the Top

Senior leaders possess integrity and take appropriate action to address unethical or inappropriate behaviors.

Clarity of Expectations, Consequences

Company's ethical expectations and disciplinary guidelines have been communicated; consequences of misconduct are clear.

Openness of Communication

Opinions on important issues facing the company are shared with employees.

Organizational Justice

Unethical behavior is not tolerated and will be dealt with by the company quickly and consistently.

Effective Ethics & Compliance Paradigm originates in a W.E.I.R.D. culture

*Anglo-american mindset of Compliance
(FCPA – DOJ/SEC, UKBA)*

- W – White
- E – Educated
- I – Industrialized
- R – Rich
- D – Democratic *



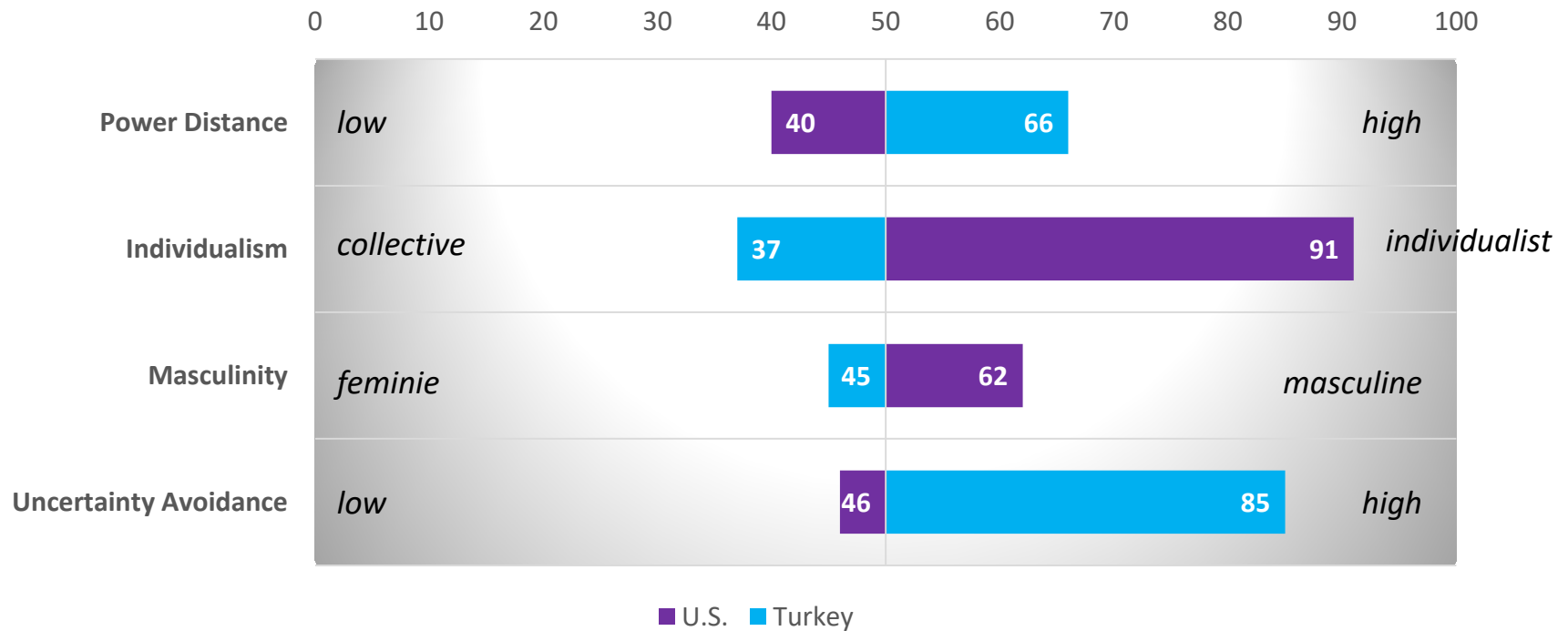
Source: <https://www.slideshare.net/atoouval/impact-of-culture-on-multi-cultural-teams> [Accessed: 15.01.2019]

The same business practice can be judged as corrupt by one observer from Culture A and as perfectly normal by another observer from culture B.

This bears a huge potential for different and *mis*-understandings.

* WEIRD acronym by Prof. Joseph Henrich, MIT, How Westerners became psychologically peculiar and economically prosperous;
https://www.youtube.com/watch?v=l6e_5x4LQz8&utm_source=FAP+Newsletter&utm_campaign=5e8394802d-BENEWS_10_Kultur&utm_medium=email&utm_term=0_b22216bc5e-5e8394802d-41651577

Turkey vs. the United States



Almost all cultural dimension preferences lie on the diametrically opposite side of the spectrum. This bears a huge potential for different and *mis*-understandings.

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Other culture models

GLOBE study

- 1991-1997
- First focuses on leadership
- 9 dimensions
- Same terms: **Power Distance & Uncertainty Avoidance**
- Different underlying concept (UAD, PDI negatively correlated with Hofstede!)
- Mixes organizational and national culture

World Values Survey

- Since 1980
- Currently 7th wave
- All data publicly available on [www \(worldvaluessurvey.org\)](http://www.worldvaluessurvey.org)
- Expansion of Hofstede model & data

CAGE distance framework (Ghemawat)

- Concept of «distance» between countries
- Four dimensions of distance:
 - Cultural
 - Administrative
 - Geographic
 - Economic

Literature recommendations

- Hofstede G., Hofstede G. J. and Minkov M.: Cultures and Organizations: Software of the Mind. Revised and expanded 3rd Edition. New York: McGraw-Hill USA, 2010
- Ghemawat, P.: Distance Still Matters. The Hard Reality of Global Expansion. Harvard Business Review 09/2001 <https://hbr.org/2001/09/distance-still-matters-the-hard-reality-of-global-expansion> [Accessed: 19.03.2019]
- Hofstede, G. (2006). What did GLOBE really measure? Researchers' minds versus respondents' minds. Journal of International Business Studies (JIBS), 37(6), 882-896. <https://research.tilburguniversity.edu/en/publications/what-did-globe-really-measure-researchers-minds-versus-respondent> [Accessed: 19.03.2019]
- Venaik, S. & A. Brewer, P. (2019). Contradictions in national culture: Hofstede vs GLOBE. <https://www.biu.ac.il/soc/sb/stfhome/bijaoui/891/case/2011/culturehofsted.pdf> [Accessed: 19.03.2019]

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Uncertainty Avoidance in the Hofstede 6D-Model

What is Different in Dangerous

- **Uncertainty Avoidance** deals with a society's tolerance for ambiguous or unknown situations.
- It has to do with anxiety and distrust in the face of the unknown, and conversely, with a **wish to have predictability**, fixed habits, rituals and rules; and to know the truth.
- Uncertainty avoidance is **not the same as Risk Avoidance**; look for **structure in organizations, institutions, relationships** that allow for clear predictability and interpretability.

Uncertainty Avoidance in the Hofstede 6D-Model

Emotional need for rules

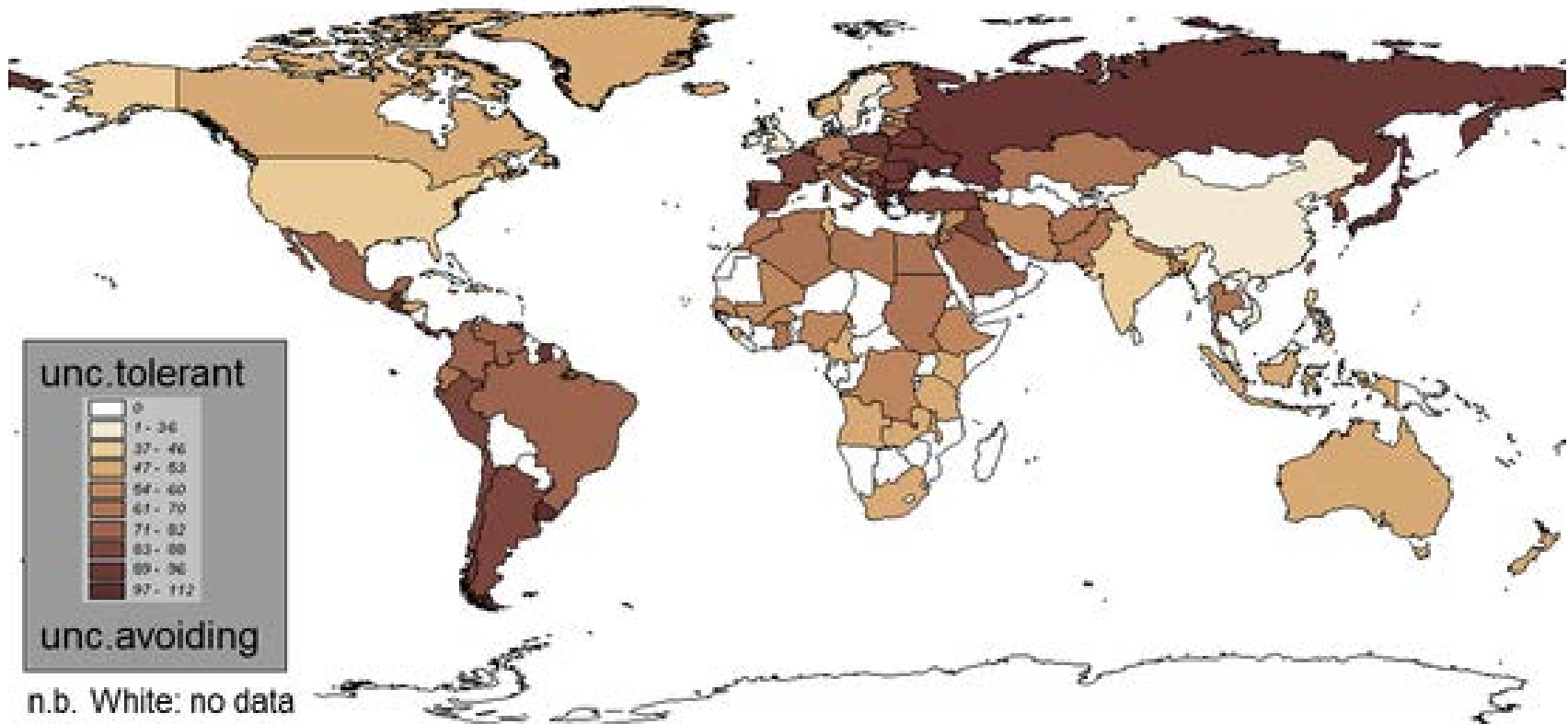
- Emotional need for more **formal laws and informal rules**
- Purely ritual, inconsistent, dysfunctional **rule-oriented behaviors** are possible
- Having rules reduces ambiguity; not the same as following the rules; or enforcing rules
- Need to know consequences in case of rule violation

Uncertainty Avoidance in the Hofstede 6D-Model

Some relation to other dimensions

- MAS – low (**feminine** societies): **need to belong, harmony** (human relationships, family)
- PDI – high: **Exercise of discretionary power** by superiors replaces need for formalization
- PDI – high: higher **trust** in authority; authorities have more unchecked power, status and material rewards (because of higher **competence** not power); authorities take care of small, everyday details; less protests against authority decisions
- IND – low (**collective**): belonging to and conforming to norms of in-group creates predictability & sense of security, orientation

UAD around the world



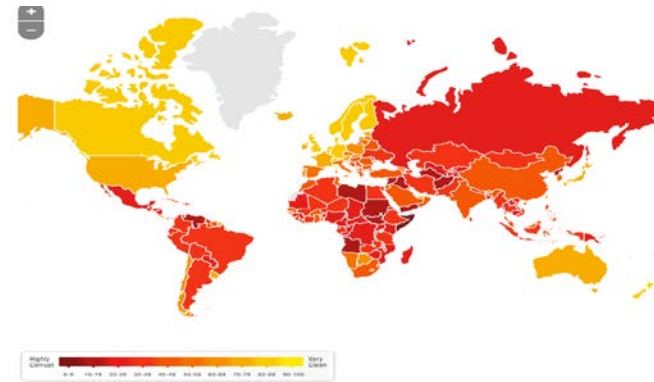
UAD and Corruption

- Transparency International's CPI strongly and significantly correlated with Hofstede PDI and UAD ¹

$$CPI = 8.871 + .435(IDV) - .351(PDI) - .254(UAD) - .184(MAS) + (0)$$

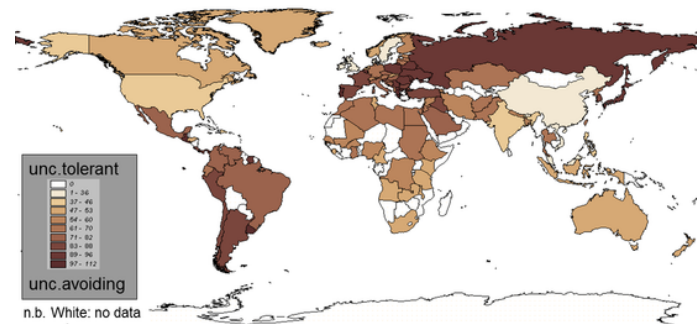
(each dimension significant at $p < .05$ level)

- Similar results for GLOBE ²
- Also correlations to PDI and IDV collectivism ³



Source: <http://www.transparency.org/cpi>. 2018 Transparency International. Some rights reserved. CC-BY-4.0-DE

Uncertainty Avoidance World map



Source: <https://geerthofstede.com/culture-geert-hofstede-ger-tan-hofstede/6d-model-of-national-culture/> [Accessed: 15.01.2019]

¹ Source: Huber, Dennis: Culture and Corruption: Using Hofstede's Cultural Dimensions to Explain Perceptions of Corruption. 2001. <https://www.researchgate.net/publication/274195256> [Accessed: 12.02.2019]

² Seleim, Ahmed and Nontis, Nick: The relationship between culture and corruption: a cross-national study. Journal of Intellectual Capital Vol. 10 No. 1, 2009, pp. 165-184. <https://core.ac.uk/download/pdf/21748884.pdf> [Accessed: 12.02.2019]

³ Halkos, George and Tzeremes, Nickolaos: Investigating the cultural patterns of corruption: A nonparametric analysis. 2011. https://mpra.ub.uni-muenchen.de/32546/1/MPPRA_paper_32546.pdf [Accessed: 12.02.2019]

UAD - Turkey



«Turkey scores 85 on this dimension and thus there is a strong need for laws and rules.»

«In order to minimize anxiety, people make use of a lot of rituals.»

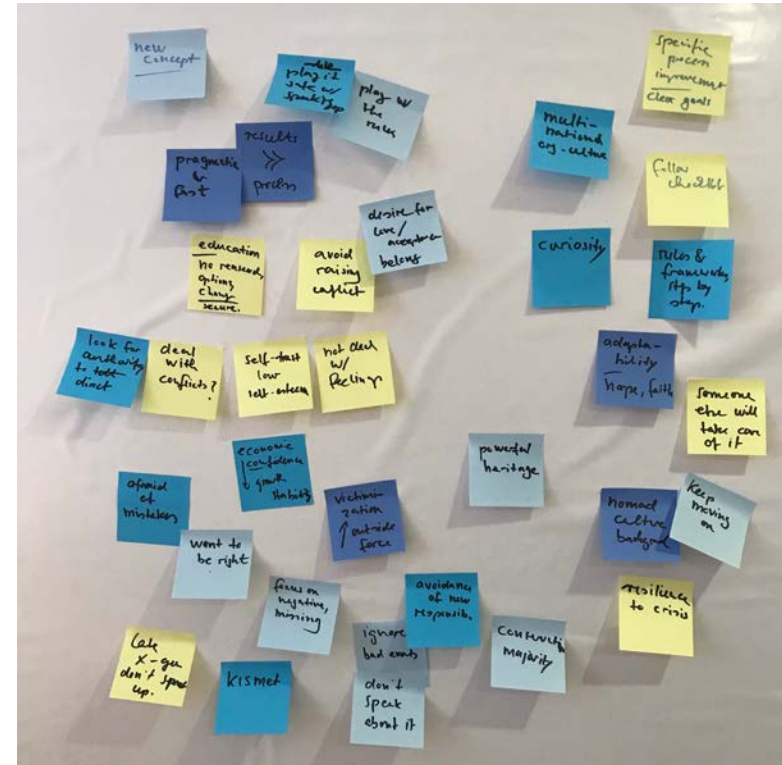
«Many references to “allah”, but often they are just traditional social patterns, used in specific situations to ease tension.»

Analysis Framework



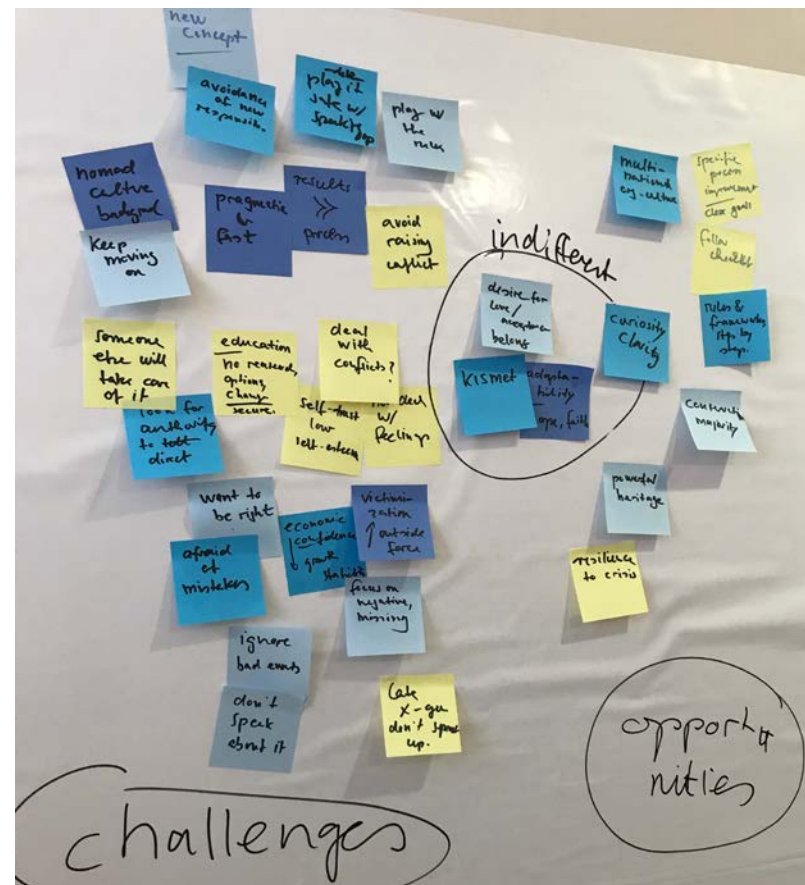
Step 1

- Which **examples of UAD behavior patterns** have you observed in Turkish business and society?



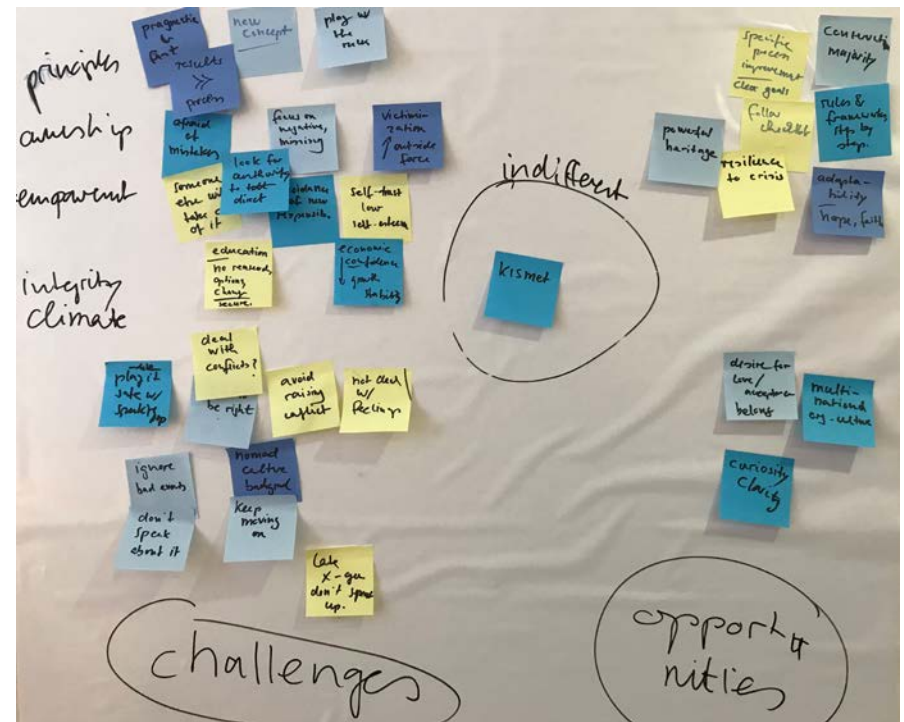
Step 2a

- Which **UAD behavior patterns** can be **challenges / opportunities** for effective Ethics & Compliance?



Step 2b

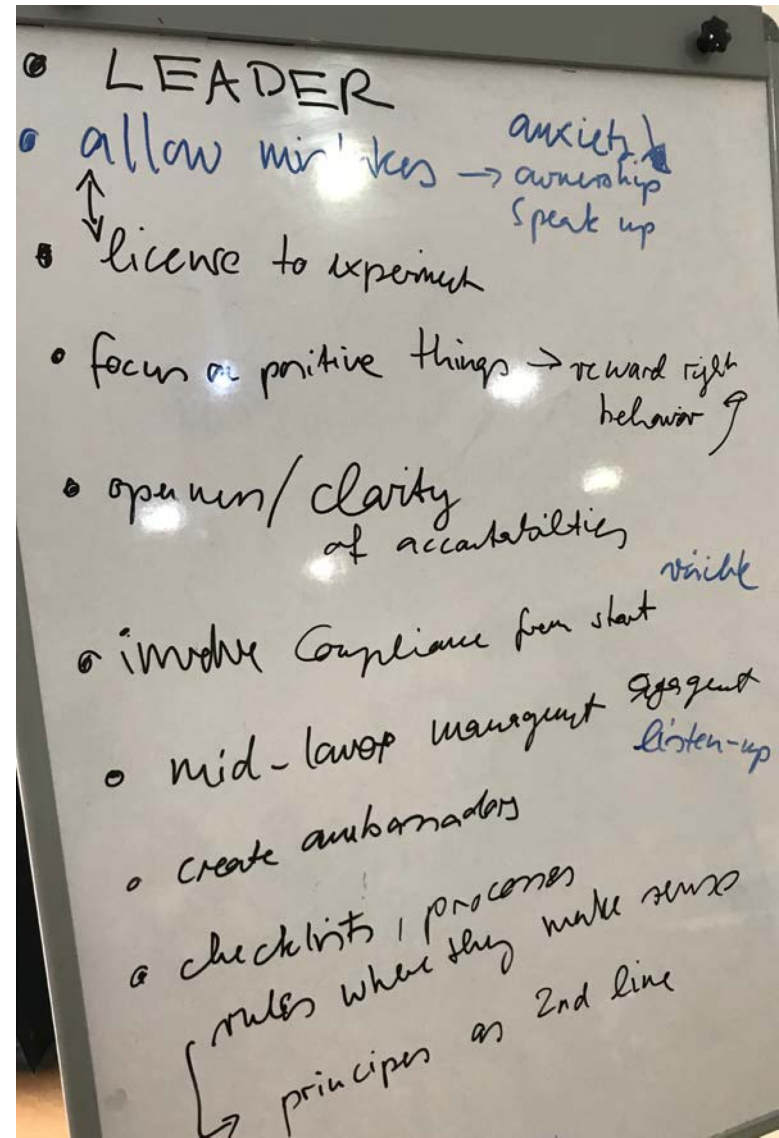
- Which **UAD behavior patterns** can be **challenges / opportunities** for effective Ethics & Compliance?



Step 3

- How can we best **use the Compliance-supportive UAD-behaviors** to make Ethics & Compliance more effective in Turkey?
- How can we make effectively **counter use of the obstructing UAD-behaviors** to make Ethics & Compliance more effective in Turkey?

Note: These actions cannot and need not be totally separated from other dimensions like PDI, and IND.



(preliminary) Result: UAD and Effective Compliance

Principles vs. rules-based

Risk Ownership

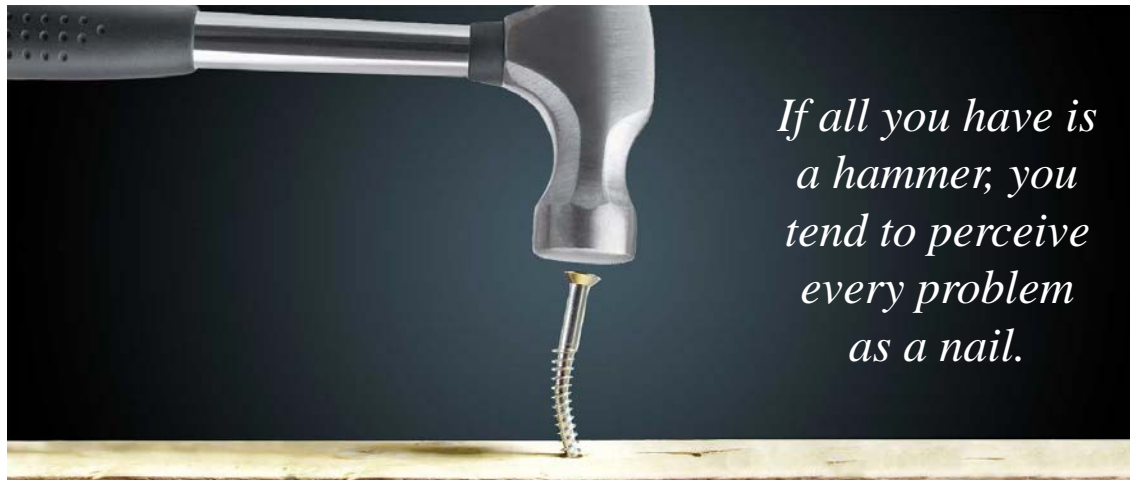
Empowered, individually accountable

Culture / Climate of Integrity

	Challenges	Opportunities	Possible Actions
1	Results more important than the way/process to reach them	Conservative attitude	Involve compliance from the start, visibly
2	Pragmatic and fast / impatient	Resilience to crisis	Keep rules & checklists where they make sense; principles where rules don't clearly apply (2nd line)
3	Play smartly <u>with</u> the rules, opportunistic	Adhere well to clear and detailed frameworks of rules and processes	
4	Weakness in establishing new concepts	Improvement of specified processes with clear goals	
5	Avoidance of <u>new</u> responsibilities	Adaptability	Clarity of accountabilities, license to experiment
6	Focus on the negative, missing		Positive focus, reward right behaviors
7	Afraid of making mistakes		License to experiment, frame mistakes as learning opportunities
8	Passivity / bystander effect; «nomadic» attitude– keep moving on; don't care; tendency of victimization; fatalism (kismet)	hope, faith	Multinational organizational culture; clarity of accountabilities Speak-Up campaign; bystander effect training
9	Look to authority for directive		Ambassadors (peer level)
10	Low economic confidence, self-esteem	Pride; powerful heritage	Positive news, celebrate successes; invoke unifying cultural symbols
11	Less educated towards critical thinking, researching options, forming own strategy & decision	Curiosity	Ambassadors, peer sharing, success circles, storytelling & sharing successes
12	Play it safe when speaking up (late Gen-X – a-political)	Desire for acceptance, appreciation, love	Engage all people managers also at middle / low levels to «listen up»
13	Ostrich effect (ignore bad news, don't speak about it)		Open communication, focus on good (& then don't leave out the bad)
14	Difficulty dealing with conflicts & feelings; want to be right	Need for clarity	Multinational organizational culture; ambassadors

Summary

- The actions towards more effective Compliance may appear to be known but **we will gain a deeper understanding of why we need to employ them, how to adjust or re-frame them, add emphasis or tone down some aspects to be most effective in Turkey.**
- **More training** is not the answer.



The Way Forward

- The next session will focus on the dimension «Power Distance».
- Pre-reads will be shared.
- Analysis framework will stay the same.
- Preliminary UAD results will be re-visited in context with discussion of other dimensions to gradually gain a more complete and integrated picture using all dimensions.

Contact



Michael Kuckein

Uyum Bölüm Müdürü / Compliance Head
Sandoz İlaç Sanayi ve Ticaret A.Ş.
Kavacık / İstanbul



+90 549 209 87 67 (work)

+90 543 492 38 39 (private)



michael.kuckein@sandoz.com

michael.kuckein@gmail.com



www.linkedin.com/in/michael-kuckein-43469553/



www.wordpress.com/mkuckein