

Cultures that Inspire Both Ethics & Performance

Presented By

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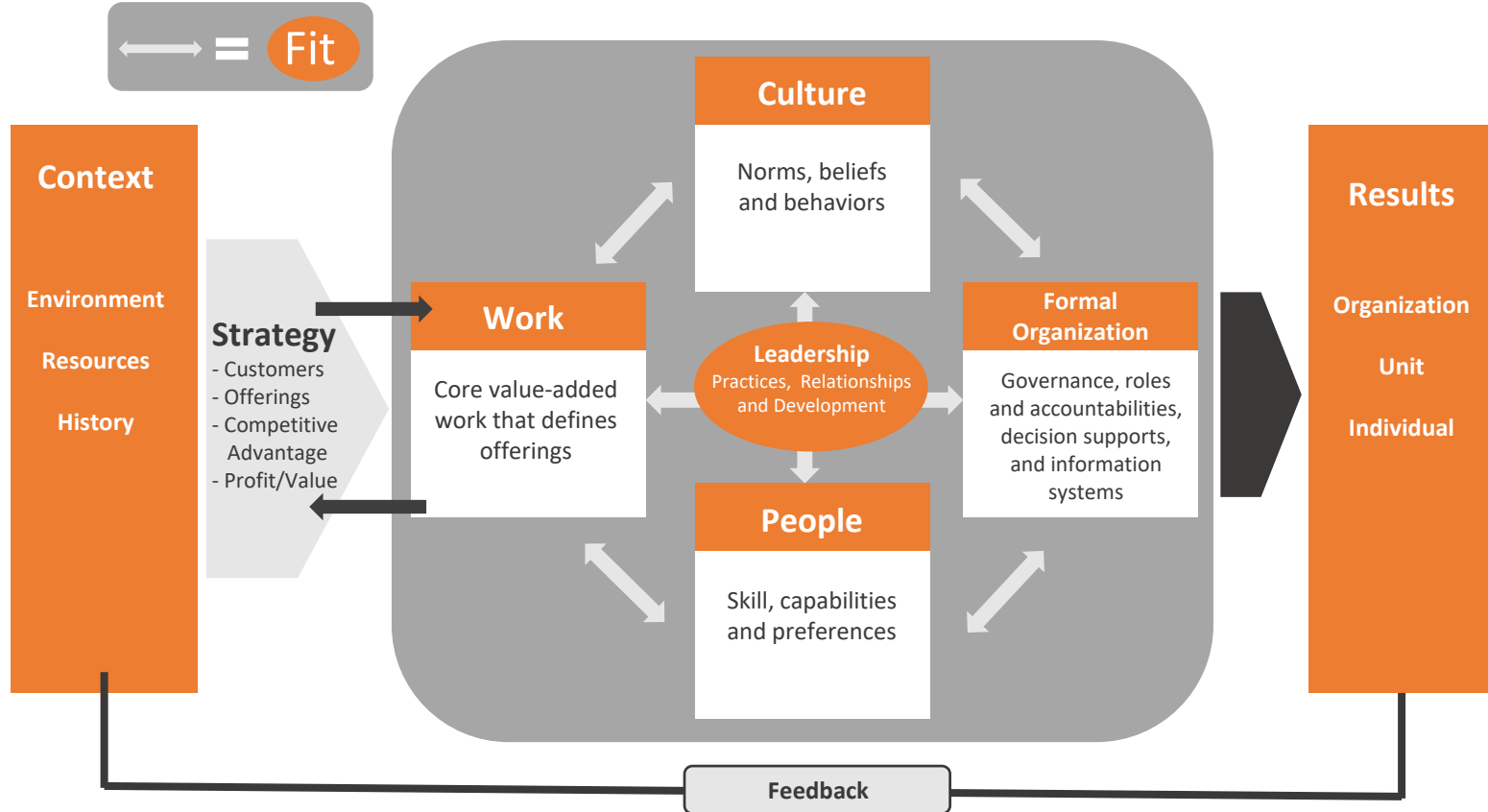
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Understanding Where Misconduct Breeds

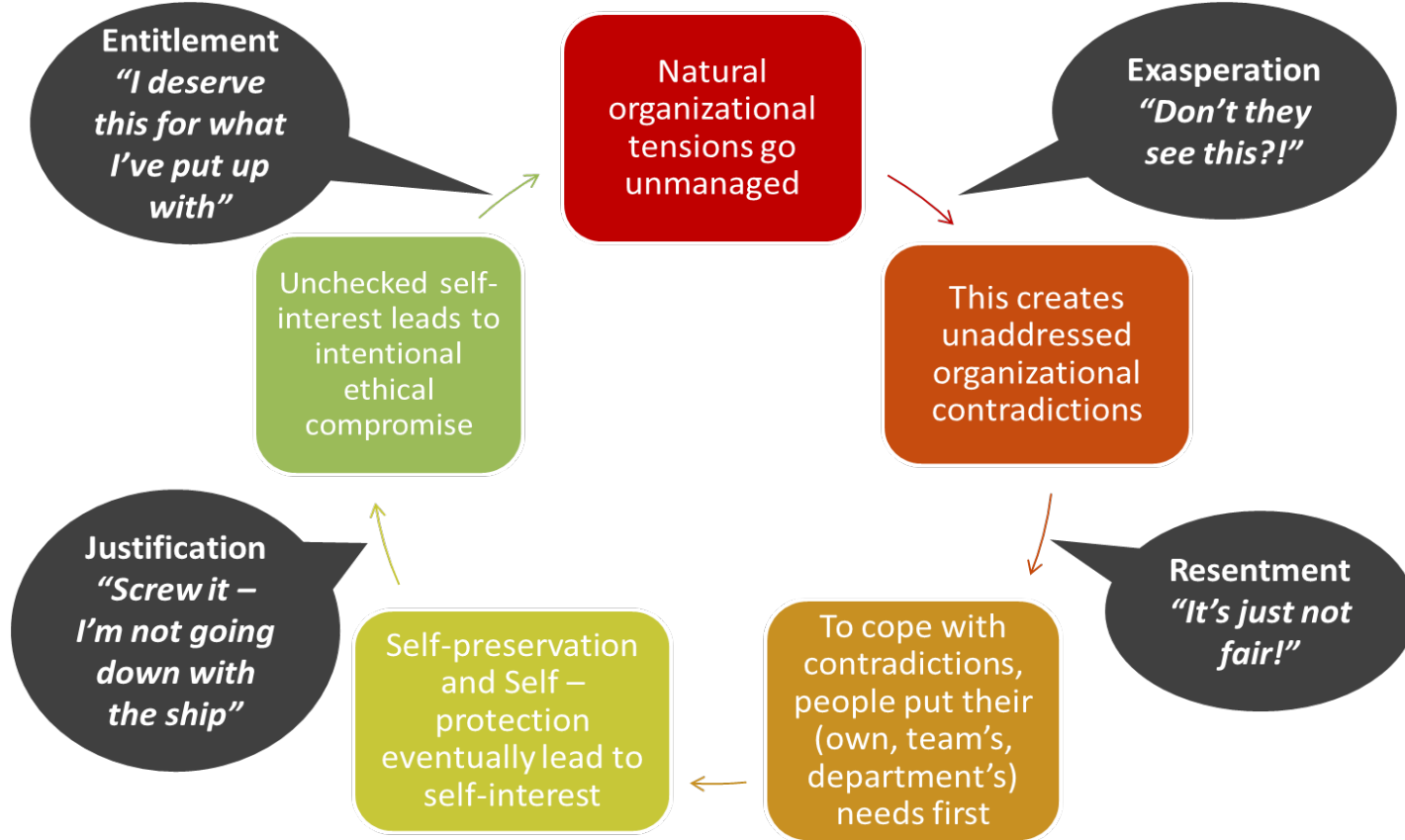
- High performance and ethical behavior are not mutually exclusive, they create healthy tensions that must be balanced
- Understanding organizations as “systems” is the most important fundamental to keeping these tensions balanced
- Understanding the early origins of potential misconduct is vital to maintaining high performance *and* ethical standards

Understanding Organizations as Systems



- The head of Supply Chain just had a \$3.5M capital investment approved to overhaul a plant to triple production; the head of Marketing in the same division had their budget cut by 25 percent while the head of Sales divided quota territories
- The head of HR announces a hiring freeze. Two days later, the most profitable business unit posts vacancies for three new positions
- The annual bonus targets are set three months into the fiscal year with a 14 percent increase in targeted revenue growth (6 percent higher than forecasted) and no increase in resources
- The head of R&D is told the new product pipeline requires 20 percent higher throughput and must increase its yield from two to five new product launches in the next 18 months. They are given no resources to add headcount or new lab equipment. The head of Marketing is so busy doing market research for existing products they have no capacity to do research for potential new markets or products to guide R&D's choices
- The CFO has announced a third-quarter spending freeze to allow time for the natural timing gap of cash to catch up with P&Ls. Immediately, four executives lobby heavily for exceptions to make investments that were already in their plan for the third quarter. Two of the four exceptions are granted

The Systemic Origins of Unethical Behavior



Human Resources

- Selection & promotion systems
- Reward systems
- Performance management systems
- Leadership development systems

Finance & Strategy

- Resource allocation systems
- Strategic direction and performance targeting systems

Sales & Supply Chain

- Frontline customer relationship management systems
- Supplier and partner relationship management systems

- Codifying behavior can be a powerful tool; codifying behavior to correct always fails
- Without accountability, values can become a weapon used to punish and accuse
- Without self-honesty, values deflect attention away from misconduct
- Values should guide an ongoing journey of transformation, not end one

- Psychologically unsafe to speak up
- Excessive pressure to reach unrealistic performance targets
- Ethical behavior is not part of routine conversation
- Hypocrisy (no/selective consequence management, double-standards, lack of accountability, favoritism, ignoring cynicism)

As well as High Performance



- Talk often about what you want and expect regarding both
- Solve problems systemically
- Acknowledge inherent tensions before others must make unwanted tradeoffs
- Codify expected behavior and regularly measure gaps
- Invite dissent as a matter of routine and don't get defensive
- Regularly reinforce positive examples
- If you fall short, own it

- This is a placeholder slide for people to check if they would like to get in contact with us. It will be built in the actual recording environment

Questions?



Thank You

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