The CLO’s role in corporate culture

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What is corporate culture?

Corporate culture is the sum of two parts: one, internal—what your board, executives, and employees say and believe about the company’s values and mission, and how their behavior and actions reflect those statements and beliefs; and two, external—how your customers, suppliers, investors, communities, and other stakeholders view your company and its values and mission. The internal perspective can drive employee engagement and productivity. The external perspective can impact everything from reputation, to customer buying behavior, to investor decisions, to talent and recruiting campaign success.

Today, the topic of culture is at the center of many business conversations—for good reason. In an era of social media and 24-hour news cycles, and in the face of harassment claims and scandals, companies may face greater damage to their reputations than ever before when there are problems associated with culture. At the same time, a positive culture can provide value in weathering crisis events and, in some cases, preventing them, and can be an asset in branding and attracting talent, among other things. Both the risks and benefits associated with corporate culture suggest that companies need to be proactive in addressing culture.

The chief legal officer (“CLO”) has significant responsibilities relating to culture and can play an important role in both securing the benefits of a positive culture and minimizing the risks that can result from cultural challenges.
That’s not my job...or is it?

You may be asking yourself whether culture and culture risk is the job of the CLO. There are arguments that can be made that responsibility rests with the chief executive officer, chief risk officer, chief human resources officer, or even the chief audit executive. Without a doubt, those executives, among others, generally play an important role. But it is often the CLO who has the vantage point and objectivity to take the lead.

Additionally, the role of the legal department gives the CLO access to both internal and external key stakeholders and every facet of the business, making the CLO well suited to a lead role in developing and maintaining a positive culture and minimizing culture risk.

To help navigate the CLO’s role, consider the following:
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1. Take the lead.

While responsibility for culture falls on everyone from the CEO to the rank-and-file employee, the CLO can take a leading role in developing the strategy for company culture both internally and externally, tying culture into the company’s risk profile. At a minimum, the CLO can confirm that the appropriate governance and escalation procedures are in place, that there is a written code of conduct, and that all employees are properly trained to comply with the code of conduct. In carrying out this responsibility, it is advisable to use plain language, so that expectations and processes are easy to understand and accessible by and relevant to all levels of the organization.

The goal is to create a culture where the tone at the top, the mood in the middle, and the buzz at the bottom,1 are all in alignment with the values of your organization, and where, at each level, those values are demonstrated through behaviors. Be sure you are an exemplar of this behavior yourself: show up and be seen on a regular basis, spend time walking the “factory floor” engaging with employees at all levels of the company, both talking about the cultural expectations and modeling them.

In addition to actions that impact the organization, a CLO can be key to supporting the Board in executing its oversight responsibilities for culture. In general, this means addressing and anticipating what the Board needs when it comes to culture, starting with culture inside the boardroom and extending to the entire enterprise from executive performance and succession planning, to oversight of strategy, to review of management risk decisions, and to governance over performance and results, as well as the more general cultural issue of how individuals are treated and respected. More recently, Boards are seeking more tangible information on organizational culture beyond merely a conversation with, or representation from, management. In short, culture is likely be a factor on every item on the Board agenda—and on the agendas of Board Committees as well. The CLO is an important resource for the Board when it comes to these and other areas of responsibility.

Where to start

- Clearly articulated strategy on culture; recurring assessment of cultural strategy
- Governance and escalation procedures in place
- Regular Board assessments of culture inside the boardroom and over the organization (e.g., board agendas, site visits, data reviews, management assertions)
- Written code of conduct
- Ethics hotline and anti-fraud program and related compliance and reporting
- Comprehensive training across all job titles/roles
- Strong personal brand and internal relationships
- Media training

1 Risk & Compliance Journal—Deloitte Risk and Compliance—Wall Street Journal—“How Boards Can Raise the Bar on Ethics and Compliance,” October 23, 201...
One of the most important components of an organization’s culture is the actual behavior of its leaders and employees. For the best possible understanding of that behavior, CLOs must avoid burying their heads in the sand and instead, fearlessly face their company culture cues by examining, understanding, and leveraging data.

Be sure to consider both internal and external data sources. Internal data can include compliance metrics, personnel matters, time entry, expense account utilization, employee satisfaction, cultural assessments, insider threat analysis, and employee engagement, among others. Be creative in merging data sets. For example, an annual employee engagement survey alone won’t tell you everything you need to know. But, marry that data with timekeeper data, expenditure data, or swipe card data and suddenly you have a much richer picture. Layered data like this can suggest where you may have pockets of employee misconduct or tie into a broader view of sub-culture demonstrating a disconnect between policy and behavior. A CLO can start making connections and relationships among the data, become smarter on key risk indicators, and view insights across demographics of the organization.

Realize that culture is a collection of decisions that your leaders and employees make, and take every opportunity to review and understand the decision-making and conduct patterns of your employees, which are indices of culture. Anomalies may be evidence of fraud, and trends over time can be telling.

External data can include social media monitoring and web scraping. Monitoring social media trends helps you to understand your reputation in the market. Remember, it may not be enough for you to have a positive internal company culture. The external impression of company culture and internal efforts must align to enable an organization to leverage culture, particularly in times of crisis, and certainly can influence your interactions in the marketplace, the ability to recruit talent, and to influence customer and business partner sentiment. In short, even with an amazing internal culture, if your company is not recognized or viewed positively externally, you will sub-optimize using the company culture for value creation.

Finally, don’t be afraid to ask for help. Managing lots of data can be overwhelming, and knowing how to merge data sets and what the resulting data pools mean can also be a challenge. A wealth of technologies exist to help you, so don’t be afraid to bring in outside help with fresh eyes that are not entrenched in the existing culture. An engaged CLO should be proactive with executive management in analyzing and assessing such data and determining when and what is prudent to share with the Board.

Where to start

- A process for extracting data in real time from internal sources, which might include cultural assessments, employee engagement surveys, insider threat programs, behavior analytics, and key performance indicators
- A strategy for measuring external impression, including a social media monitoring strategy and web scraping
- Analytical framework for assessing/analyzing/evaluating data in real time and over time
- Regular meetings of key stakeholders involved in forming and measuring culture
- Regular reporting on culture to the Board and other governing stakeholders
Once you have laid the foundation for a strong culture, the CLO should plan for the eventuality of a crisis event, develop a crisis playbook, and provide assurances to executive management and the Board around the organization’s crisis preparedness. It is important that a CLO not be complacent, even if the company has the very best culture and leading governance protocols in place, because it is not a question of if a company will face a cultural threat—it’s just a question of when.

During a disruptive event, it is also important that leaders continue to live their culture by making decisions and acting in a way that aligns with the values of the company. There is a leading practice in crisis response of establishing a “Leader’s Intent” at the onset of the crisis, modeled after a “Commander’s Intent” that is used in the military. The Leader’s Intent is a single description that details what constitutes success for the crisis response. It should be strategic in nature, easy to remember, and empowering to enable everyone to execute at all levels—strategic, operational, and tactical. In the most successful crisis responses, the Leader’s Intent embodies the culture and values of the organization and can carry all the way through to recovery.

Companies with strong cultures internally and externally have repeatedly been shown to recover better, faster, and even stronger from disruptive events—truly optimizing their positive cultures as an asset. A positive culture can bring competitive advantage in ways beyond just effective crisis response and recovery—being a company that vendors, service providers, customers, and people want to work with and for can help secure effective and marketplace relationships, foster the very best in talent recruitment and retention, and further secure an organization’s reputation as a market leader. In short, a positive corporate culture that is well recognized and demonstrated pays dividends multifold.

Where to start

- Clear delineation of stakeholder roles
- Playbook for crisis events
- Crisis management protocols and scenario planning and related training and tabletop exercises
- Regular risk reporting to the board (including on culture)
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Final thoughts

As the business world we operate in grows simultaneously bigger and smaller with real-time information exchange, the business risks related to organizational culture grow, both internally and externally. To successfully weather a crisis event, manage the day-to-day risks, and effectively leverage the company’s positive culture, a CLO is well positioned to take the lead on cultural baselines, understand and use data-related insights, and consistently practice crisis response.

In these efforts, the CLO has an opportunity to lead in the alignment of culture to the company risk profile and be a leader for executive management and the Board.