

The Power of Effective Leadership

Culture, more than rule books, determines how an organization behaves. **- Warren Buffett, Chairman and CEO of Berkshire Hathaway Inc.**

As leaders and managers in the compliance and ethics field, we spend our days tackling the challenges of building a more “effective” compliance and ethics program. We share lessons learned and best practices at conferences, support research, develop tools and metrics, and then try to implement those improvements in our companies and organizations.

Are we spending enough time, though, considering and improving our own **effectiveness as leaders**? Do we take the time to ask the fundamental question, “What does it mean to lead?” Even the “best” policy or program on paper requires insightful, active leadership to bring it to life and integrate it into the business operations and behaviors from which most ethical or compliance risks arise.

So often, we take on (or are brought into) leadership roles as compliance and ethics executives with little or no training or experience in managing teams or leading initiatives. For those of us who have grown up in law firms or corporate law departments, we may have only managed a handful of people — a secretary, a paralegal, maybe a few junior lawyers — and have spent most of our careers analyzing issues and giving advice. If we have come up through a finance or internal audit function, our experience may have taken a similar path.



For the most part, our success has been grounded in our expertise in identifying external requirements and advising our clients and business colleagues on how to meet them. We identify gaps and counsel (or defend) the organization when those requirements have been violated. Then one day the music stops, and we are sitting in a “leadership” chair and have to manage a team, budget, and multifaceted compliance and ethics program. Our expertise as legal, finance or audit professionals can only be part of our toolkit for effectiveness. Knowing the rules — or even enforcing them — is not enough.

At the core of our roles, we are identifying and helping to mitigate or manage compliance risks and ethical issues that can undermine the company’s long-term viability. The effectiveness of our efforts calls for more than creating a “best-practice” policy, training course, internal control or other program requirement on paper. How can we help ensure that the changes we are trying to implement will endure as part of the way the business runs and the way individuals behave — from the bottom up, the top down and especially from the middle?

We must learn to lead in ways that *influence the organizational culture*. Culture is — simply speaking — the sum total of all of the individuals’ behaviors and the shared values (spoken or unspoken) motivating those behaviors. Leading by example is one of the most effective ways to drive behavioral change. (We learned that from our parents.)

Warren Buffett articulated this principle in his biennial letter to Berkshire Hathaway managers (“The All-Stars”), in July 2010:

Somebody is doing something today at Berkshire that you and I would be unhappy about if we knew of it. That’s inevitable: We now employ more than 250,000 people

and the chances of that number getting through the day without any bad behavior occurring is nil. But we can have a huge effect in minimizing such activities by jumping on anything immediately when there is the slightest odor of impropriety. Your attitude on such matters, expressed by behavior as well as words, will be the most important factor in how the culture of your business develops. Culture, more than rule books, determines how an organization behaves.[1]

The sustainability of our compliance and ethics program requires us to be good multitaskers, wearing many hats simultaneously — professional expert, firefighter, program manager, salesman, business case developer, team leader, cheerleader, change agent.

Here are just some of the objectives we are juggling to drive meaningful results:

- Real change requires influencing behavior in more than a temporary way, so we have to engage employees, managers and executives in owning the necessary directional and cultural shifts.
- We need to inspire enterprise-wide collaboration in an environment that is already making intense demands on our colleagues or may be creating unspoken obstacles.
- Insight can come from anywhere, so we need to connect with even the most junior employees so they know they have a role and a voice and can impact the organization's long-term health and reputation.
- We have to listen closely enough to hear what is being left unsaid, so we have the situational awareness to set a lasting foundation for the road ahead.

This kind of **transformational leadership** is not new, though. Many of our business colleagues — at least, the effective ones — have been exploring these concepts on their way up the ladder as they have tried to drive enduring change for various business reasons. We can learn from some of the principles and techniques in the management and leadership fields and adopt those that can help us work more effectively.

Future articles in this column will explore some of these basic principles of organizational culture and effective leadership. We look forward to sharing ideas and hearing your thoughts on what works, or does not, in driving sustainable change and implementing effective compliance and ethics programs in your organizations.

[1] Berkshire Hathaway Inc. 2010 Annual report, p. 105, <http://www.berkshirehathaway.com/2010ar/2010ar.pdf>.

Next Week: The Effectiveness of Candor

The first of these principles that we will discuss is **candor**. From the perspective of the compliance and ethics function, candor facilitates effectiveness in two significant ways: (1) [addressing potential misconduct quickly](#) and (2) leading high-performing teams. We will discuss the first on Tuesday, followed by the second the following week.



About the Author

Debra Sabatini Hennelly, president of [Compliance & Ethics Solutions](#), is an experienced lawyer and compliance & ethics practitioner with more than 20 years of experience (including 10 years in-house) building and improving compliance & ethics programs with Fortune 500 companies. She counsels businesses on driving program effectiveness and advises general counsel and compliance & ethics officers on leading high-performing teams.

You can reach Ms. Sabatini Hennesly at dhennesly@callces.com and read [her complete bio on her CCI author page](#).

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