



Summary of Themes

# Board directors and ethics & compliance leaders discuss key challenges and priorities

**Boards continue to prioritize oversight of corporate ethics, compliance, and culture, which remain enduring drivers of business performance. In 2024, board directors and compliance executives are focused on fostering and upholding cultures characterized by trust and transparency in the face of challenging conditions, while also overseeing the implementation and governance of artificial intelligence (AI) technologies.**

**On March 19, 2024, members of the Ethics, Culture and Compliance Network (ECCN) reflected on experiences in the past year and shared their priorities and goals for the current year.<sup>1</sup>**

*For a list of meeting participants, see the appendix (page 5).*

This *Summary of Themes* highlights participants' reflections on key challenges and priorities in their oversight of ethics, culture, and compliance, including:

[Fostering trust and transparency as workplace culture continues to evolve](#)

[Navigating AI implementation and governance](#)

## Fostering trust and transparency as workplace culture continues to evolve

Nurturing and sustaining organizational culture is a paramount concern for boards and senior leadership teams, who recognize culture as an important driver of performance. One executive noted, *“We call out the culture in all of our communications as being the key enabler for the strategy the company wants to accomplish.”* Participants agreed that maintaining a healthy culture during periods of extraordinary change, technological advancement, and global uncertainty demands consistent board attention. *“I hope that culture is being embedded in all of our boardroom discussions, no matter the topic,”* one director said.

For example, participants highlighted major transactions as circumstances where culture is central to strategic decision making. One director described the role culture played in a board’s consideration of a proposed acquisition: *“The price was hard to walk away from, but the impact of the culture shifts that the team would be going through if the deal went through was on our minds. The CEO and the management team had a lot of discussions with the acquirer about the culture of the company.”* That deal ultimately closed, but another director shared an example in which cultural factors played a key role in the decision to walk away from a transaction. *“We were in a merger discussion that ultimately dropped off, and culture was a big reason for it. The price was right, but we determined that the cultural differences were so stark that it would have eroded a lot of shareholder value in poor execution.”*

Trust and transparency are critical aspects of healthy culture, which makes the recent sharp decline in employee trust in senior management at large public companies worrisome. An executive said, *“I think the issue is part of a broader theme of erosion of trust in large institutions, and we’re seeing it in our company with a low-trust environment across the board. We’ve really focused on rebuilding trust and using culture to engender trust. Trust has become a currency.”*

Participants highlighted the importance of cultivating a robust speak-up culture to safeguard against misconduct. One executive described how their company is encouraging managers to proactively identify misconduct: *“We’re shifting from speak up to what we call “Ask, Listen, Act,” moving the onus from the aggrieved party to leadership to ask around, pay attention, and keep their antenna up. And then act, because you can listen to all these things, but you have to act to make change. It has really made a big difference in our culture.”* Sean Thompson, the CEO of NAVEX and a participant in the discussion, encouraged organizations to cultivate safe environments for internal reporting by *“assuring that reporting systems are available and protected from retaliation.”* Mr. Thompson noted, *“We are about to release our annual benchmark report that can help companies assess where they stand in terms of speak-up culture*

*relative to their peer group, industry, or geography, and we're seeing increased incident reporting as a result of remote work."*

Members noted several current challenges to maintaining a healthy culture:

- **Equipping middle management to lead on culture.** Frontline leaders and middle managers play a key role in establishing and maintaining culture, but they are often not well equipped for that role. One participant observed, *"In some cases, the direct leadership is not engaged at the middle management level. That's where we are starting to see a gap. You can have alignment at the top, but at times it's not working its way through, and then it's not getting into that next generation that's coming into the workforce."* A remote or hybrid work environment exacerbates the challenge. A director said, *"I don't think that frontline leaders know how to effectively lead in this new world of remote work. There should be training within the company and real discussions on what people find effective, what approaches can work, and having roundtables with your middle management."*
- **Maintaining culture during leadership and employee turnover.** Companies are struggling to maintain a strong culture during periods of significant employee turnover and shifts in senior leadership. One director said, *"The biggest challenge we faced in the last year or two is that we have seen so many more new employees onboarded. They're not steeped in the quality and compliance culture that we currently have, which has led to much higher case rates in our hotline program that we've been ill-equipped to manage."*
- **Preserving compliance and ethics in the face of operational challenges.** Financial and operational pressures can make it difficult to maintain compliance norms and other aspects of organizational culture. One director said, *"A big challenge we have is how to maintain all of [our] compliance activities when we're trying to be as cost conscious as possible and we're reducing the workforce due to financial stresses."* Reliance on third parties brings its own risks and can create blind spots. A participant said, *"We do a lot of outsourcing, which creates compliance risks, especially in a highly regulated industry. We need to rely on a lot of third parties, whether it's through distribution, manufacturing, or production of the product, and that's an area we've been struggling with."*
- **Navigating political polarization.** Companies anticipate political discourse will continue to affect workplace culture as we approach the US presidential election. Some participants have taken proactive approaches to mitigate resulting risks. *"We've hired a PR firm to help us with scenario analysis of communications to employees to prepare for such things,"* said one executive. Another executive said, *"We encourage people to treat this like religion and not talk about it. We try to make sure that we're not coming off too strong before anything has happened."*

## Navigating AI implementation and governance

*“AI is way more than a compliance issue. It’s a business survival issue. It’s almost existential for some businesses,”* said a director. With that awareness in mind, company boards continue to assess implementation opportunities and develop governance approaches *“We’re building the plane while we’re flying it,”* one executive said.

### Designing AI systems to suit company needs

Most organizations are beginning to implement AI in their business, though many are only in the early stages: *“[We’re exploring] the development of specific use cases and how they advance the business case and tie back to our strategy,”* said one director. An executive said, *“There’s a lot for us to consider as far as protecting our systems and ensuring that AI or the people running AI don’t lose control of the tool. So, it’s very sandboxed for us right now, and our use cases are very limited.”* Participants expressed concerns about the use of commercially available AI technologies, a concern that larger companies can address by collaborating with AI technology providers to develop bespoke platforms that fit their business needs. One director said, *“We’ve moved away from the commercially available generative AI platforms and gone to a company-specific platform that has some fences and guards around it. It’s designed specifically for our use and was walled off for our needs.”* In some cases, the need to move quickly or lack of internal resources makes using commercial tools necessary, however. One executive said, *“We’ve had to mature quickly,”* due to the industry in which it was operating. As a result, *“We had to embrace commercial AI products to create the platforms and services that our customer needs,”* while also working with their customer to develop principles for AI implementation.

### Developing governance of AI

Boards and senior management teams are becoming more involved in AI governance, but 67% of ECCN participants indicated they are still in the early stages of developing their approach. Regarding how executive leadership is collaborating on the development of AI governance, one participant said, *“We have a cloud governance council that has taken on AI, so we’re using existing governance frameworks to handle use cases and establish guidelines that have been turned into a formal policy. We’re still in the developing stage, but each quarter we update the audit and cybersecurity committees on progress.”* Some boards have joint committee structures to address the operational, legal, and compliance risks of AI. *“We oversee cyber and AI through a meeting of our operations committee and our audit committee. [Operations] has [some] oversight responsibilities for the board because there are operational risks and opportunities with AI that are more related to business operations,”* said a director.

## Appendix: Participants

The following members participated in all or part of the meeting:



Noni Abdur-Razzaq  
Associate  
Tapestry Networks



Virginia Addicott  
Non-executive director  
CDW and Element Fleet  
Management



Eric Baldwin  
Executive Director  
Tapestry Networks



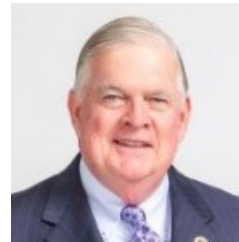
Jim Byrne  
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Business Conduct  
Lockheed Martin



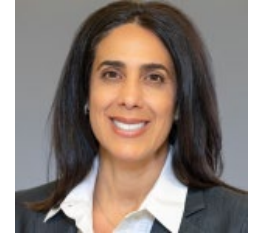
Phyllis R. Caldwell  
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Chemonics, JBG Smith  
Properties, Oaktree  
Specialty Lending,  
Ocwen Financial,  
OneMain Financial



Bill Cameron  
Former Assistant  
General Counsel  
Exelon



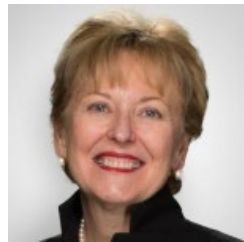
Pat Condon  
Non-executive director  
Energy



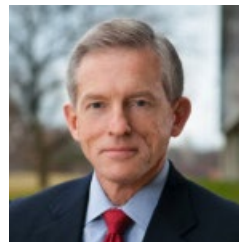
Marsha Ershaghi  
Managing Director  
Tapestry Networks



Antonio Fernández  
Chief Ethics and  
Compliance Officer  
FirstEnergy



Sandy Helton  
Non-executive director  
OptiNose



Clayton M. Jones  
Non-executive director  
Deere and Motorola  
Solutions

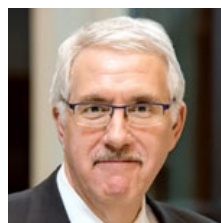


Laura Koski  
Project and Event  
Manager  
Tapestry Networks

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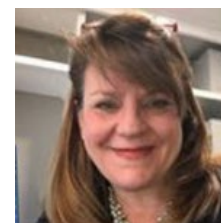
Gina Nese  
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Compliance and Ethics  
Officer and Counsel  
Align Technology



Neil Novich  
Non-executive director  
Beacon Roofing Supply,  
Hillenbrand, W.W.  
Grainger



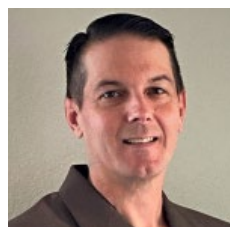
Justin Ross  
Vice President and  
Global Chief  
Compliance Officer  
FedEx



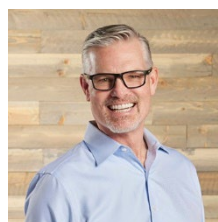
Kim Rupert  
SVP and Chief Risk  
Officer  
SAIC



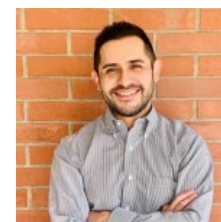
Diana Sands  
Non-executive director  
AngloGold Ashanti, SP  
Plus



Scott Sullivan  
Chief Integrity and  
Compliance Officer  
Newmont Corporation



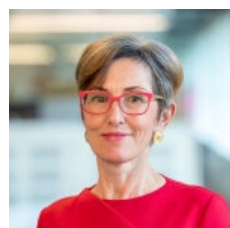
Sean M. Thompson  
President and Chief  
Executive Officer  
NAVEX



Carlos Villagrán  
Director of Compliance  
CMPC Group



Michael Williamson  
VP Compliance and  
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Dona Young  
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Aegon, Foot Locker,  
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Donna Zarcone  
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CDW, Cigna

## Endnotes

<sup>1</sup> Summary of Themes reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Quotations in italics are drawn from conversations with network members and guests in connection with the meeting.

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