



CRF DIGITAL COMMUNITY EVENT HR DIRECTORS

At an in-person Roundtable event on 28th September, CRF's HR Director Community came together to discuss the geopolitical shift in outlook towards Russia and China which is having urgent ramifications for trading relationships, supply chains, as well as where and how businesses will operate. What are the values by which business decisions are made internationally? Is it still possible to have corporate values that really do apply locally? How should companies' stated values apply in the realities of today's context? What should Group HRDs and CHRO's be doing about this?

This summary shares some of the key insights from the speaker and discussion.

SPEAKER

MARCUS DOWNING

Partner in Workforce and Organisational Transformation at Mercer

- "As HR directors, what's your role in facilitating a discussion [about corporate values] that either is happening, or you think ought to be happening?"
- Marcus' key message is that the question of corporate values is not necessarily any more complex than before, but it is more pressurised: it draws greater focus from employees and stakeholders than ever before, compounded by tools like social media which demand greater transparency from companies. As a result, senior leaders are taking a greater role in that process, rather than it just being something the CHRO does as part of the people agenda.
 - » This might include asking difficult questions: what does it mean to have company values that don't always align with business behaviour? Should we continue to trade in Russia? Should we do business with Saudi Arabia or China? Should we work with suppliers with a history of polluting? etc.
 - » As a result, CHROs' recent focuses have included: using COVID-19 crisis relief structures to help relocate personnel in Ukraine/Russia; re-examining global labour market to explore financing for migrating people to markets that need them; facilitating the C-suite conversations about values, purpose, and culture, which ExCos could then lead.

- Devolving power to local divisions or operations can help ensure that local experts are best placed to manage key people and issues, but it can risk tensions between corporate headquarters and employees when the executive team's value statements are not reflected in local behaviour. The set of values that the executive team generates needs to be translated into the relevant social and cultural mores and tested in each location.
- However, Marcus also gave several examples of how decentralising the corporate value base and allowing regional divisions to decide their own codes of behaviour, can lead to real problems. When companies update their values, they can also implement several actions led by the ExCo:
 - » Culture and values and purpose to be put at the forefront of the new CEOs' agenda.
 - » Re-examine your LTIPs and STIPs.
 - » Introduce and rearm recognition schemes for employees to use for local managers.
 - » Re-visit performance management structures.
- Marcus also considered the example of trade in Russia in more detail:
 - » When the war began, the priority was "how do we relocate people safely", which "actually [led to many companies] reactivating some of the COVID structures they had for crisis management". This change of location meant companies needed to consider, "how do we move this business [and] provide a continuity of service to our customers?"
 - » It also changed the regional labour markets, so companies had to consider how to retain their people using relocation support packages and find more using new hiring markets.
- Finally, Marcus explored some of the key themes of Erin Meyer's *Culture Map* (2014): cultural variance; differing cultural contexts within global organisations; and the difficulties of applying subjective value statements to dispersed employee populations, especially those written by Anglo-American executive teams.
 - » "[For example,] what does it actually mean [to you] when we say 'speak up'?... [HR then has] the ability to then drop locally and run anonymous digital listening groups or face to face groups or individual meetings, [whichever is most relevant to that region.]"



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WHAT ROLE DO CORPORATE VALUES PLAY IN BUSINESS TODAY?

- Corporate values act as strong statements to the public, to shareholders, and to employees about what a company believes in and how it wants to conduct business. Once they are shared and endorsed, companies are then accountable to the same stakeholders to uphold those values in their day-to-day decision making.
 - » Companies can then treat these values as points of reference when deciding what to do about global issues, like climate change and pandemics, and geopolitical issues, like the war in Ukraine.
 - » Historically, the clash between company values of fairness and equity and injustices like Apartheid in South Africa have led to divestment from local suppliers or markets. A similar process occurred in Russia after the initial invasion of Ukraine.
 - » Some major companies, like BT, have had corporate values in place in a formal way since at least the 1990s, but others have begun either developing or significantly redeveloping their value statements in recent years, and the transparency demanded by a culture of social media activism has made it an increasingly urgent task.
 - » After deliberating for a long time about whether to withdraw business from Russia, one company's CEO used a long-form memo to address why they had taken so long to do withdraw and all of the factors they had to consider in doing so, which drew minimal backlash and helped increase transparency.
- One of the core problems of corporate values for employees is that they can be rather aspirational, and don't necessarily reflect the reality of what it is like to live and work in the present day. For one participant, their company's values are "about living your best life", but HR are struggling to integrate that with "the challenges we get from employees when they're overworked - they can't live their best life. [They ask], 'how do we do that in these markets, with inflation, at the moment?'"
- Another important question whether centrally generated values still apply locally. For major global companies with local divisions or branches, this can create tension between senior leaders and local ones.
 - » One participant described their company as having "DNA running through it, [but] we defer to the operating units and let them do their own thing, which includes, to an extent, what they say about culture and values, but at the same time, we want to try and maintain something around the holding company as well."
 - » One participant suggested that as long as the values of local divisions align with the overall corporate values, then it shouldn't be a significant issue. At their company, when new businesses join, they can adopt the central corporate values espoused by the executive team until they decide to develop their own. In their words, "I've got myself to the point where as long as when the board directors go out and talk to the [local] employees, then it doesn't really matter so much. And if local words are more powerful for individuals, but they're broadly in line with what we've that then it doesn't matter, even if the words themselves are different."
 - » The bigger issue is when companies or branches in countries that are new to the business have very different behaviours or beliefs, which may not meet typical Anglo-American codes of conduct.
- The same question applies to the question of supply chains. In the words of one participant, "do we expect our suppliers to act in line with us?" They elaborated, "we think about our supply chain, our joint ventures and our brand, and we need to think about whether the commercial decision or risk management is more important..."
- To this end, rebranding can help to mark periods of transition from one code of conduct for a business, helping to underline the significance of an introduction of new set of values.
 - » One participant explained that "we completely rebranded the company and we launched new corporate values. When we did that rebranding, and we launched the values and everything else, we did not include those companies [that we were disassociating from] in the rebranding. Those companies stayed because we knew that we had a plan to dispose of [those elements]... We aren't going to taint our new brands with something that doesn't completely fit in the way we are espousing ourselves as a business."



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WHAT IS THE CHRO'S ROLE IN MEDIATING THIS ISSUE?

- CHROs can help with the generation and dissemination process of values in a number of ways.
 - » Several participants agreed that posters and other printed materials, as well their digital equivalents, can help to make value messages clearer and more visible.
 - » Another method for effectively sharing values is through stories and case studies: “[CEOs and other senior leaders] they tell the story...the value is very clearly articulated [and] you can coach [them on] that...Those stories really carried [and] travel way, way faster.”
- The CHRO can also help lend a broader people view to the C-suite, ensuring that company-wide statements are considerate and inclusive.
 - » In one instance, a participant described a moment where they stepped in to ensure that their CEO’s statement in support of Ukrainian employees also acknowledged the emotional and psychological toll on their Russian employees of being seen as the aggressor in a war they don’t agree with.
- “Non-executive [directors] will have their own opinions of things and I have had to understand that each individual on the board has their own personality. Their own rights, their own experiences and value systems, and they’re in calibration with what is important.”
- Employee engagement with these issues is one of the CHROs core responsibilities. When values are clearly demonstrated to underpin decision-making within the organisation at all levels, people are more receptive to them.
 - » Several participants reflected the fact that employee engagement surveys can be both too vague and too limited to be useful: comments included “they’re a bit too broad brush” and “they [can end up] forcing a specific set of answers”.
- » Focus groups in each country or location, where employees can explore what their corporate values look like in action at a local level, can increase ownership of values. One participant suggested that “rather than having one employee engagement director, we’ve actually spread it across the board and we’ve had individual leaders hold listening sessions with a cross section of employees from different parts of the group...we haven’t been involved in those but we’ve facilitated those conversations.”
- » One participant described a process where employee groups were asked to define the values locally, in the context of their day-to-day actions, and to discuss whether they feel that both they and their management are living out the values they ascribe to.
- » Another participant described a technique called ‘employee champions’ – where selected employees represent the opinion of a team or division – but the drawback is that some ‘champions’ will take the opportunity to raise grievances that they feel strongly about, but do not necessarily reflect the views of the 50-100 people that they represent.
- Social media has given employees a new forum for employees to challenge the integrity of company value statements around ESG and EVP. As a result, discrepancies between a company’s purported values and their actions can be easily identified and shared online. Comments included:
 - » “An individual’s actions can undermine [their company] very, very quickly if you don’t act. If something is out of kilter with your values...it will be out there publicly before you before you know it.”
 - » “The social media thing has provided a mechanism of scale [and speed] for feedback...[I think this is largely] as a response to the pandemic, where people are no longer willing to accept the autocratic deal with their employer.”



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WHAT ARE SOME EXAMPLES OF ETHICAL ISSUES IN GLOBAL MARKETS THAT RUN CONTRARY TO CORPORATE VALUES?

- Some of the examples offered during the session included: if companies with value statements about fairness or climate are also investing in energy or fuel industries; when they say they are sustainable and green, but also use plastic packaging; if they say they want to help patients but make certain medicines prohibitively expensive; etc.
- Another topical example is businesses' withdrawal from Russia, which has seen Ericsson leave behind millions of pounds worth of mobile phone technology infrastructure. They have a legally binding contract to continue providing service to Russian customers, with a purported caveat that the equipment can only be used for civil applications, but it is likely that at least some of it has already been co-opted for military use.
 - » The 'watch and wait' strategy favoured by some more cautious companies can help to prevent rash decisions, and transparency about the reasoning can reduce backlash.
- More broadly, differing cultural experiences, especially with supply chains, major global businesses, or joint ventures, can create complexity in this area.
 - » A typical example is that of 'facilitation payments', which have been a relatively common business practice in parts of Asia: facilitation payments have the characteristics of bribes, some of which can even be state-sponsored, which may be required in order to gain business and access to new customers. However, facilitation payments run contrary to Anglo-American codes of conduct and legal compliance. In 2012, the UK's Serious Fraud Office interestingly had to re-state that they were illegal before the 2010 Bribery Act came into force and they are illegal under the Bribery Act, regardless of their size or frequency.