

Doing the right thing

Level: Upper intermediate +

Time: 90 minutes

Summary: This lesson is about corporate compliance and how internal wrongdoings leading to international scandals can affect a company's reputation. In this lesson, students:

1. think of recent corporate scandals;
2. study a text about corporate scandals and codes of conduct;
3. discuss what they would do if they found their colleague or company was acting unethically;
4. interview each other on the after-effects of a corporate scandal.

Materials: One copy of the worksheet per student, one copy of the appendix per student

Group size: Any

Note: This lesson plan for both pre-experience and in-work business students is based on an original article first published in *Business Spotlight* issue 3/2017.

Warmer

As a whole group, students do a bit of collective brainstorming, trying to remember as many corporate scandals as they can from the last ten years. Write each one on the board and add a few basic facts about each (just as much as the students are able to tell you).

Teacher's tip: Leave the scandals on the board and, at the end of the lesson, divide them up between the students, getting them to research the scandals further and present their findings to the group.

Key words

Students write the key words next to the definitions. Then, after they have checked their answers, they read the article to see how the key words are used in context.

Key:

- | | |
|---------------|---------------|
| 1. bribery | 2. Plug |
| 3. corruption | 4. level at |
| 5. lobbying | 6. allegation |
| 7. compliance | 8. violation |

9. severance
11. cap
13. lucrative
15. vulnerable

10. integrity
12. spawn
14. paramount

Understanding the article

In part a, students discuss and answer the questions using information from the article.

Key:

1. Especially in the US, companies might face financially damaging legal actions if employees do not comply with the laws regarding sexual harassment, racial or sexual discrimination, with the disabilities act or if they discriminate against others on religious grounds. Employers are also liable to be sued if they do not protect their staff adequately in the workplace.
2. At the very least, codes of conduct must obey the law. However, companies should also develop, communicate and enforce their codes of conduct.
3. a consulting industry dominated by investigation companies and accounting and law firms

Then, in part b, students summarize what they know about the Volkswagen scandal after reading the article.

Key:

The relevant information about VW can be found in paragraphs 7 to 11.

Expressions

In pairs or groups of three, students find the expressions and discuss what they mean. They then talk about how they could be used in sentences and write their best example sentences.

Key:

1. This refers to scandals in which people or companies secretly receive money in exchange for making meetings with senior office-holders possible.
2. a set of rules about how people (and companies) should behave
3. a situation in which someone cannot make fair decisions because they will be affected by the results
4. not be punished as severely as you should/might have been
5. money and other benefits given to an employee when he or she is made redundant
6. deal with an employee who causes problems or does not obey company rules

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Discussion

In small groups, students discuss the questions. Then, they read the advice and further information in the appendix (Compliance and you) and compare it to what they discussed.

Interview questions

Students work alone or in pairs and think of diplomatic and non-accusatory ways to answer the three questions. In (different) pairs, they then role play the questions and answers as a spoken interview. Finally, they should read the expert's answers and compare them to their own.

Vocabulary record

Here, students should be encouraged to record all of the new and useful vocabulary they have learnt during the lesson, not only in the form presented in the article but also in related forms.

Related topics on onestopenglish

These Business Spotlight lessons are about the importance of ethics in business.

www.onestopenglish.com/business/business-spotlight/money-or-morals/554993.article

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1 Warmer

Brainstorm corporate scandals from the last ten years. What can you remember about each one?

2 Key words

Match the words in the box with the definitions. Then, find them in the article to read them in context. The paragraph numbers are given to help you.

allegation	bribery	cap	compliance	corruption
integrity	level at	lobbying	lucrative	paramount
plug	severance	spawn	violation	vulnerable

- the crime of giving money or presents to someone so that they will help you by doing something dishonest or illegal (para 1) _____
- an attempt to make people interested in something by talking about it in an enthusiastic way, especially on a radio or television programme (para 1) _____
- dishonest or illegal behaviour by officials or people in positions of power, especially when they accept money in exchange for doing things for someone (para 2) _____
- criticize or accuse someone of a crime or bad behaviour (para 2) _____
- trying to influence politicians or people in authority on a particular subject (para 2) _____
- a statement that someone has done something wrong or illegal even though this has not been proved (para 2) _____
- the practice of obeying a law, rule or request (para 3) _____
- an action that is in opposition to a law, agreement, principle, etc (para 5) _____
- a situation in which money is paid to a worker who is forced to leave a company because they are no longer needed (para 9) _____
- the quality of behaving according to the rules and standards of your job or profession as well as the moral principles that you believe in (para 9) _____
- a limit on the amount of money that can be paid (para 11) _____
- create something (para 15) _____
- bringing a lot of money (para 15) _____
- more important than all other things (para 18) _____
- able to be easily damaged or negatively affected by something (para 19) _____

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by Margaret Davis



We regularly hear about managers getting themselves into difficulties because they have not complied with the rules. Codes of conduct clearly stating what one should or should not do actually exist in order to avoid these situations. Margaret Davis throws light on this topic.

1

“VW compliance chief quits after a year”, headlines the *Financial Times*. “Did Rolls-Royce get off lightly over ‘truly vast’ bribery?” asks the *Daily Telegraph*. “Trudeau to be questioned by ethics watchdog over reports of cash for access”, writes the *Guardian*. “Ethics office: White House should investigate Conway for Ivanka Trump plug”, reports *CNN Money*.

2

It is not hard to find questionable corporate and political dealings reported in the international media. Charges of corruption and unethical behaviour have recently been levelled at both Volkswagen (Dieselgate) and Rolls-Royce (bribery). Canada’s Prime Minister, Justin Trudeau, faces questions about lobbying and his family’s Caribbean holiday on a private island owned by the Aga Khan. As for the Trump administration, the president’s companies are the focus of numerous conflict-of-interest allegations.

3

Away from the corridors of corporate and political power, more and more businesses are concerned about a concept they may not have thought about much a decade or two ago: compliance. Simply put, compliance means “obeying (or ‘complying with’) the laws and regulations that govern a country, state or industry”. These might be labour laws, health and safety regulations or anti-discrimination laws. Companies may also have their own internal guidelines or codes of conduct.

4

The fact that laws differ from country to country makes doing business complicated in an increasingly globalized world. Differences between federal and state or provincial regulations have further complicated the situation for businesses in countries like the US and Canada.

Compliance as legal protection

5

In the US, workplace compliance is especially important as protection against costly lawsuits. These could involve sexual harassment and racial or sexual discrimination, as well as violations of the Americans with Disabilities Act. Individuals can also allege discrimination on religious grounds. Meanwhile, the

Occupational Safety and Health Act (OSHA) requires that American employers provide their staff with the necessary protective clothing and equipment, as well as training, and that they inform workers of potentially hazardous materials in their workplace.

6

Compliance experts recommend that companies establish clear codes of conduct for their employees. “The law is the minimum standard,” says Debbie Wheeler, a compliance director at Tenet Healthcare in Florida. “To help employees make the right decisions that properly reflect the organization, employers need to take a step further by developing, communicating and enforcing clear standards of conduct,” Wheeler told SmartBusinessOnline.com. She says that her company operates a 24-hour phone line that employees can contact anonymously. “Employees are also encouraged to go to their supervisors and express ethical issues without fear of retaliation.”

7

Not surprisingly, workers are often reluctant to expose unethical behaviour for fear of losing their jobs, which brings us back to the Volkswagen cover-up. What did employees and management know about the “cheating software” involved in the diesel emissions scandal and when did they know it? *Financial Times* columnist Robert Armstrong says that VW has a problem with its corporate culture. “Most people and most companies behave honourably not because of the consequences of rule breaking but because they are honourable,” Armstrong writes. “If that is true, then we have to assume something went wrong with VW’s culture such that immoral behaviour became acceptable.”

8

Volkswagen’s US Head of Compliance, Oliver Schmidt, was arrested by the FBI in early January. In court, Schmidt has argued that he did not understand the technical background to the problem and was simply doing what company lawyers had told him to do.

Up to €13 million severance package

9

In Germany, VW board member Christine Hohmann-Dennhardt, head of integrity and legal affairs, left the company at the end of January, only 13 months into a three-year contract. Her severance package of between €10 million and €13 million has been controversial but VW praised her work, stating that “the group has substantially elevated its commitment to working ethically and with integrity and is decentralizing its organization”.

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- 10** Hohmann-Dennhardt, a former judge, had previously been legal and compliance head at Daimler. According to the *Financial Times*, she left VW “after clashes with colleagues over her corporate governance responsibilities”. VW spoke of “differences” in the “understanding of responsibilities and future operating structures within the function she leads”.
- 11** VW announced caps on executive pay earlier this year, in response to the Dieselgate scandal. The company had been strongly criticized for paying large bonuses to former CEO Martin Winterkorn, who resigned as a result of the scandal. After suffering losses in 2015, Volkswagen returned to profit in 2016, thanks to increased sales in China, which is now VW’s biggest market. Perhaps surprisingly, the scandal does not appear to have seriously damaged sales, at least not in the short term, according to Professor Matthias Holweg of Saïd Business School, University of Oxford.
- 12** Another major international corporation has also been the focus of intense scrutiny this year for its business practices. In February, Rolls-Royce agreed to pay £671 million (about €769 million) to settle bribery and corruption charges with the UK’s Serious Fraud Office (SFO), the US Department of Justice and Brazilian government authorities. The company was charged with bribing middlemen to get global contracts between 1989 and 2013.
- 13** Rolls-Royce management knew about corruption allegations, which had been revealed by an internal whistle-blower in 2010, but decided not to notify the SFO, according to High Court judge Lord Justice Brian Leveson. In the meantime, the company’s board membership has changed and Rolls-Royce CEO Warren East says that the company now has “zero tolerance” of unethical business practices. Rolls-Royce took disciplinary action against 38 employees, six of whom were fired, while another 11 left the company during the investigation.
- 14** Leveson said he accepts that no current board member was involved in the bribery or corruption charges, or in the cover-up. He commented, however, that although there had been a “cultural change” in the operation of the company, the bribery was “truly vast”. It included cash and luxury cars given to middlemen in Indonesia, Thailand and India, while a Russian contact received credits worth more than \$3 million for the maintenance of a private jet.

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Following the US example

15 In 1977, after extensive investigations by the US Securities and Exchange Commission into bribery by major companies such as Lockheed aerospace and Chiquita Brands International, President Jimmy Carter authorized the Foreign Corrupt Practices Act (FCPA). Since then, other countries have followed the US example, encouraging companies to expand or establish compliance programmes to prevent corruption. This, in turn, has “spawned a lucrative consulting industry dominated by investigation companies and accounting and law firms”, writes Alison Taylor, director of advisory services at the sustainability business network BSR.

16 Their efforts have met with limited success, according to Taylor, an American author and speaker who previously worked for the anti-corruption NGO Transparency International. It seems that, in many companies, the work of compliance departments is not taken seriously. “Compliance officers tell of delayed rollouts, inadequate budgets, company-wide coordination problems and their own lack of organizational influence,” she writes. “Many of the companies currently under investigation by the US Department of Justice and the Securities and Exchange Commission already had hugely expensive, state-of-the-art compliance programmes.”

17 Taylor interviewed 23 anti-corruption and corporate ethics experts on the topic. She says they told her that too much emphasis has been placed on individual wrongdoing or on local cultures – “that’s just the way they do business”.

18 Taylor writes that “there is far less focus on the organizational system – how groups and teams behave when they might have a corruption problem. This is a significant omission because the influence of group norms and culture on individual behaviour is paramount”.

19 Taylor adds: “Leadership is the most critical factor in determining whether an organizational culture is vulnerable to corruption. This is because employees mirror leaders’ behaviour and this leads to the creation of group norms offering ‘social proof’ that corruption is acceptable.”

MARGARET DAVIS is the editor of the *Careers and Global Business* sections of Business Spotlight.

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3 Understanding the article

a. Answer the questions using information from the article.

1. How can workplace compliance potentially save companies huge amounts of money?

2. What advice do compliance experts give to help companies establish their own codes of conduct?

3. What other money-making industry has developed out of companies establishing compliance programmes?

b. Summarize the information provided in the article about the Volkswagen scandal.

4 Expressions

In pairs or groups, find the expressions in the article to read them in context. Then, explain what they mean and use each one in a sentence of your own.

1. cash for access

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2. code of conduct

3. conflict of interest

4. get off lightly

5. severance package

6. take disciplinary action

5 Discussion

Discuss your answers to the questions, then read the advice given in 'Compliance and you' in the appendix.

- Does your company have compliance policies or a code of conduct?
- What should you do if you see your colleagues or boss/es breaking ethical rules?
- What should you do if you uncover seriously questionable behaviour, such as bribery?

6 Interview questions

a. How do you think an expert might answer these questions? Imagine you're the expert and prepare to answer the questions diplomatically, without making any specific accusations.

1. The VW scandal is clearly a PR disaster. But what effect does a major cover-up like this have on employee morale?
2. Whistle-blowers take big risks. Were VW employees afraid to speak out for fear of retaliation?
3. Can VW rebuild its reputation? And, if so, what does the company need to do?

b. Role play your interviews.

c. Compare your answers to Dr Holweg's in the appendix ('Interview questions').

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Vocabulary record: Doing the right thing

verb	noun	adjective	adverb
differ			
	scrutiny		
		honourable	
			substantially

Vocabulary record



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Compliance and you

1. Does your company have compliance policies or a code of conduct?

Career experts advise employees to find out whether such policies exist and, if they do, to study them carefully. That way, you are less likely to break a rule by mistake. And if your company does not have clear policies, establishing them is something you might want to discuss with your supervisor, HR department or works council.

2. What should you do if you see your colleagues or boss breaking ethical rules?

For example, a colleague might be taking office stationery home or your boss might be accepting expensive gifts from a potential client. If “everybody’s doing it”, you could be tempted to engage in such behaviour yourself. This is not a good idea, says Samantha Stauf of MyCareertopia.com.

Putting moral concerns aside, doing the wrong thing could have a negative impact on your future, resulting in lawsuits and even prison. And just because people have bent the rules in the past, doesn’t mean that the company won’t be stricter in future. “The business might choose now to begin monitoring employees more aggressively,” Stauf writes. “Not engaging in the practice covers your own back.”

3. What should you do if you uncover seriously questionable behaviour, such as bribery?

Here, you need to be careful. Take the information to your supervisor, your HR department or your works council. If you have reason to believe that any of these are involved in the unethical practices, you could seek help from a professional association. You may decide that your only option is to leave the company.

Interview questions



Photo: Fisher Studios

Dr Matthias Holweg is professor of operations management at Saïd Business School, University of Oxford. He specializes in industrial policy, especially in the automotive industry. Holweg spoke to *Business Spotlight* via email about some of the issues raised by the Volkswagen diesel emissions scandal.

1. The VW scandal is clearly a PR disaster. But what effect does a major cover-up like this have on employee morale?

Well, I have not spoken to VW employees so I cannot say. However, it is clear that employees and unions will resist any cost-reduction efforts on the back of this scandal, as, clearly, they were not at fault here.

2. Whistle-blowers take big risks. Were VW employees afraid to speak out for fear of retaliation?

So far, six VW managers have been charged with criminal offences in the US. This stands in stark contrast to the token few employees who have been fired by VW itself. So, yes, there is a clear implicit message from the top: business as usual. I do not see any credible change in corporate governance that would make speaking up any more likely now than before the scandal.

3. Can VW rebuild its reputation? And, if so, what does the company need to do?

It is quite remarkable that sales do not tend to suffer on the back of large recalls or corporate scandals. So I don’t see long-term repercussions on the demand side. And given the ownership structure, it seems unlikely that disgruntled shareholders will be able to successfully demand any drastic changes in corporate governance that are more than overdue.