



Improving Organizational Culture:

How Public Institutions Can Promote Integrity and Prevent Corruption

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Acknowledgements:

We would like to thank CAPI summer research fellow, Anita Das for her work on this toolkit.

What is CAPI?

CAPI is a nonprofit resource center dedicated to improving the capacity of public offices, practitioners, policymakers, and engaged citizens to deter and combat corruption. Established as a partnership between the New York City Department of Investigation and Columbia Law School in 2013, CAPI is unique in its city-level focus and emphasis on *practical* lessons and tools.

Published: August, 2017 by the Center for the Advancement of Public Integrity at Columbia Law School. Available at www.law.columbia.edu/CAPI.

Practitioner Toolkit Series



This publication is part of an ongoing series of contributions from practitioners, policymakers, and civil society leaders in the public integrity community. If you have expertise you would like to share, please contact us at CAPI@law.columbia.edu.

The series is made possible thanks to the generous support of the Laura and John Arnold Foundation. The views expressed here are solely those of the author and do not necessarily represent the views of the author's organization or affiliations, the Center for the Advancement of Public Integrity, Columbia Law School, or the Laura and John Arnold Foundation.

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Improving Organizational Culture

How Public Institutions Can Promote Integrity and Prevent Corruption

Organizational culture is difficult to define and to measure. Broadly speaking, it refers to a system of values and beliefs shared by members of a particular group.

Where organizational culture is found wanting organizations perform at less than optimum levels. Worse, it can herald a fertile breeding ground for unethical behavior and corruption. If this occurs, the quality of public services is diminished, and managerial skills and careful policy making is undermined.

An organization's culture underlies behavior and can dictate how its members, both at the employee and supervisor levels, approach decision making and respond to the daily challenges of work. Culture plays a particularly important role in relation to unsupervised conduct, or when decisions are made in "grey areas" not covered by the codified policies and procedures of an institution. In this way, building a strong, ethical, organizational culture can help public institutions prevent corruption by influencing the way staff conduct themselves, make decisions, and exercise discretion.

Effectuating change within the public sector, however, can be a particularly difficult exercise. The public sector has institutional barriers that limit the levers that can be pulled to drive cultural change. For example:

- The private sector tends to enjoy a higher degree of flexibility in relation to reward and sanction mechanisms.
- The motivations of people who apply to public sector positions are likely to differ from those in the private sector.
- The heightened levels of bureaucracy in the public sector may inhibit the speed in which internal changes to policies and practices can occur.
- Public sector institutions are subject to external forces (for example, funding threats) that may impede or reverse the process of cultural change.

Notwithstanding these difficulties, and given the importance of organizational culture in minimizing corruption risks, what can public sector institutions do to improve their culture?

In March 2017, CAPI hosted two panels that explored this issue, focusing alternatively on cultural change driven by external and internal factors. In this *Practitioner Toolkit*, CAPI summarizes each speaker's panel presentation. We then go on to propose some general themes that practitioners ought to consider when advising on issues of organizational cultural change in the public sector. Videos, presentations, and other materials from the conference can be found [here](#).

Summary of Lessons Learned from CAPI's Improving Organizational Culture Panels

Externally driven change

Rose Gill Hearn, Bloomberg Associates (former NYC Department of Investigation Commissioner): Corruption Case Studies

Rose Gill Hearn presented a series of case studies where increased transparency was used to drive long term shifts in problematic cultural norms, leading to improvement in ethical culture:

- In Mexico City, Open Contracting Partnership (an NGO based in D.C.) assisted the city to develop an online portal that made information available to the public regarding government contracts. The portal displays all city contracts in a highly usable way that allows users to search contracts by criteria, such as vendor, contract type, or department. This information helps provide transparency around the spending of government money.
- Bloomberg Associates also assisted Mexico City with the development of an independently run hotline to field anonymous or open complaints regarding city corruption. Under the program, whistleblowers are provided with legal protection against retaliation.
- Bloomberg Associates worked with Rio de Janeiro to streamline its business licensing process to reduce person-to-person contact as well as reliance on paper, two areas particularly vulnerable to corruption. The licensing process was moved entirely online, and a data dashboard created in relation to information collected.
- In Rome, staff rotations were implemented to curb collusion between city employees and stakeholders who had developed familiarity through frequent interaction. This rotation system effectuated a culture shift by disrupting personal familiarity that facilitated collusion.

All of these projects, in addition to successfully increasing transparency, efficiency, and accountability, improved the culture of the government agencies involved, demonstrating that sometimes improving culture is an added benefit of taking other actions to improve oversight and prevention capabilities.

Professor Shiva Rajgopal, Columbia Business School: Importance of Culture and the Impact of Norms

Professor Rajgopal presented a framework for understanding organizational culture, suggesting that culture is affected by both formal structures (such as governance regimes and compensation) as well as informal values and norms. While values and norms may seem similar, they represent different things: values are the stated goals or objectives of the company, while norms represent how these values are actually implemented and practiced. Reinforcing the alignment between set values and norms is critical in building good organizational culture.

Rajgopal identified the following cultural issues in public sector organizations:

- Intolerance of constructive dissent;
- Existence of functional silos in larger organizations;
- Bureaucracy, resulting in process orientation rather than results orientation;
- Lack of rewards for successful risk taking, but punishment for unsuccessful risk taking; and
- Lack of accountability.

Rajgopal's research reveals that organizational architecture is an important driver of behavior. The manner in which a firm organizes its people, processes and incentives affects the culture of the firm.

Joseph Spinelli, Kroll: The Role of Monitors

Joseph Spinelli discussed how monitors can assist government agencies effect ethical cultural change. Monitors do not perform managerial functions. Rather, they observe the activities of management and can assist with cultural change by, for example:

- Developing written standards of ethical workplace conduct, and ensuring compliance with those standards;
- Assisting with the training of staff;
- Providing advice to members of the organization on ethics issues;
- Instituting confidential, anonymous reporting mechanisms that protect whistleblowers from reprisals; and
- Introducing sanctions for unethical behavior, including forfeiture of bonus or promotion eligibility.

Spinelli noted that the prevalence of social media has influenced organizations to be more transparent in the face of risking wider exposure of unethical conduct.

Professor Daniel Feldman, John Jay College: Cultural Change at the National Level

Professor Feldman focused on U.S. culture at a national level, arguing that, due to a historical cultural distrust of government, the U.S. has tended to favor the Inspector General’s role as a performance monitor rather than a “capacity builder.”

The enabling legislation and mission statements of Inspectors General charge federal IGs with capacity building and performance enhancement responsibilities in addition to their monitoring role.¹ The Council of the Inspectors General on Integrity and Efficiency, for example, has a stated mission of improving the “effectiveness” of government agencies. Capacity building is clearly essential to the effectiveness of organizations. Despite these aspirational goals, however, when attempting to build the capacity of federal agencies, Inspectors General face resistance to calls for extra funding due to a cultural distrust towards additional government capacity and expenditure. Because of this, Inspectors General have been vastly less successful in effecting cultural change *within* public institutions when compared to their compliance monitoring role.

This suggests that changing organizational culture within public institutions may in part depend on changing the external cultural context in which the institution works.

To read Professor Feldman’s research on the link between national culture and capacity building within public sector organizations, including in relation to organizational culture, click [here](#).

Internally driven change

Professor Adam Graycar, Flinders University, Adelaide, Australia: Analyzing slippage in organizations to tailor appropriate solutions

Professor Graycar explored his current research into situating individual instances of public sector corruption within an organizational context. Studying several Australian cases of serious integrity breaches in the public sector, Graycar identified the following patterns of threats to integrity: poor peer culture, denial of responsibility, denial of accountability, rigidity, dominant informal actors, and a failure to exercise self-control.

Graycar pointed out that opportunities for integrity breaches differ by the nature of an agency. For example, financial management, human resources, procurement and service delivery all have different “slippage” and “prevention” points. Solutions to build a preventative culture therefore must be tailored to that particular organization’s “slippage” and “prevention” points in order to be effective. The functions, financial management, human resources, procurement and service delivery etc. can be plotted (in a matrix) against activities such as

Change the effort; Change the risk and rewards; Value integrity; Raise awareness. Graycar also noted that while this framework has been used to study breaches in Australia, it can also be applied internationally.

Lawrence Byrne, Deputy Commissioner NYPD: Internal Change at the NYPD

Byrne believes that real structural cultural change must come from within an organization. He identified the following key factors that have come into play in the ongoing efforts to change culture at the NYPD:

- Leaders must demonstrate by example and provide appropriate “tone at the top” in order to create an ethical culture that permeates the institution.
- A single individual can destroy a successful institution, so organizations should attract ethical employees and third parties to work with them.
- It is necessary to build in appropriate levels of oversight. For example, the [NYPD Inspector General](#) has broad powers of review over policies, practices and procedures and can issue recommendations. This external oversight assists the organization in identifying and improving cultural issues.

Edwin Stier, Senior Advisor, CohnReznick: Culture and Subculture

Stier noted that organizational culture underlies behavior and helps people respond to decision making. Subcultures promoting different, unethical values can also exist within an organization.

Focusing on boards or leadership teams, Stier provided three suggestions to increase awareness of organizational practices and culture:

- Beware of single sources of information, and look out for signs that information is being kept away from the leadership team.
- Develop resources, such as connections with internal audit and human resources, to understand how various parts of the organization are actually functioning.
- Examine incentives and disincentives to understand whether any unanticipated consequences may arise due to performance targets.

Michael Shaw, GlaxoSmithKline: Leadership Commitment and Cultural Change

After noting that compliance programs within an organization are not enough to ensure an ethical culture, Shaw provided the following recommendations around cultural change:

- Elevate ethical organizational values and principles that help guide day-to-day decisions.
- Demonstrate commitment at the leadership level to ethical behavior through:
 - Consistent discussion between leaders and employees of organizational values;
 - Enacting transparency enhancing measures (such as voluntary reporting on spending); and
 - Reflecting ethical organizational values in incentives.
- Institute accountability when employees have done the wrong thing.

David Rubin, Principal, CohnReznick: The Role of the CFO in Compliant Culture

While CFOs are usually not involved in setting organizational values or culture, they have an important role in ensuring that internal controls are aligned with the culture that is being driven by top management.

A rule-compliant attitude is not necessarily the go-to state for all individuals. Many societies idolize the maverick or the rule breaker. Common sayings such as “it is better to ask for forgiveness than permission” are emblematic of rule breaking culture. Additionally, most organizations do not exist for the purpose of being compliant – they are instead motivated by their mission. This can be particularly true in the non-profit world.

Accordingly, culture becomes particularly important in ensuring compliance, and organizations must use processes and controls to prevent the facilitation of rule breaking or unethical behavior. Risk assessment, compliance reviews and internal audits can all be used to understand what is going on inside of and to minimize integrity breaches.

Additionally, tone at the top is critically important. Leaders, including the CFO, should ensure that employees are held accountable in relation to organizational values by reflecting them in performance criteria.

Tools for changing organizational culture

In this section, CAPI distills and builds on the common threads that emerge from the speaker presentations outlined above. In general, a healthy ethics environment is characterized by activity rather than a lack of activity.² Building an organizational culture that helps combat corruption requires positive steps to be taken. Practitioners advising in this area should think about the following tools for changing organizational culture:

Internal mechanisms

Tone from the top

Leaders at all levels of an organization are powerfully placed to create a culture of zero tolerance towards corruption. They set the tone of how corruption is seen in an organization through their words, policies and actions. Leaders should seek to define corruption as a challenge to be openly overcome, rather than a hidden, unacknowledged problem. They can lead by example and send the right signals throughout the organization by:

- Breaking the taboo on discussing corruption. A zero tolerance policy towards corruption does not mean zero discussion of corruption. Openly addressing corruption helps build a transparent culture in which the risks of corruption can be identified and minimized.
- Integrating corruption prevention through the organization's strategic agenda.
- Giving staff positive incentives to address corruption, for example, through internal awards or recognition in performance evaluations.

For more suggestions on sending ethical leadership signals in a not-for-profit context, refer to the [“Leadership Signals”](#) section in Transparency International's Handbook on Preventing Corruption in Humanitarian Operations.

Organizational values

An organization's values are a set of behaviors that provide staff with a framework for understanding and responding to workplace challenges. By adopting values that are incompatible with corruption, an organization sets the foundation for a culture of integrity. If lived out, an organization's values should define its culture and expected standards of staff behavior, resulting in the deterrence of corrupt and unethical behavior.

In setting and implementing values, organizations should seek to:

- Develop values through wide consultation with staff. Involving staff in the development and implementation of the values will ensure the values are relevant and adapted to an organization.
- Relate the organizational values to daily work.
- Ensure members of management express commitment to the values and lead by example.
- Advocate the set values to third parties, including suppliers, partners, contractors and agents, and encourage these third parties to adopt these values.³

Codes of conduct and related guidelines on gifts, travel, entertainment, conflicts of interest

Public sector organizations can promote their values and promote a culture of integrity through the establishment of comprehensive ethics codes, including codes of conduct, policies on gifts, travel, entertainment and conflicts of interest, and guidelines in other corruption risk areas related to an institution (for example, procurement). Codes of conduct and anti-corruption policies give staff and third parties a transparent framework with which to model and measure their behavior. A lack of formal written guidance allows unwritten rules facilitating corruption to

creep into an organization. In this way, the codification of standards of behavior is fundamental to creating and maintaining a culture of integrity.

For further guidance on how to best develop ethics codes in public institutions, please refer to the CAPI Practitioner Toolkit entitled: [Fighting “Small Town” Corruption: How to Obtain Accountability, Oversight, and Transparency.](#)

Codes of conduct and anti-corruption policies also need to be implemented effectively so as to avoid the development of sub-cultures or unwritten norms that circumvent the formal rules. Codes of conduct and relevant policies should be widely publicized, both internally and externally, and include:

- An explicit commitment to the code and policies by leadership. A commitment to organizational policies should also be obtained from staff.
- A clear explanation of the repercussions of breaching the code or policies.
- Obligations on staff to report instances of corruption.
- An explanation of who monitors and provides guidance on the code.

Staff training

Formulating ethics codes is only the first step in promoting a culture of integrity. To be successful, thorough and regular employee training on codes of conduct and relevant policies must occur. Human resources and in-house attorneys should work together to create a training program designed to educate staff about their anti-corruption obligations as included in their organization’s code of conduct or policies. Such training should be woven through the staff induction process. Sector and job specific training should also be provided to staff who face extra or different corruption risks due to the nature of their duties or the industry in which they work.

For further tips on how to promote an effective ethics training program, please refer to CAPI’s Issue Brief entitled: [Ingredients for an Effective Public Ethics Training Program.](#)

Whistleblower mechanisms and complaint hotlines

Whistleblower mechanisms allow and encourage staff to speak out against corruption. A confidential and independent whistleblower mechanism helps build a culture in which staff feel safe in reporting corruption without fear of retaliation. This assists in promoting an organizational environment intolerant of corruption.

In implementing whistleblower mechanisms, organizations should seek to ensure that:

- Staff are obliged to report suspected violations of codes of conduct and anti-corruption policies, and provide them a user-friendly, confidential way to make such reports.
- The organization is obliged to protect whistleblowers from reprisal for good faith reports and conduct impartial investigations where required.
- Staff understand whistleblower processes and protections through organization-wide training.
- Investigations revealing evidence of corrupt behavior result in action.

Additionally, members of the public should be provided an avenue to report complaints about public sector corruption. An effective way of enabling this is to set up a public hotline or online complaint form that takes reports (anonymous or otherwise) about corruption. Providing members of the public with an accessible way to make corruption complaints sends an important public message that the institution does not tolerate corruption. It can also drive internal cultural change through the heightened accountability.

The New York City Department of Investigation (DOI) has used these mechanisms to much success. To view DOI’s online complaint form, click [here](#). To view DOI’s publicly available whistleblower policy which protects

city employees from retaliation for reporting misconduct, click [here](#). The Montreal Office of Inspector General also uses an [online complaint form and publicly advertises its whistleblower policy](#).

Appropriate rewards and sanctions

To the extent possible, public sector organizations should build in sanction structures for use against staff who have engaged in corrupt behavior. Codified disciplinary measures can promote an anti-corruption culture by sending a clear message that such conduct will not be tolerated. However, it is important that such disciplinary measures are applied consistently – letting some individuals “off the hook” can seriously undermine a zero tolerance culture against corruption.

At the same time, disciplinary measures should be balanced against the provision of incentives or rewards for demonstrating integrity or combatting corruption. While public sector institutions may have limited ability to provide financial incentives for compliant behavior, staff demonstrating integrity can be rewarded through other mechanisms, such as performance evaluations or organizational awards. The Inspector General for the City of Philadelphia, for example, presents an [annual award for integrity](#) to someone who demonstrates a strong commitment to integrity, diligence and transparency on behalf of the city.

Tolerance of constructive dissent

Public sector organizations should ensure that staff are not punished or otherwise victimized when providing constructive dissenting views within the organization. Open and productive engagement should be encouraged so that people do not succumb to “group think.” Intolerance of dissenting views creates a vulnerability that unethical practices, norms or subcultures develop without question.

Hiring staff with a diversity of background, experience and views can assist in promoting an open culture that is tolerant of constructive dissent.

External mechanisms

Spending transparency

Cultural change may also be effected through heightened levels of transparency across an organization’s activities. For example, where a public institution engages in contracting or the award of business licenses, the availability of publicly available information regarding these processes encourages integrity among public sector staff involved. As a general rule, corruption is less likely to occur when citizens are informed about government activities. Public sector organizations should consider the ways in which they can make information available to the public in an accessible and usable form.

In this regard, cities and states are increasingly turning towards the digitization of such information. The New York State Comptroller, for example, has created Open Book New York, an online portal that allows members of the public to see how taxpayer money is spent. Users can search local government spending by county, city, town, village or school district; state contracts; state spending on salaries, travel, utilities etc.; state payments; and public authority financial information. To see how Open Book New York has been set up, click [here](#). Spending transparency is also widespread in New York City. Indeed, under the City’s [2012 Open Data Law](#), every City entity is required to make all public data available for online aggregation and publication by 2018. The City Comptroller’s online transparency tool, showing day-to-day spending, is [Checkbook NYC](#).

Appropriate oversight / monitors

In addition to governmental oversight agencies, other external bodies like monitors can help an organization identify integrity weaknesses and recommend or assist with enhancing the culture of the organization. Monitors, for example, often assist management in developing written standards of ethical workplace conduct, training staff

on those standards, implementing reporting mechanisms and integrating ethics into performance evaluations. Public institutions should consider voluntarily placing a monitor within their organization to trigger cultural change. Oversight bodies, such as Inspectors General, can also provide structural recommendations into the policies, procedures and practices of an institution.

Since 1996, DOI has appointed integrity monitors, or Independent Private Sector Inspectors General (IPSIGs), to help the city oversee integrity issues on important city projects. DOI has also used IPSIGs to keep a check on specified city vendors facing corruption issues, and to help such vendors reform their business practices. To find out more information on DOI's use of integrity monitors, click [here](#). The International Association of IPSIG is a professional association that keeps [a list of its IPSIG members](#).

Conclusion

In the United States, corruption issues have often been dealt with at the enforcement stage, and “culture” issues are often considered to be the domain of the private sector. Public institutions should consider investing the time and resources into building ethical and transparent organizational cultures to help combat corruption at the outset. Doing so will undoubtedly pay dividends in terms of improved culture and therefore lessened risk for corruption down the road.

Endnotes

¹ See, for example, Council of the Inspectors General on Integrity and Efficiency, *Mission*, <https://www.ignet.gov/content/mission-0> (last visited July 26, 2017).

² See, for example, Robert Wechsler, *Local Government Ethics Programs: A Resource for Ethics Commission Members, Local Officials, Attorneys, Journalists, and Students, and a Manual for Ethics Reform*, City Ethics, Inc.; Transparency International, http://files.transparency.org/content/download/1899/12606/file/2014_Humanitarian_Handbook_EN.pdf (last visited June 26, 2017).

³ See *id.*, for further information / examples regarding setting values in a non-private organization.