

Organizational Integrity Group

Solving The Whole Problem™

First Principles
Heed
Organizational
Values and Culture



How Values Drive Decisions

In 1982, an unidentified evildoer laced Tylenol capsules with cyanide, and placed bottles of the adulterated product on store shelves in the Chicago area. Seven people lost their lives.

Against the advice of its lawyers and the FBI, Johnson & Johnson (which owns the Tylenol brand), immediately withdrew every Tylenol product from stores nationwide. Further deaths were prevented, the brand was saved, and the company led innovations in packaging safety that we all now take for granted.

The incident is studied widely in business schools as a case of effective crisis communications. But it is also a study in the importance of values: the primary driver of this positive outcome was the company's value of protecting of its customers, embodied in the company's Credo: we put the needs and well-being of the people we serve first.

“Values are the primary driver of decisions in times of stress.”

Risk Mitigation Is More Effective When Aligned With Core Values

Risk mitigation is about decision-making. Do I approve the deal, or do I take one more due diligence step? Do I accept or reject this credit risk? This course of action is probably lawful, but do I pursue it even though it could cause reputational damage?



Decisions around risk are often made under pressure: pressure to close the deal, to solve the problem, to move to the next step. We all know that stress impairs decision making. Bad decisions can result, sometimes with devastating consequences.

It is also a well-studied phenomenon that when making decisions under stress, outcomes are improved when the decision maker is thinking of specific core values. The Tylenol case is a great example: the company had a very tough decision to make, in a life-and-death situation. But it had its Credo to fall back on: protect the consumer.

How do core values help risk mitigation? By improving decision-making under pressure. Current research shows that values-based self-reflection activates brain regions mediating both emotion and decision-making. Cognitive psychology research has extended this insight into the practical realm: it turns out that thinking about values reduces stress and improves judgment.

This research result is reflected in practice. In our experience, organizations that know their values are better at risk mitigation than those who do not.

The Sheppard Mullin Organizational Integrity Team understands the critical role values and culture play in mitigating risk and solving problems. Our experiences have shown us that when an organization is in trouble aligning risk mitigation activities to core values is an important component of a successful get-well plan. Our work with the New Orleans Police Department illustrates the benefits of this alignment. As the court-appointed monitor over the NOPD, we worked hand-in-hand with the department to develop a reform program that balances the twin values of community safety and protection of officers. The result, a novel peer intervention program called Ethical Policing Is Courageous (or EPIC), has become a model for other departments around the country.

How to Supercharge Risk Mitigation by Understanding Your Values

- **Explore your organizational values.** The first step is to know your values. If it has been a while since your organization has examined its code of conduct, mission statement, or core values statement, it may be time to take another look. Find out what people in the organization really think is important.
- **Communicate shared values.** As with any aspect of corporate culture, the message from the top sets the tone. The more clearly communicated, the more easily core values are shared.
- **Know your risks.** Risks change all the time. If you haven't conducted a compliance risk assessment in the past few years, it may be time for a refresh. You can only address the risks you know.
- **Connect risk mitigation to core values.** When designing risk mitigation steps, keep the organization's core values in mind. Aligning risk mitigation obligations with core beliefs improves judgment, enhances decision making, and creates the most successful outcomes.



“As the court-appointed monitor over the NOPD, we worked hand-in-hand with the department to develop a reform program that balances the twin values of community safety and protection of officers.”

For more information regarding Sheppard Mullin's Organizational Integrity Group or to learn more about how we work with our clients to craft multi-disciplinary solutions to complicated problems, please visit us at www.sheppardmullin.com/OIG.

Visit our blog at www.organizationalintegrity.com

About Sheppard Mullin's Organizational Integrity Group

Sheppard Mullin formed the Organizational Integrity Group because most problems facing sophisticated organizations cannot be solved by legal analysis alone. Complicated problems are solved through a thoughtful, deliberate, and holistic approach; an approach that seeks to identify the root causes of problems and to craft solutions that are practical, effective, and sustainable. We look at the bigger picture. We ask questions that transcend a traditional, stove-piped legal analysis. Is the problem one of compliance, or is there an underlying institutional or cultural issue at its core? Are there business imperatives or reputational risks that must be considered before moving forward with a solution? If we attack the manifestation of the problem, will we actually cure the root cause of the problem? What does the organization's mission, vision, and values tell us about how we should respond?