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Ethics, HR and the Importance of Ombuds Programs

The legislative and corporate governance environment has changed in recent years. It is more critical than ever for companies to have a complete system for identifying and resolving ethics problems. Such a system works best if it combines formal channels such as hotlines and compliance policies with the informal channel of an ombuds office, which remains independent of the company's management structure.

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An Ombuds Program:
A Governance and Ethics Best Practice

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Introduction

As strategic partners, human resources professionals help their organizations establish governance, risk mitigation and ethics best practices. HR professionals can help their organizations ensure the availability of unfiltered communications, early identification of potential and actual malfeasance and other unethical behavior, and effective measures to prevent issues from recurring.

The roles of formal channels (e.g., HR) and of an informal channel (i.e., an ombuds program) complement each other to achieve an organization's optimal issue management process.

This paper will describe:

- Governance and ethics goals to which most organizations aspire
- The positive return achieved from meeting these goals
- Challenges that need to be overcome in order to meet these goals
- The roles that HR and other formal channels have in governance and ethics as well as the complementary role of an ombuds program
- Capabilities of ombuds programs

Governance and Ethics Goals

In a highly competitive, global and ever-changing business environment, business leaders and boards are striving to enhance governance, risk mitigation and business ethics in order to protect organizational reputation and assets, comply with legislation and regulations, ensure trust of employees, customers, shareholders and the community, and provide an ethical work environment.

Impact of Meeting or Not Meeting Governance and Ethics Goals

The quality of corporate governance and business ethics has a significant impact on the success of an institution. Warren Buffet emphasized the importance of ethics and governance when he said, "If you lose dollars for the firm by bad decisions, I will be understanding. If you lose reputation for the firm, I will be ruthless." An important influence on the quality of an organization's governance and ethics is the effectiveness of organizational issue management. Issue management has repercussions on reputation, market value, cost avoidance, productivity, and ability to attract and retain talent.

Reputation

In a World Bank Institute survey, 29% of the public surveyed indicated that corporate reputation was the most important determinant of their view of an organization; only 16% identified financial metrics. In addition, 51% use their buying power to reward or penalize firms for their corporate social responsibility behavior.

Market Value

Investors' decisions and an organization's stock price are affected by the quality of governance and integrity. A 2003 Harris Interactive survey illustrated how investors are influenced by corporate governance:

- 92% want their financial advisors to review ethical and financial performance before recommending investment
- 84% are more apt to invest in a mutual fund that maintains ethical practices
- 79% are now more interested in how companies are governed
- 71% agree that higher corporate integrity means lower investment risk

- 68% agree that higher integrity leads to higher investment returns

A GovernanceMetrics International Inc. study conducted over three years showed that companies with the worst governance ratings lost 13% of stock value while companies with the best ratings gained 5%.

Cost Avoidance

The Association of Certified Fraud Examiners reported that fraud drained U.S. businesses of more than $6 billion in 2002, about 6% of corporate revenues. Eighty percent of fraud losses are caused by employees' misappropriation of assets; 90% of those misappropriations are embezzlement.

Fraud, if not detected early or prevented, is costly to organizations:

Other workplace issues that become court cases are also costly. The Rand Corporation study on workplace litigation in 2001 showed that:

Type of Incident	**Median Costs**	**% of Frauds**
Fraudulent financial statements	$4,250,000	5.1%
Corruption	$530,000	12.8%
Misappropriations	$200,000	9.0%
Billing	$160,000	25.2%
Check tampering	$140,000	16.7%
Payroll tampering	$140,000	9.8%
Skimming	$70,000	24.7%
Padded expense reimbursements	$60,000	12.2%
Theft	$25,000	6.9%

$6,400,000 was the average award for punitive damages in racial discrimination cases

- $2,700,000 was the average award for punitive damages in employment cases
- $700,000 was the average jury award in wrongful termination
- 80,000 discrimination cases were filed; 15,000 alleged sexual harassment.

An overall cost driver is the percent of plaintiffs who win their cases. Jury Verdict Research on employment practice liability cases in the U.S. revealed that in 1996, 58% of plaintiffs won, while in 2002, 75% of plaintiffs won.

Productivity

Poor issue management results in the loss of productivity. A Watson and Hoffman study estimates that 30-40% of a manager's daily activities are devoted to some form of conflict. The Economic Policy Institute reports that mandatory overtime leading to stress and fatigue costs U.S. businesses up to $300 billion per year.

A 1999 University of North Carolina study shows that after an incident of incivility has occurred, targets of incivility will:

- Lose work time worrying about the incident or future interactions (53%)
- Believe their commitment to the organization has declined (37%)
- Lose work time avoiding the instigator (28%)
- Decrease their effort at work (22%)
- Change jobs (12%)

Attracting and Retaining Talent

The quality of governance, ethics and issue management affects the ability to attract and retain talent. An Aspen Institute study of 12 international MBA programs found that 35% of students would likely look for another job if employers' values differed from their own. A Totaljobs.com survey showed that 43% of UK job seekers would not take a position with firms lacking ethical policies even if the jobs paid £10,000 more. The cost of turnover is high; it is estimated to be 150% of salary (The Saratoga Institute).

A *Wall Street Journal* article, "Wanted: Ethical Employers," encouraged job seekers to ask prospective employers:

- Is there a formal code of ethics? How widely is it distributed? Is it reinforced?
- Are employees at all levels trained in ethical decision-making? Are they encouraged to be accountable and question authority if asked to do something they consider wrong?
- How is the integrity of senior managers perceived? Do leaders model ethical behavior?
- Is misconduct disciplined swiftly and justly?

Challenges to Meeting Governance and Ethics Goals

Business leaders face barriers to meeting governance and ethics goals. The current environment of fear and mistrust in corporations presents challenges in effectively dealing with issues, despite the issues' potential significance to the bottom line. The 2002 American Survey depicts this environment of mistrust. The public thinks that every company has committed wrongdoing (46%) and that there is much more to come (38%). Only 16% think that there are just a few bad apples. A 2002 CNN/USA Today/Gallup poll showed that people feel that top executives take improper actions to help themselves. Seventy-nine percent feel that improper actions are very or somewhat widespread, while 20% feel that improper actions are only occasional. Only 38% of UK and 34% of U.S. employees trust management to communicate honestly (2003 Mercer HR Consulting survey). A 2002 CNN/USA Today/Gallup poll on perceptions of who can be trusted is quite telling:

- People who run small businesses – 75%
- **CEOs of large corporations – 23%**
- Car dealers – 15%.

Lack of Reporting

Employees do not always report the misconduct that they observe. Twenty-two percent of employees reported that they observed misconduct; that percentage jumped to 33% in organizations going through change, restructuring, and acquisitions. However, 28% of management and 44% of non-management who observed misconduct did not report it. Reasons were the belief that no corrective action would be taken (70%), the fear that reports would not be kept confidential (57%), the fear of retaliation from supervisor or manager (41%), the fear of retaliation from co-workers (30%), or not knowing whom to contact (16%). Twenty-two percent of employees (13% of senior/middle management and 24% of supervisors/professional/nonmanagement) said they feel that if they report ethical concerns, they will be viewed as troublemakers by management (2003 Ethics Resource Center survey).

The types of misconduct observed could have a significant negative impact on reputation and financial assets. Observed misconduct included:

- Abusive behavior toward employees – 21%
- Misreporting of hours worked – 20%

Business leaders face barriers to meeting governance and ethics goals.

- Lies to employees, customers, vendors and the public – 19%
- Withholding of needed information from employees, customers, vendors or the public – 18%
- Discrimination – 13%
- Stealing, fraud, theft – 12%
- Sexual harassment – 11%
- Falsification of financial records or reports – 5%
- Giving or accepting bribes, kickbacks or inappropriate gifts – 4%.

Perceptions of Management's Inability to Right Wrongs

There is a lack of trust and confidence that management will deal appropriately with unethical behavior. According to a 2002 CNN/USA Today/Gallup survey, 87% of the public think that whistle-blowers face negative consequences most or some of the time. A 2000 KPMG study shows that only 53% of the public have trust in corporate executives to solve problems. Only 45% of employees believe that management is approachable when it comes to bad news. Forty-three percent of employees believe that their CEOs and other senior management are aware of behavior in their company. Only 42% of employees who did report misconduct were satisfied with responses to their reports. Only 62% of employees believe that their CEOs and other senior management would not authorize illegal or unethical conduct to meet business goals. Seventy-three percent of the public feel it should be mandatory to have employee representation on boards.

Causes of Unethical Behavior

The KPMG *2000 Organizational Integrity Study* demonstrated that employees believe that misconduct is caused by:

- Cynicism, low morale, indifference – 73%

- Pressure to meet schedule – 70%
- Pressure to hit unrealistic earnings goals – 65%
- Desire to succeed and advance career – 56%
- Lack of knowledge of standards – 50%
- Desire to steal from or harm the company – 22%

The Ethics Resource Center 2003 study shows that 10% of employees feel pressure to compromise ethics, and 15% do if an organization is in transition (e.g., restructuring, acquiring, or merging). Only 4% of employees feel pressure to compromise ethics if their senior leaders or supervisors demonstrate ethical actions, and 6% do if their co-workers do. However, if senior leaders, supervisors and co-workers only talk about ethics, those percentages jump to 43%, 53% and 37%, respectively.

Global Complexities

Ethical complexities are magnified in a global context. In some locations, bribes, "gift-giving" and payoffs are common means of facilitating routine business transactions. Cultural norms relating to sexual harassment and fair treatment are different from those in the U.S. It is more difficult to oversee ethical standards and practices of foreign-based subcontractors. Attempts to instill U.S. culture and standards of business practice result in a cultural clash with employees in foreign locales.

Addressing Governance and Ethics Challenges: Roles of HR and Ombuds

A comprehensive issue management system addresses governance and ethics challenges. Formal channels – such as the HR function, compliance policies, the legal department and line management – and an informal ombuds office both have important roles in ensuring that actual and potential malfeasance and other unethical behavior are surfaced and addressed early and in implementing preventative changes.

HRI's September 10, 2004, *TrendWatcher* discusses HR's role in promoting ethics. This is an important role for a strategic leader. The *TrendWatcher* states, "Recent research shows that the business ethics environment is largely driven by a combination of leadership practices, corporate culture and company programs. Given these findings, HR's role in cultivating an ethics-friendly corporate environment can be placed into broad categories."

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The *TrendWatcher* cites the following HR responsibilities:

- HR professionals must help ensure that ethics is a top organizational priority.
- HR must ensure that the leadership selection and development processes include an ethics component.
- HR must stay abreast of emerging ethics issues.
- HR must ensure "that the right programs and policies are in place, keeping in mind that the U.S. government is developing a stricter set of sentencing guidelines."

The *TrendWatcher* goes on to report, "A news release notes that under the U.S. guidelines first promulgated in 1991, 'an organization's punishment is adjusted according to several factors, one of which is whether the organization has in place an effective program to prevent and detect violations of law.' In light of recent scandals, the U.S. Sentencing Commission has 'sent to Congress significant changes to the federal sentencing guidelines for organizations, which should lead to a new era of corporate compliance.' This amendment would strengthen the criteria that companies are required to use when developing their compliance programs. [New language has been adopted; see the section on legal compliance in this paper.] HR professionals should, of course, be aware of these guidelines and how they're evolving. But, even more challenging is the need to customize programs to the specific risks in a given corporate culture."

HR can help to establish a process that complements its role in governance and ethics. Human resources has a specific mission as a formal channel. It is a strategic partner to management, sets and enforces policy, performs formal investigations, is a place of legal notice for the company, keeps records and is a change agent. These roles prevent HR from keeping anonymity or confidentiality on certain issues, having informal, off-the-record discussions, and being ultimately neutral.

An ombuds program provides critical, complementary capabilities. It is an independent, informal, off-the-record confidential resource that has a holistic purview in the company and is not limited to a specific strategic mission. Its only mission is to assist in surfacing and resolving workplace issues in a timely manner and identifying changes that will prevent issues from recurring or becoming more problematic. The ombuds office is not a place of formal notice to the company.

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Both formal (e.g., the HR function, compliance programs, management, and employee hotlines) and informal (i.e., ombuds) channels are essential to having a complete issue identification and resolution system. Ombuds programs and the features related to more formal channels do not duplicate each other's roles; their roles are complementary. The following chart summarizes the complementary roles:

Ombudsman Programs: Complement to Formal Channels			
Roles and Responsibilities in Issue Management	**Formal Channels**	**Employee Hotline**	**Ombuds**
Reports to formal management channels	Yes	Yes	No
Partners with management on strategy	Yes	No	No
Sets and enforces policy	Yes	No	No
Performs formal investigation	Yes	No	No
Is a notice channel for the company	Yes	Yes	No
Keeps records	Yes	Yes	No
Provides official reporting on behalf of company	Yes	Yes	No
Provides anonymity	Limited	Yes	Yes
Provides unfiltered data to the board and senior executives	Yes	Yes	Yes
Acts as proactive change catalyst to prevent issues from recurring	Yes	No	Yes
Provides complete confidentiality; privilege supported by Federal Rule of Evidence 501 and implied contract	No	No	Yes
Allows employee to maintain control and determine resolution option (except when there is an imminent threat of serious harm)	No	No	Yes
Provides off-the-record guidance and coaching to get issue to most appropriate channel	No	No	Yes
Maintains official neutrality	No	No	Yes
Remains independent of company management structure and operates as an informal entity	No	No	Yes
Reports to the CEO and audit committee of the board	No	No	Yes

Ombuds Program Capabilities

Ombuds programs' capabilities are unique in issue management systems and are critical to governance, ethics and risk mitigation.

Complete Confidentiality

Employees observing serious workplace issues will take them forward when assured that they can have a confidential discussion without fear of retaliation. Ombuds are able to provide unqualified confidentiality because they are not part of any formal management structure. In fact, in 54% of the cases where an ombuds takes the issue forward, the employee requests anonymity (survey by the Ombudsman Association). Uniquely in organizational issue management structures, ombuds' confidentiality has been recognized as "privilege" on the basis of federal common law under Federal Rule of Evidence 501 and on the basis of implied contract.

Resolution Options and Guidance

Often an employee does not know where or how to take an issue forward. Ombuds have in-depth knowledge of organizationwide policies, procedures and issue resolution resources. Ombuds interactively provide neutral guidance in order to help employees take issues forward constructively. Ombuds help employees understand the extent and depth of issues and identify the most appropriate resolution resources. Helplines, which are often passive, are unable to do this.

Official Neutrality

An ombuds is designated as neutral and independent in an organization and as such reports to an executive officer (e.g., CEO, president) and the board of directors (usually the audit committee). An ombuds advocates for fair process, but not for any particular party. Employees value discussions with a neutral who has no vested interest in any particular outcome. When an ombuds surfaces an issue, he or she takes it forward as a neutral, not as an advocate.

Informal and off the Record

An ombuds office is informal. Employees often are unwilling to take issues forward until they are comfortable with formal processes and potential outcomes. They want an off-the-record discussion with a seasoned professional about resolution procedures and implications prior to deciding on an action – formal or otherwise. Conversations with the ombuds do not constitute formal notice to the company.

Duty to Bring Forth Serious Issues

Under professional standards of practice and codes of ethics, an ombuds is obligated to surface issues if there is an imminent threat of serious harm. An ombuds apprises the employee of this exception to confidentiality. An ombuds will keep the employee anonymous, if at all possible, when surfacing the issue. Additionally, the ombuds will surface issues he or she observes.

Support of Legal and Regulatory Compliance

Legislation and governance guidelines call for ethical work environments, codes of conduct, and mechanisms for surfacing potential malfeasance without the fear of retaliation. An ombuds program's anonymity, confidentiality and guidance help an organization meet certain legal requirements:

- **U.S. Sentencing Guidelines** provide for reducing penalties for organizations that have "an effective program to prevent and detect violations of law." The new language in the sentencing guideline more strongly links ombuds program capabilities to compliance: (5) The organization shall take reasonable steps –

  (A) to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct;
  (B) to evaluate periodically the effectiveness of the organization's compliance and ethics program; and
  (C) to have and publicize a system, which may include mechanisms that allow for *anonymity or confidentiality*, whereby the organization's employees and agents may report or *seek guidance* regarding potential or actual criminal conduct *without fear of retaliation.*

- **Sarbanes-Oxley Act** requires audit committees to establish procedures for "the confidential, anonymous submission by employees of the (company) of concerns regarding questionable accounting or auditing matters" (301). The Act further mandates that a code of ethics for senior financial officers include mechanisms for "the prompt internal reporting to an appropriate person or persons identified in the code of violations of the code" (406, as described in SEC Release 33-8177, Jan. 24, 2003) and makes it a criminal offense to retaliate against or interfere with employment of someone who provides truthful information relating to possible federal crimes (1107).

- **NYSE Rule 303A(10)** requires the adoption of a code of business conduct, among other things, to "encourag(e) the reporting of any illegal or unethical behavior. (To encourage employees to report such violations the company must ensure that employees know that the company will not allow retaliation for reports made in good faith.)"
- **NASDAQ Rule 4350(n)** requires adoption of a code of conduct that includes "such standards as are reasonably necessary to promote the ethical handling of conflicts of interest, full and fair disclosure, and compliance with laws, rules and regulations.…" It further requires such code of conduct to contain "an enforcement mechanism that ensures…protection for persons reporting questionable behavior.…"
- **Business Roundtable Principles of Corporate Governance** state, "A corporation should have a code of conduct with effective reporting and enforcement mechanisms. Employees should have a means of alerting management and the Board to potential misconduct without the fear of retribution, and violations of the code should be addressed promptly and effectively" (May 2002).

Issue Resolution

An ombuds has a mutually cooperative relationship with formal channels in order to address issues and help drive change. A survey by the Ombudsman Association shows that over 88% of the issues brought to a corporate ombuds office are addressed by line management, audit, compliance, human resources and other formal channels. Potentially serious problems surfaced through an ombuds office have major impact on the bottom line and/or reputation of a corporation. There have been many well-publicized recent examples where serious problems were not surfaced in a timely manner to the appropriate resource. Types of changes and corrections that have occurred in corporations from issues surfaced through an ombudsman's office include:

An ombuds provides feedback, reporting and change recommendations.

- Misleading financial reporting corrected
- Fraudulent vendor relationships stopped
- Safety issues resolved
- Leaders terminated due to inappropriate treatment of employees
- Sexual discrimination, harassment and other lawsuits avoided
- Violations of employment and local laws halted
- Control and compliance procedures improved
- Violations of codes of ethics addressed

Change Catalyst

A significant aspect of the role of an ombuds is helping an organization identify and effect change. Knowledge of an organization's goals, strategies, business priorities and risk concerns allows an ombuds to drive change through a systematic analysis of emerging and continuing trends. Also, an ombuds participates in cross-functional discussions with HR, compliance, ethics, legal and other channels to gain a holistic understanding of risk priorities and workplace issues. From this analysis, an ombuds provides feedback, reporting and change recommendations:

- *Business unit reporting* answers three questions for leaders, without revealing any confidential information.
  - ◊ What is the ombuds hearing?
    - ♦ Early warnings and continuing issue trends
    - ♦ Key workplace themes
  - ◊ Why is this important?
    - ♦ Linkage issues to major business unit goals and risk priorities
    - ♦ Analysis of potential root causes and implications to performance gaps or future risks

- ◊ What can leaders do about it?
    - ♦ New controls, changes in code of ethics, leadership development, processes, policies or other changes needed to address root causes and performance gaps.
- *Reporting to senior leaders and the board* provides early warnings and contributes to change management. Ombudsmen provide summary information including issue categories; emerging and continuing issue trends; demographics, location, and percentage of target population using ombuds services; percentage of issues addressed by each formal channel; potential impact of the issues on the organization, e.g., financial or reputation; types of changes that resulted from cases; change opportunities to prevent issues from recurring; ombuds program effectiveness measures.
- *Ombuds change activities* support needed improvements and issue prevention initiatives. Ombuds share best practices across functions and business units. Ombuds provide informal input in creating policy, the code of ethics, employee surveys, leadership development and other programs. Additionally, an ombuds will provide skill development in areas such as conflict management. Often, ombuds write internal articles to help prevent future ethics problems from arising.

Bottom Line: An effective, complete issue management system enhances governance, ethics and risk management strategies. An issue management system is complete and effective only if it has both formal and informal capabilities provided by, respectively, formal channels (HR, compliance, legal, line management, etc.) and an informal channel (ombuds). As important strategic partners, HR leaders can help organizations complete their issue management systems by assisting in the establishment of ombuds programs. An ombuds program provides HR and the entire organization with an additional listening post. Only with a complete system can an organization be assured that all issues get surfaced and reported in a timely manner before they become significant problems.

Note: Some of the content of this paper can be found in a Risk Management magazine article: "Enter the Watchmen: The Critical Role of an Ombuds Program in Corporate Governance." Additional information regarding the value and capabilities of ombuds programs can be found in articles on Redmond, Williams and Associates, LLC's, Web site: www.redmondwilliamsassoc.com.

Scenarios

By Barbara Olsen and Mark Vickers,
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Scenarios are stories about possible futures. They take into consideration the possibility of sharp discontinuities and create a set of alternative stories about what the future could look like. The goal isn't to predict the future but to get managers to challenge their own hidden assumptions about what may occur.

In the following set of fictional scenarios, we hypothesize that two primary factors influencing business ethics are the degree to which cultures stress ethics and the stability of today's global political and financial system. Of course, a range of other possible factors may influence business ethics, and HRI encourages managers to engage in their own scenario-building exercises.

Scenario One: The New Puritanism

Assumptions: *Societies in the developed world stress ethics amid an increasingly chaotic global environment.*

Many firms were badly shaken by the scandals of the early and mid-2000s, inspiring the need for radical change. In the U.S., politicians began by enacting the Sarbanes-Oxley Act, but when scandals continued, outraged stock market investors cried out for even stricter legislation. Combined with ever-more-invasive anti-terrorism laws, the result has been the development of what some have called "The New Puritanism."

Today's firms are required to monitor, audit and investigate their own employees as never before. Business Ethics (BE) ratings – based on audits by government regulators, NGOs, and accounting firms – have a major impact on financial performance. Low ratings devastate stock prices.

The most controversial component of a BE rating is the average personal morality score of the workforce. Created by a coalition of security/background-checking agencies, scores reflect the ethical behavior of workers and potential hires based on records reaching back as far as elementary school. The government also uses these records to help spot potential terrorists.

Ombuds programs continue to exist, but they have changed. Ombudspersons have come under tremendous political pressure to weaken their neutrality and, much more than in the past, provide management with the identities of people who approach them. This is part of the "zero tolerance" approach to questionable ethical practices.

Scenario Two: The Ethics Revolution

Assumptions: *Both the ethics environment and global order increase.*

After the ethics fiascos of the early 21st century, many firms learned that poor ethics beget poor financial returns. Meanwhile, mutual funds that screen for corporate social responsibility became common, and CEOs became "ethics leaders in chief" to satisfy the business community, stockholders, and activists. Business ethics norms spread across the world.

Today, best practices in the area of ethics are gleaned through surveys of workers and customers, as well as via ombuds programs. Companies find that many employees and customers, particularly those outside developed nations, want the firm to be part of an extended family. This realization has helped change executive mindsets.

Employee teams have developed not just ethics codes but specific plans for integrating ethics practices into everything from product development to sales and public relations. Transparency and open communication also flourish. Ombuds programs have become virtually obligatory at all organizations. The vast majority of CEOs and board members make time to speak to their ombudspersons on a regular basis so they can keep track of ethical problems that may be bubbling up in their organizations.

Scenario Three: Bad Company

Assumptions: *Corporate ethics initiatives fall apart amid an anarchic global environment.*

Devastating terrorist attacks of 2007 sparked global chaos, and governments of most modern states became much less concerned with overseeing businesses. Left to their own devices in a wounded global economy, most firms put little emphasis on ethics.

Philanthropic spending was the first thing to go, starving many social and cultural projects. Second, corporations started slashing their spending on oversight and compliance, including ombuds programs. At first, only a few firms ignored laws promoting health, safety and fair labor practices. But as time went on and competition stiffened, such practices became common. In the West, workers were intimidated and exploited in ways not seen in more than a century. In developing nations, conditions were worse. Employee corruption, sabotage and theft boomed.

A few businesses still maintain certain ethics standards, but they are the minority. Work hours have grown longer, working conditions are dangerous, bias is rampant, the ill or injured are fired, and benefits have diminished considerably. Labor disputes are solved simply by dismissals or lockouts. "Go ahead and strike," has been the mentality. "We can always find more workers." Only recently have governments begun to pay attention to business, recognizing that unethical labor practices have made the world even more unstable.

Scenario Four: Fair-Weather Ethics

Assumptions: *Even amid an orderly transition to a global marketplace, business ethics decline.*

China and India have joined the U.S. and the European Union as major economic players. Nations increasingly realize they can work together to meet one another's needs. Sometimes that means being more flexible on matters of international law or adjusting national statutes to suit trade partners. Favors are exchanged regularly, and a blind eye is often turned to clashes between the ethical standards of different nations.

In today's atmosphere of prosperity and opportunity, whatever changes promote economic growth are likely to be adopted. Critics of these arrangements say it's a case of creeping global corruption and that organizations wouldn't be able to get away with it if markets were falling and stockholders and employees were in an uproar about poor returns, dwindling benefits and excessive executive compensation. "We're making the same mistakes we did in the U.S. during the late 1990s," says the president of one watchdog group, "except now we're doing it on a global scale."

Ombuds programs are still in existence, but their clout is diminishing. Corporate leaders don't really want to know about ethics concerns. After all, ethical matters are especially messy and difficult to address into today's global environment.

About the Authors of “An Ombuds Program”

Randy Williams and Arlene Redmond are Managing Directors of Redmond, Williams & Associates, LLC (RWA). RWA is a firm that assists clients with developing processes for risk mitigation, ethics, asset protection and governance. Randy and Arlene have written articles for such publications as *HRI’s Strategic Insights, Directors Monthly, ethikos, Risk Management* and HRPS’s Restoring Trust: HR’s Role in Corporate Governance. Additionally, Randy and Arlene are active in the Ombudsman Association where they help design and teach classes and workshops, provide testimony for the Ombuds profession and help create professional best practices.

Prior to helping form RWA, Randy was employed by American Express for 24 years. Her most recent position was Senior Vice President and Corporate Ombudsperson, leading the global program. Previously, she held SVP positions responsible for the P&Ls of operating centers in the U.S. and Europe, and for Human Resources, Learning & Development, Quality and Reengineering. Prior to American Express, Randy had been a strategic planner and retail banking officer at regional banks. She earned a BA in Economics from Randolph Macon Woman’s College. Randy can be contacted at rwa2002@msn.com. Or she can be reached by phone at 973-377-4937.

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