



## **Multidisciplinary Teams Contribute to Healthy Compliance Cultures**

**Compliance and Ethics**



The Volkswagen AG emissions scandal was so massive, that in some ways it may not be a good teaching example because the compliance breakdown was so dramatic and clear.

This wasn't a case of a proverbial legal "gray area." How could it be legal to install emission control devices that would be off most of the time, and only turned on for regulatory compliance testing? By intent, the software was an "anti-compliance" device that was designed to allow Volkswagen AG to meet ambitious sales targets set years earlier. Those targets had been determined by none other than the company's CEO.

How could employees at so many levels of the company believe that this behavior was permissible and ethical? This is a particularly striking question for large, mature organizations like Volkswagen AG. Behind the headline and the notoriety of the Volkswagen AG scandal lies a quieter, more subtle message and opportunity for learning.

## **Meeting the goal, no matter what**

It has been [publicly reported](#) in court filings and [extensive press coverage](#) that Martin Winterkorn, the [former CEO](#) of Volkswagen AG, told his senior management team, "We will be number 1 in diesel sales globally by 2018." This challenge was dubbed "Strategy 2018." To accomplish this ambitious goal required coming up with a clean diesel alternative that would comply with stringent emissions requirements and satisfy consumers' interest in a more environmentally friendly alternative to traditional diesel.

A few years later, the company announced that it had solved the clean diesel engineering challenge. This breakthrough led to the sale of more than 500,000 diesel vehicles in the United States to consumers who believed their vehicles were environmentally friendly and fully compliant with strict

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emission limits. Unbeknownst to them, the vehicles were at times emitting nearly 40 times the permissible emission limits during normal road operation.

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After the scandal was uncovered, the company eventually pleaded guilty to criminal charges and paid a US\$2.8 billion fine in the United States alone. As of June 2020, the scandal had cost the company a whopping US\$33.3 billion in fines, penalties, financial settlements, and buyback costs.

It is reported that one member of senior management (not in the engineering group) pushed back at the defeat device plan. Those concerns went unheeded. Apparently, in the Volkswagen organization and culture, a lone voice was not enough to change anything on a decision of this magnitude. Here too is a lesson. There must be multiple voices, other disciplines weighing in and providing different points of view. One voice advancing a dissenting point of view may not be enough to right the course.

## **Thank goodness for the philosophy majors, the English literature majors, and the political science majors**

How would the Volkswagen situation have been different if other disciplines and voices weighed in on the decision? Would a different path have been taken? This case study presents a compelling argument illustrating that other disciplines and divergent views, trained differently, are needed in the room to provide perspective and healthy debate. The bigger, more important question to be asked and answered by the organization is not “Can we do it?”, but rather, “Should we do it?” In essence, does it comply with our legal and ethical obligations?

In strong compliance organizations, there are different voices and disciplines active in decision-making. Otherwise, there is no real conversation happening. There is a big difference between a healthy dialogue, and a monologue. A single voice can convince oneself of almost anything with enough time and no opposing point of view. Make sure you have a team that is diverse, with different points of view, weighing in on important decisions.

## **Diverse voices and points of view need to be in the room — and heard**

Not only do such diverse types need to be in the company, but they also need to be in the room when important decisions are being made. There needs to be a culture that promotes openness and sharing different points of view. “Sameness” can come with a steep cost. A healthy compliance culture requires:

1. A multidisciplinary team of advisors;
2. Such a team in the room when tough and important decisions are being made; and
3. An open culture that allows for different points of view to be expressed as part of the decision-making process.

Without all three, there will be a sameness or shallowness to the decision making that may be costly for compliance. This may be viewed by some as inefficient, but compliance goes beyond just efficiency. Acting too quickly can lead to bad decisions that are not ethical or consistent with a compliance culture.

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Narrowness and over precision can lead to serious compliance problems. If one is looking at an object through a narrow straw, the object can look like virtually anything, and its true nature may be unascertainable.

And so, as companies are making important decisions on complex issues, the presence of a well-functioning, authentic, multidisciplinary team is critical. The composition and functionality of the team should be considered in assessments of companies' compliance programs and cultures. Because when only one person, or discipline, is calling the shots, the entire company can be put at risk.

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