

# The Corporate Values Framework

Lord & Benoit, LLC, a SOX 404(a) Consulting Firm focused on small to mid-sized public companies.

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# Today's Speakers



**Bob Benoit** is President and Director of SOX for Lord & Benoit. Served on the most recent COSO Monitoring Project Task Force. Served on AICPA Peer Review Acceptance Board for ten years. Author of most the Lord & Benoit Reports, which have been referenced by the SEC, PCAOB, Wall Street Journal, all Big 4 firms and over 150 trade journals worldwide. First evaluator to use the 2006 COSO Guidance for Smaller Public Companies. Invented Virtual SOX.

# Today's Speakers



**Michael Mooradian, CISA** is Vice President, Operations & IT Compliance at Lord & Benoit, LLC, and a seasoned professional with over twenty years of senior management experience in the information technology field. Prior to joining Lord & Benoit, Michael directed IT organizations supporting multi-national locations for Digital Equipment Corporation, Brooks Automation and The Thomson Corporation. He has provided consulting services to clients such as AT&T, the Securities and Exchange Commission (SEC), Dun & Bradstreet, IBES, Business Wire, Ziff-Davis Publishing and Pfizer.

# Today's Topics

- Regulatory Update
- The Importance of Corporate Values
- Values = Trust
- Management's Role
- Putting Values into Action
- How SOX helps build trust
- The Values Proposition



# Regulatory Update





# The Importance of Corporate Values

- Research has repeatedly shown that visionary companies that succeed for decades are guided by a set of core values
- Corporate values are not situational, relative, or provisional. They reflect the foundational ideologies of the company and cannot be altered in an economic downturn
- Values provide a common language for aligning a company's leadership and its people

# Critical Driving Force Today

In a fast-moving, rapidly changing world, the most sustainable source of competitive advantage is....

*Corporate Values*



# Why Values are Important

- A set of unchanging core values results in: **TRUST**



- Trust is the foundation of all enduring relationships
- In the business world, we quickly learn how costly distrust can be (recently with Toyota, for instance).

# Leadership's Role

From the book *Good to Great* by Jim Collins:

*“Great companies have both an entrepreneurial spirit and a sense of discipline. They are both necessary - without the drive to try new things, and some degree of independence, a company becomes a rigid, stifling hierarchy. Without some sense of discipline, things begin to break down as the company grows. The best companies have both latitude for individual action, as well as a culture of disciplined behavior.”*

*“Level 5 Leaders are individuals who is very humble on a personal level, but who possesses a great deal of drive and desire to succeed, where “success” is not personal, but defined by creating something great that will outlast their time at the helm.”*

# Putting Values into Action

- Senior management must embrace and model corporate values
- Values do not drive the business; they drive *the people* within the business.
- Employees who succeed in business by violating organizational values must not be permitted to prosper

# Putting Values into Action

- Mapping company values to measurable behaviors emphasizes both their importance and long term commitment and can now be measured and tracked (within a performance review, for instance).
- Behaviors help define performance expectations for employees by focusing on the importance of not only achieving results but how those results were accomplished.

# Putting Values into Action

## Putting Values into Action

- People are rewarded (compensation increase, promotion etc.) based on performance *and* values



# The Values Framework Summary

- Establishing company values
- Mapping behaviors to those values
- Creating job-specific behavior expectations (e.g. within a job description)
- Incorporating behaviors into performance goals
- Focusing performance evaluations on both behaviors and results
- Developing compensation programs that reward total performance

# How SOX helps build trust

- Integrity and Ethical values are a priority in COSO Framework, not only for management, but Board of Directors/Audit Committee and all employees through Human Resources
- Fraud prevention helps the bottom line, prevents problems, ensures systems are consistent with company objectives.

# The Values Proposition

- Successful companies communicate core values, which help drive consistent employee behaviors, create measurable results, and establish appropriate systems for rewards.
- With employees following company values, we see controlled growth, sales and profitability
- Abbot Laboratories, Gillette, Kimberly-Clark, Kroger, Pitney Bowes, Well Fargo and others...

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## **Enterprise Risk Assessment** *A Practical Approach*

August 3, 2010, 2 PM ET

# Contact Us



**800.404.7794**

**[BobB@LordandBenoit.com](mailto:BobB@LordandBenoit.com)**  
**[MikeM@Lordandbenoit.com](mailto:MikeM@Lordandbenoit.com)**

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