Case Study: How to Apply Behavioral Science and Employee Co-Creation to Reimagine Compliance and Ethics (Novartis)
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Legal and Compliance Research Team

Initiatives: Corporate Ethics and Integrity

From reaffirming the link between ethics, trust and competitive advantage, to a newly developed code of ethics and an ecosystem supporting ethical behavior, Novartis is leading chief compliance officers in its holistic approach to embedding ethics.

- Company: Novartis
- Industry: Pharmaceuticals
- Location: Basel, Switzerland
- Revenue: CDN$48.6 billion (2020)
- Employees: 110,873 (2020)

Overview

Amid new and divergent business innovations and challenges, leading chief compliance officers recognize the opportunity they have to design processes and materials informed by what we know from behavioral science to drive ethical behavior.

To build an ethical culture that supports the organization's ethos of being “inspired,” “curious” and “unbossed,” Chief Ethics, Risk and Compliance Officer Klaus Moosmayer, Ph. D., and the Novartis ethics, risk and compliance (ERC) team were motivated to further embed ethics in the organization and better empower associates to do what's right. Novartis' novel approach and success is guided by two design principles — behavioral science and employee co-creation — and an execution principle that is aligned with the momentum established by a reinvigorated organizational culture.
**Solution Highlights**

- Human-Centric Decision Support Informed by Behavioral Science
- Inclusive Co-creation of Code of Ethics and Compliance Support
- Momentum to Reimagine Ethics Through Alignment With Organizational Culture Imperatives

**Challenge**

Building on the momentum created by a reinvigorated organizational culture, Novartis’ ERC team built on the principles of innovation and human centrism that are core to its business and sought to rebuild its compliance culture and address conventional challenges to compliance program adoption and success head-on.

Fundamentally, the real challenge for the ERC team was to reach above and beyond the conventional challenges to compliance programs and determine how to effectively embed ethical decision making and help associates do what's right.

The new program would:

- Offer human-centric decision support, informed by behavioral science that reflects the realities and conflicts inherent in employee decision making, rather than mere policy guidance.
- Be employee-driven, with real buy-in and employee “grass-roots” co-creation and support to ensure adoption and resonance.
- Build on a strong organizational culture, ensuring a culture of ethical decision making is aligned with organizational imperatives.
**Business Context**

Novartis announced a new chief executive officer, Vasant Narasimham, in 2018, presenting an opportunity for the Swiss pharmaceuticals company to reimagine its purpose and mission, and reinvigorate its corporate culture. As a pharmaceuticals company dedicated to helping “bend the curve of life,” Novartis committed to building a culture of trust with its patients, associates, healthcare professionals, shareholders and society at large. It’s ethos, as a learning organization, was to build an organizational culture of being “inspired,” “curious” and “unbossed.” As part of Narasimham’s strategy for the organization, he highlighted “building societal trust” as a strategic objective required to achieve the Novartis organizational purpose (reimagine medicine), strengthening the case for further embedding ethical behavior across all areas of the business.

Chief Ethics, Risk and Compliance Officer Dr. Klaus Moosmayer, brought on to lead the compliance program just a few months following the new CEO, sought to expand a reinvigorated organizational culture and promote a culture of ethical decision making that further drives trust, supported by principles of behavioral science.

**Critical Components**

Novartis’ approach is guided by two design principles — behavioral science and employee co-creation — and an execution principle — alignment with Novartis’ strong organizational culture imperatives.

**Human-Centric Decision Support Informed by Behavioral Science**

Niamh McDonald, global director capability development and code of ethics project lead at Novartis, shared with us, “Policies and procedures have a place, but the objective is not simply to update existing policy but to embed ethical behavior in the organization.” Gartner’s latest research supports that notion and further suggests that policies and other communications may face headwinds with employees amid the COVID-19 pandemic and its aftermath. In fact, 34% of compliance leaders report messaging from other functions has created competition for compliance messaging.¹
To initiate a meaningful change process that further embeds ethics across the organization, it's essential to understand the drivers of ethical behavior. To do so, the team turned to behavioral science to inform the project design and rollout. Behavioral science is the science of what we do, why we do it and how we can be influenced. This human-centric, behavioral science-led project, developed “by associates for associates” began with the assumption that associates want to do what's right. The objective was to unlock this inherent desire and to make it as easy as possible for them to make good decisions when it really matters.

Decades of research in the behavioral sciences — a blend of disciplines, including cognitive and organizational psychology, sociology and behavioral economics — has long indicated a gap between intended actions and outcomes. Behavioral science recognizes actions are a messy blend of what human beings think and feel, and the cues they unconsciously process. The challenge for compliance is in helping employees bridge the gap between intention and action. Or, said differently, to move employees away from simply “thinking about ethics,” which might change minds without changing behaviors, to "being ethical," even when we’re not consciously thinking about ethics, which actually changes behaviors by addressing the root causes of unethical decisions.

The behavioral change model acknowledges that ethical behavior can be supported in two ways. First, the company can encourage associates to pause and reflect on how they think and make decisions. Second, the company can shape the environment in which associates find themselves so they are more likely to “do what's right” (see Figure 1).

Figure 1. Novartis’ Behavioral Change Model

Source: Novartis
Encouraging employees to “be ethical” requires an understanding of what might lead employees to ethical failures. Behavioral science offers important insights. First, individuals tend to see themselves as more ethical than they really are, and as a result, they are particularly strong at justifying questionable behavior to themselves. This self-justification may lead associates to commit misconduct without recognizing their actions may be unethical. Second, individuals are generally irrational in their unethical behavior, insensitive to the realities of their ability to benefit from the misconduct or to the probability of getting caught. Lastly, ethical decision making is highly context-dependent, and influencing decision making is as much about changing the environment in which human beings make decisions as it is driving individual changes alone.

For the Novartis team, these insights had important implications for the design and implementation of the code of ethics. Associates would have to build greater awareness of their capacity for flawed, biased decision making. These associates would also be most successful in an ecosystem that removed barriers to ethical decision making and offered the context and climate in which they could “be ethical.”

Novartis is empowering associates to make ethical decisions: first, designing a principles-based code of ethics rooted in ethical principles, and second, offering an interactive, digital, ethical decision-making framework called the Decision Explorer, grounded in behavioral science. The Decision Explorer challenges intuition by surfacing biases and encouraging associates to reflect on the potential impacts of their decisions. It’s designed to help them understand their preferred way of proceeding may be influenced by the immediate context in which they are operating, not necessarily the right, ethical way forward.

**Novartis’ Ethical Principles**

The code of ethics policy document has four ethical principles at its core: Be open-minded, be honest, be bold and be accountable (see Figure 2). These principles are designed to guide associates to make good decisions. They are underpinned by a simple set of questions associates can ask themselves as they go through their own decision-making processes. An ethical decision-making framework was also developed to support the application of these ethical principles.
**Figure 2. Novartis’ Ethical Principles**

<table>
<thead>
<tr>
<th>Our ethical principles</th>
<th>BE OPEN-MINDED</th>
<th>BE HONEST</th>
<th>BE BOLD</th>
<th>BE ACCOUNTABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ask yourself</td>
<td>Am I actively listening to ideas or concerns?</td>
<td>Am I acting with clear intent?</td>
<td>Am I standing up for what I believe?</td>
<td>Am I taking responsibility for my decisions?</td>
</tr>
<tr>
<td></td>
<td>Am I questioning the impact of my decisions?</td>
<td>Am I avoiding harm?</td>
<td>Am I putting patients first?</td>
<td>Am I treating others as I would like to be treated?</td>
</tr>
<tr>
<td></td>
<td>Am I valuing the perspective of others?</td>
<td>Am I speaking up?</td>
<td>Am I making a positive difference?</td>
<td>Am I putting the team before myself?</td>
</tr>
</tbody>
</table>

Source: Novartis

**Novartis’ Decision Explorer Tool**

The Novartis Decision Explorer is one of a number of resources designed to support the code of ethics and help associates put it into practice (see Figure 3). The Decision Explorer is an interactive, digital tool that asks associates a set of questions, rooted in the four ethical principles from the code of ethics, to help associates reflect on their situation. Creating this space for associates to pause and reflect is a critical mechanism for allowing ethical considerations to surface. The Decision Explorer is available in 11 languages and is accessible to all Novartis associates.

**Figure 3. Novartis’ Decision Explorer**

**How it works?**

**Choose a real decision you or your team are facing**
This could be related to a project that you’re not sure how to progress, or a course of action that you’re not convinced is ethical.

**Answer the questions in the Decision Explorer**
Based on our four ethical principles, these questions will ask you to reflect on your situation without asking you specifics.

**See the recommendation**
We’ll reveal biases that you could be at risk of and suggest some activities to help your or your team’s approach to decision-making.

Source: Novartis
The Decision Explorer also contains an algorithm, based on behavioral science principles, to assess the associates’ responses for the decision biases that are most likely to influence their ethical decision making and provide bias-specific strategies on how to guard against these biases. Novartis has identified 10 key biases to ethical decision making that are most common in day-to-day decision making (see Figure 4). They include biases such as “status quo bait,” the idea that people tend to dislike change — instead preferring to keep with the current state of affairs — and “hindsight bias,” judging the quality of a decision solely by its outcome — which may be influenced heavily by other variables.

The objective of the code of ethics, and supporting resources like the Decision Explorer, is not to provide associates with a definitive answer on what is right or wrong. Rather, it’s to provide guidance on how to think about a given situation in a more impartial and ethical way and signposts that point associates to additional resources to help them make their decision.

Figure 4. Top Ten Ethical Biases

<table>
<thead>
<tr>
<th>What’s going wrong in ethical decision making: top 10 biases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Availability bias</strong></td>
</tr>
<tr>
<td>What comes easily to mind seems more probable and right, distorting our risk and ethical judgement</td>
</tr>
<tr>
<td><strong>Status quo bait</strong></td>
</tr>
<tr>
<td>Doing nothing is usually our preferred option, keeping with the current state of affairs</td>
</tr>
<tr>
<td><strong>Confirmation trap</strong></td>
</tr>
<tr>
<td>We seek evidence that confirms our position and discard the evidence that does not</td>
</tr>
<tr>
<td><strong>Present bias</strong></td>
</tr>
<tr>
<td>Immediate risks or benefits are overweighted compared to longer-term ones</td>
</tr>
<tr>
<td><strong>Overconfidence</strong></td>
</tr>
<tr>
<td>We all think we are more ethical and better than we actually are</td>
</tr>
<tr>
<td><strong>Hindsight bias</strong></td>
</tr>
<tr>
<td>We judge the quality of a decision solely by its outcome, which is affected by a lot of randomness</td>
</tr>
<tr>
<td><strong>Over-optimism</strong></td>
</tr>
<tr>
<td>We overweight desirable outcomes to the detriment of realistic expectations</td>
</tr>
<tr>
<td><strong>Conflicting goals</strong></td>
</tr>
<tr>
<td>We do not recognize the influence on goals and pressure on our ethical compass</td>
</tr>
<tr>
<td><strong>Groupthink fallacy</strong></td>
</tr>
<tr>
<td>Our desire for conformity and social acceptance is stronger than the one for doing the right thing</td>
</tr>
<tr>
<td><strong>Moral blindness</strong></td>
</tr>
<tr>
<td>We do not realize that what we think we should do is often not what we end up doing</td>
</tr>
</tbody>
</table>

Source: Novartis
At its highest level, the tool is designed to help employees be more conscious of their own biases and recognize that biases impact everyone’s decision making. It also encourages employees to pause and challenge their intuition, applying a more principles-based approach. Lastly, it’s a signal, along with the new code of ethics, of the importance Novartis is placing on making sound, ethical decisions.

The Decision Explorer is hosted, among the code of ethics policy and other resources, on a digital platform, frequently visited by Novartis associates. Recent visitor numbers show 122,880 users visiting the platform and 86,960 users engaged with the Decision Explorer, during a period of approximately 16 months after launch.

**Inclusive Co-creation of Code of Ethics and Compliance Support**

Novartis’ ERC team recognizes the key to winning the trust of the business is to ensure its guidance and communications reflect the reality of the business. There’s no better pathway to building that trust than through grassroots employee contributions in shaping that guidance and building a code and compliance commitments that are built by associates for associates.

The spirit of co-creation and ingenuity is at the heart of Novartis’ organizational culture, so it only made sense for the ERC team to tap into that same spirit in building the code of ethics and its supporting tools and resources. To understand what truly matters to employees, Novartis leveraged a crowdsourcing platform to collect feedback on topics for inclusion in the code of ethics, with more than 2,000 unique visitors and nearly 500 votes on topics that were significant to them.

The result of that refined list is a set of 23 topics, including data use, diversity and inclusion (D&I) and research and development (see Figure 5). Each of these topics is supported by a statement affirming Novartis’ position and confirmation of why the commitment matters.
Figure 5. Novartis’ Ethical Commitments

<table>
<thead>
<tr>
<th>Access to medicines</th>
<th>Artificial intelligence</th>
<th>Data use</th>
<th>Fair employment practices</th>
<th>Information and cyber security</th>
<th>Research and development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Animal welfare</td>
<td>Business continuity and crisis management</td>
<td>Diversity and inclusion</td>
<td>Financial integrity</td>
<td>Insider trading</td>
<td>Responsible lobbying</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>Conflicts of interest</td>
<td>Drug safety</td>
<td>Health and safety</td>
<td>Patient Engagement</td>
<td>Third party risk management</td>
</tr>
<tr>
<td>Anti-trust and fair competition</td>
<td>Customs and trade compliance</td>
<td>Environmental sustainability</td>
<td>Human rights</td>
<td>Professional practices</td>
<td></td>
</tr>
</tbody>
</table>

Source: Novartis

Following the initial crowdsourcing on topics, the team established a voice of the associate (VoA) group where associates were invited to join a group of engaged volunteers to provide comment and feedback on various aspects of the new code, as well as the decision-making framework and related resources.

The contributions of the VoA to shaping Novartis’ culture amid the COVID-19 pandemic was particularly impactful at a time where building cohesion and connection among employees and uniting them behind a purpose-driven effort was of vital importance. The ongoing influence of the VoA is visible in the tools and resources that continue to support the code, and associates’ ownership stake visible in the compliance program’s key activities.

**Momentum for Compliance Culture Objectives Through Alignment With Organizational Culture Imperatives**

Novartis is cultivating an ethos of being “inspired,” “curious,” and “unbossed.” It seeks to build “servant leaders” in the organization — leaders who remove barriers and further encourage their peers and teams to contribute their full selves and take on responsibility.
This inspiring ethos and Novartis’ organizational imperatives provide fertile soil for compliance’s own objectives. But it also needs nurturing. In an “inspired,” “curious” and “unbossed” culture, associates should be encouraged to take risks, but without sacrificing personal or professional ethics. Associates should be empowered to take action, but not if those actions fail to reflect compassion for their teams and colleagues. And associates should be inspired to be bold, but not if those actions don’t produce the best outcomes for patients, physicians, customers and other stakeholders.

Novartis’ ERC team continues to be inspired, curious and unbossed in their latest efforts. A recently rolled out Ethics Conversation Toolkit is designed to help managers nurture psychologically safe spaces for their teams so ethical questions can be discussed openly. This step-by-step guide includes sections on “Psychological Safety,” “Ethics & Me” and “Ethics & My Team.” Each section contains a series of exercises, lessons and activities designed to help managers lead ethically (see Figure 6).

**Figure 6. Novartis’ Ethics Conversation Toolkit for Managers**

This three step toolkit is design to help managers create the environment for teams to discuss their ethical challenges:

1. **Psychological Safety**
   - **Fact sheet:** Psychological Safety and how it relates to “doing what’s right”
   - **Exercises for managers:**
     Reflect on the kind of environment you as a manager are creating
     Test psychological safety in your team

2. **Ethics & Me**
   - **Fact sheet:** Why team conversations around “doing what’s right” are important
   - **Manager self-reflection exercises:**
     Being ethical—Leading ethically?
     What is my ethics story?
     Experiencing the Decision Explorer & my own biases

3. **Ethics & My Team**
   - **Team exercises:**
     Sharing Ethics stories
     Doing what’s right – what does it mean in our teams’ context?
     Experiencing the Decision Explorer with a case relevant to the team
     Ethics Dilemma Game

Source: Novartis
The team is also focused on the rollout of an ethics survey, designed to measure the progress made and where and how the team can continue to improve. Designed internally, based on decades of social science research, and risk and compliance expertise, the custom-made survey is designed to measure the ethical climate at Novartis by measuring ethical perceptions and experiences of associates. The ERC team recognizes the nature of ethics and associates’ responses are subjective, yet the team believes herein lies the strength of the survey. Associates’ beliefs on whether they work in an ethical or unethical environment is of critical importance because research has shown individuals who believe they work in unethical environments are more likely to behave unethically themselves. The survey offers a set of global insights on the real perception of ethics at Novartis, revealing the drivers of ethical and unethical behaviors across the organization that the company can then act on and address.

Novartis’ ERC team recognizes the strong, dynamic relationship that exists between the company’s organizational culture and its compliance culture. It has built on the momentum of a robust organizational culture and sought ways for compliance to explicitly support the organization’s ethos. Building a compliance culture on the principles of innovation and human centrism that is core to its business ensures its foundation is firm yet flexible, at once supporting the organization’s culture imperatives at the same time it helps employees navigate their environment’s complexity and the ethical challenges that it presents.

About This Research

This research was prepared in partnership with Novartis, after multiple interviews with Elke Baumann, global head of training and development, and members of the Novartis ERC team, including Niamh McDonald, global director of capability development, and Chris Rider, senior behavioral scientist.

Evidence

1 2021 Gartner Compliance Control Survey for Legal and Compliance Leaders; n = 48-59.
Explore these additional complimentary resources and tools for compliance leaders.

**Research**
Chief Compliance Officer Leadership Vision for 2022
Explore three strategic actions for CCOs and their teams.

**Case Study**
Mass-Produced Personal Compliance Guidance
Discover one company’s approach to deliver personalized compliance guidance at scale.

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