



Society of Corporate Compliance & Ethics

*Compliance
and Ethics
Magazine*

Volume Five
Number Twelve
December 2008
Bimonthly

Meet

Catherine Finamore Henry

CIA, Vice President, Business Development and
Ethics Officer, Smart Pros Legal & Ethics, Ltd.

PAGE 16

Earn CEU Credit

SEE PAGE 36

Creating a
subculture of
compliance within
a multinational
organization

PAGE 38

SCCE is going green

SCCE conference attendees will NOT automatically receive conference binders. If you would like to purchase conference binders, please choose that option on your conference registration form. Attendees will receive electronic access to course materials prior to the conference as well a CD onsite with all the conference materials.

Also:
Global
Compliance:
South Africa

PAGE 28

Is it time for a unified approach to business ethics?

Ed Petry, PhD

Editor's note: Ed Petry is Vice President at Ethical Leadership Group, a Global Compliance Company in Waltham, Massachusetts. Ed may be contacted at: ed@ethicalleadershipgroup.com.

For many, the arrival of fall means the end of vacations, back to school for kids, and for those of us in the ethics and compliance profession, it also signals the beginning of the conference season. This presents us with an opportunity for an experiment. If you have children in college, ask them what they and their peers think of when they hear the term “business ethics” or better yet, review their schools’ course syllabi on the topic. You’re likely to see an emphasis on sustainability, human rights, child labor, ethical sourcing, transparency, and social investing. Now scan the fall agendas for the major ethics and compliance conferences. You may see some of these topics mentioned, but overwhelmingly the sessions will be about best practices in managing hotlines/helplines, new approaches to training, risk assessments, and measuring program effectiveness. The differences are important and worth exploring.

In general the differences have existed since the late 1980s and have been often summarized as reflecting two largely distinct “camps”: Corporate Social Responsibility (CSR) and Ethics and Compliance (E&C). The two began as a single movement in the mid-1970s, coming out of the era’s environmentalism, obsession with all things “anti-establishment” that challenged the “status quo,” and more specifically, out of allegations of corporate “slush funds” during Watergate, and anti-war protests against weapons manufacturers.

The “business ethics movement” gained momentum as an academic discipline and spawned a few research centers and small conferences. The latter were sometimes linked to business schools, but just as often to divinity schools and philosophy departments. The 1980s brought us Wall Street white collar crimes and “waste, fraud, and abuse” in the Defense Industry, and so was born a new emphasis on corporate crime prevention and compliance management systems. The CSR and E&C “camps” began to go their separate ways.

The 1991 Federal Sentencing Guidelines for Organizations and then the growth of the ethics officer profession in the 1990s established the new trajectory for E&C and, for a while, CSR was left largely to academics and activists. The growth of social investing transformed CSR into a business discipline and necessitated its subsequent emphasis on reporting, engagement, and transparency. By the mid-1990s, both had migrated from academia to the business world, but the die was already cast. The two “camps” were, from then on, largely distinct from one another.

The legacy of this history is still seen today. In many companies, the functions are handled by different personnel and have very different purposes. CSR is often located in Public Affairs, Investor Relations, or Communications. It’s largely an outward facing initiative and is implemented through engagement efforts with third parties and advanced through external publications. On the other hand, E&C looks inward to employees, consists of Codes, policies, internal communications, training, and reporting systems, and is implemented

by a fairly standardized management system model linked to Legal, Audit, and HR.

The above brief history and generalizations, of course, miss all of the nuances and the many interesting overlaps and conflicts between the two approaches. But, it’s important to start with the distinction for at least three reasons.

First, it’s a reminder that new employees, if they have expectations about business ethics, are likely to be coming at the topic from the CSR side. Does your screening, hiring, and employee orientation recognize this?

Second, the public, especially the investing public, assesses your commitment to ethics largely through the limited lens of CSR criteria. Do your Code, your website, and your leaders’ public presentations address this?

And third, consider the impact of CSR on your employees’ opinions of your values and culture. What shapes your employees’ opinions about your company’s commitment to your stated values? What subcultures exist in your organization and do they support your E&C programs or are they obstacles undermining your efforts? What role does your company’s CSR effort play—for better or worse—in shaping your values, your culture, and your employees’ perspectives?

The continuing split between the two camps has created blind spots. We’ve seen organizations where employees are bursting with pride about company charitable giving and community volunteer programs, and yet this is not leveraged to make ethics training and communications more effective. In these companies, there are lessons to be learned from the success of their values-based outreach events. But, no effort is made to tap into these CSR initiatives and translate

Continued on page 46

the enthusiastic commitment to them into support for E&C. Often in these companies, CSR is omitted from Codes, isn't mentioned in training, and is perceived as something wholly distinct from E&C. It's a missed opportunity. The two remain worlds apart, and yet they both reflect company values and help define its cultures.

On the other hand, we've talked to employees who believe corporate sponsorships, golf tournaments, and pressure to support specific charities are egregious examples of conflicts of interest and hypocrisy. In other companies, employees contrast the public, CSR image-building they see with the E&C violations they confront on a daily basis. Unaddressed, these sentiments create cynics. Is the Ethics Office addressing these issues or are they

viewed as outside its purview? In some companies, the Ethics Office is unaware of these sentiments, because they're not captured by employee opinion surveys or E&C audits.

In addition to these and other blind spots, the continued split has other consequences. It can lead to redundancy, confusion, mixed messages and waste. It can hamper E&C risk assessments by artificially limiting their scope to compliance or internal controls and thereby, result in external matters (including supplier compliance and community affairs) being missed, even though they can impact a company's reputation and ought to be part of the E&C risk profile.

Further, the split has consequences for our profession and our industry. Are investors

informed of the full range of corporate ethics efforts or are they aware of only those efforts that fit social investing screens? Does this adequately inform the investor of a company's true risk profile and its full range of efforts to mitigate those risks? And what are the consequences if business ethics becomes understood as primarily a matter for public affairs – or marketing?

It's clearly time for a more unified approach. Fortunately, some organizations have already taken steps in this direction. In our next essay we will explore some emerging practices and offer ideas for bridging the gap between the two camps. ■

Compliance 101

How to Build and Maintain an Effective Compliance and Ethics Program

By Debbie Troklus, Greg Warner, and Emma Wollschlager Schwartz

Compliance and ethics programs have a clear goal: to prevent, detect and respond to misconduct. Accomplishing that goal takes concerted effort through all levels of an organization.

In 106 pages, Compliance 101 provides the basic information you need to build and maintain an effective compliance and ethics program in your organization. Its coverage includes:

- ◆ The Importance of Compliance and Ethics
- ◆ The Seven Essential Elements of a Compliance Program
- ◆ Organizational Steps for an Effective Program
- ◆ Tips for Tailoring Your Compliance Plan
- ◆ Sample Compliance Materials

This book is ideal for compliance professionals new to the field, compliance committee members, compliance liaisons, and board members.



Order your copy from SCCE today: \$50 for SCCE members; \$60 for nonmembers