

The golden age of corporate ethics

by Dennis Muse

The rule of thumb is you can never define a Golden Age until it's already over. Did those passengers who boarded Pan Am flying boats for week-long flights across the Pacific Ocean in the 1930s realise they were pioneers in the Golden Age of Air Travel? Did families huddled around tiny, flickering television screens during the early 1950s realise they were bearing witness to the Golden Age of Television? The answer to both questions is "probably not," yet surely those early air passengers and TV viewers suspected they were standing on the cusp of something historic in nature. Now, looking back at the past 25 years of the ethics and compliance industry, it seems clear that we in this business have also walked a historic path. When my company, Global Compliance Services, began the first ethics and compliance hotline in 1981, a whole new age was ushered in, though few knew it at the time.

Golden Ages are typically marked by the emergence of an industry as a significant force in our daily lives. By the end of a Golden Age, what was once rare has become commonplace, routine even. In that sense, it is certainly easier to recognise when a Golden Age has already passed. Wireless phones, personal computers, and internet access have all experienced Golden Ages in recent years. If proliferation is an accurate indicator, one can hazard the guess that corporate and institutional ethics is not only well into its own Golden Age, it may even be approaching the end stage, universal acceptance. A few years ago, ethics hotlines and other forms of ethics reporting were the exception rather than the rule; today they are quickly becoming the rule. The pessimistic view is that laws like the Sarbanes-Oxley Act of 2002 have dragged many companies into this new age kicking and screaming. The optimistic view is that a confluence of corporate scandals have brought about a sea-change in the way businesses view themselves-

embracing a corporate culture of ethics and integrity is not just the "right" thing to do, it is also good business. Every company, after all, is just one scandal away from disaster. Safeguarding against such scandals may cost money in the short term, but it certainly saves money in the long term. Whatever one's viewpoint, it's clear that the idea of good corporate governance is here to stay. When this Golden Age is over, employees and other stakeholders in corporations and institutions all across the globe will be empowered to report their concerns via confidential reporting hotlines and web forms as easily as they call their neighbours or access their personal e-mail accounts.

Of course, such reporting mechanisms comprise only one part of any successful corporate ethics program. As the original pioneer of ethics and compliance reporting, Global Compliance Services has used its unparalleled experience working with clients around the world and in every sector to identify nine elements crucial for achieving an effective program to detect and prevent malfeasance and promote ethical behavior.

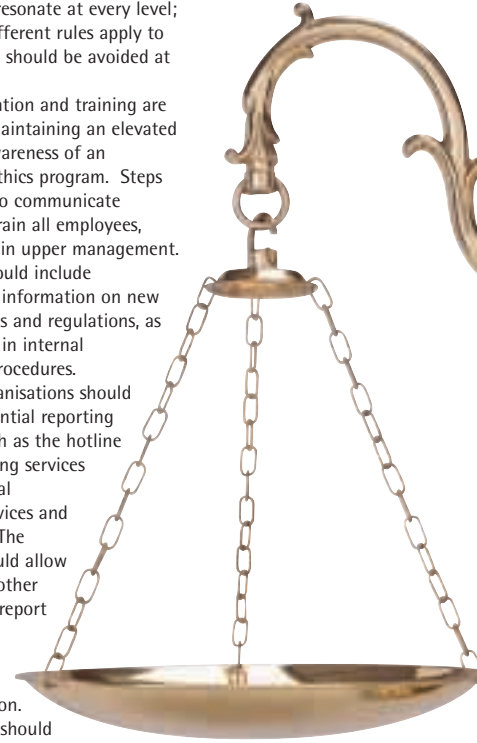
First, effective codes of ethics or conduct are vital to establishing a framework of good corporate governance. Codes present a series of supporting rules that define good practices, what is allowed or prohibited. A code of conduct should offer clear guidance regarding what is expected of the members of the organisation, whether officers, employees, contractors, vendors, or any other stakeholders. The code should amplify the organisation's overall vision. Moreover, a code of conduct should be a dynamic document. It has little value if it is simply filed away and forgotten after its initial launch. Every code of ethics or conduct should be accompanied by a prominent and ongoing awareness campaign, thus ensuring that the code is more than just words on paper—it is a set of values ingrained into the

organisation's corporate culture.

Second, an effective ethics program begins at the top, with the board establishing directions to be carried out by senior management and communicated throughout all levels of the organisation. Managers must stress ethics and compliance in their daily routines. The tone from the top should resonate at every level; the idea that different rules apply to different people should be avoided at all cost.

Third, education and training are paramount in maintaining an elevated and ongoing awareness of an organisation's ethics program. Steps must be taken to communicate standards and train all employees, including those in upper management. This training should include communicating information on new or amended laws and regulations, as well as changes in internal processes and procedures.

Fourth, organisations should utilise a confidential reporting mechanism, such as the hotline and web reporting services offered by Global Compliance Services and other vendors. The mechanism should allow employees and other stakeholders to report concerns anonymously and without fear of retribution. The mechanism should also enable the organisation to follow-up with reporters, while maintaining their anonymity, in order to gather additional information and provide feedback. The mechanism should operate independent of the normal chain of command, which is why more and more organisations are outsourcing their hotlines and web applications to third-party vendors. Vendors also offer the advantage of 24/7 availability and specialised expertise. Organisations should ensure that any vendors they use are able to comply with the privacy laws specific



to where each organisation operates. For example, Global Compliance Services is Safe Harbor certified, meaning it complies with the European Commission's Directive on Data Protection. Thus, companies in the European Union can do business with us without fear of violating the Directive. While hotlines are the most accepted and proven type of reporting mechanism, web submission is also becoming increasingly popular. As a best practice, Global Compliance Services recommends offering employees the option of using both methods.

Fifth, reports of allegations, regardless of how they are submitted, should be stored in a centralised data repository. Only such a repository makes it possible to efficiently manage and assess submitted reports of misconduct, fraud, and other concerns. The data repository that Global Compliance Services offers not

only stores hotline and web reports, it also allows clients to generate their own reports based on information they may collect from other sources, such as internal complaints within their organisations. Keeping all reports in one database ensures the greatest accountability possible, with no worries that the odd complaint will fall between the cracks.

Sixth, in conjunction with the central data repository of element five, organisations should use a robust case management system to document the actions taken by them to investigate and resolve allegations reported through their hotlines or web submission mechanisms. Any good case management system should allow a case manager to assign investigators and case status as well as append case notes and other documentation.

Seventh, the central database described in element five should also allow an organisation to conduct real-time queries and analyses of all report and case management data. With this ability, an organisation can identify trends and conduct statistical analyses of its program's activity. At Global Compliance Services, we not only make this data searchable by the client, we also offer clients the option of using our Global Report Writer tool, which empowers them to build their own ad hoc management reports based on their collected data.

Eighth, organisations must possess the ability to pursue investigations to resolution. Whether investigations are conducted internally or by a third-party firm, they should be tracked using the case management system described in element six to ensure resolution is achieved in a timely and efficient manner.

Ninth and finally, organizations should devote resources to preventing malfeasance before it happens, using such tools as background checks and validation. By performing routine background checks on prospective employees, organisations can avoid hiring individuals with histories of unethical behavior. This is one way for an organisation to demonstrate its commitment to a culture of ethics and integrity from the very beginning. Validation, a method of self-assessment, also helps prevent fraudulent or otherwise undesirable behavior. Validation consists of running controlled inputs through organisational systems in order to measure associated outputs. Mystery shopping is one example of validation employed frequently by retail organisations. Validation can identify weaknesses in staff comprehension or performance so that additional training can be employed to correct the problem.

Any organisation that follows these nine guidelines will find itself well on its way to establishing an effective ethics program and a culture of integrity among its employees and other stakeholders. While many organisations today struggle with the commitment of resources and the occasionally uncomfortable degree of introspection necessary to follow a path of good corporate governance, in years to come such qualms will no doubt disappear even as these nine guidelines become second nature. In that future time, the early-adopters who pursued the goal of organisational integrity, not simply because laws all around the world were moving in that direction but also because it was both good stewardship and good business, will proudly proclaim that they, too, were pioneers of the Golden Age of Corporate Ethics.

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