

# Ethics & Compliance Management in Firms: How to make it effective

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explore the adopt-  
implement choice in  
ethics & compliance  
management (ECM) and  
how to make it effective.

**Related research:**

*Corporate social responsibility (CSR) in Asian firms: a strategic choice perspective of ethics and compliance management*, Ajai Gaur, Koustab Ghosh and Qinqin Zheng. *Journal of Asia Business Studies*, DOI 10.1108/JABS-03-2019-0094 VOL. 13 NO. 4 2019.



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# THE 3 Ps IN A CoBS POD

 **PERCEIVE**  
with a set of key takeaways

 **PROJECT**  
with food for thought: on yourself, your  
organisation and the wider context

 **PERFORM**  
by putting it all into practice  
using action tips





## ● PERCEIVE

with a set of key takeaways

- Ethics & Compliance Management has gained importance, encouraged by governments, international guidelines, stakeholders and also professional organisations.
- Like other activities under the CSR umbrella, ECM is largely undertaken on a voluntary basis.
- This leads firms to simply adopt ECM or adopt and implement it.
- Organisations adopt ECM because of: law and regulations, external pressures, unstable and volatile environments, crisis, imitating peer firms, risk reduction. It is reactive in nature.
- Organisations adopt and implement because of: the above plus top management support and strategic intent. It is proactive in nature.
- Adopting ECM can: serve as a positive signal to a firm's stakeholders, give a degree of protection, lessen penalties. But it can lead to few practices adopted, lack of employee commitment and disengagement, and does not represent the real responsible ethical intent of the firm.
- Implementing: If treated as a prime function in the firm ECM gains in legitimacy within the firm. It is an integrity-based approach. It creates motivation and commitment. It puts value on ethical conduct and employees are thus more likely to report on transgressions.
- Top-down support and implementation of ECM adds to learning and generates codes of conduct, organisation-wide ethics training, audit programmes, speak up policies and whistleblowing procedures and help lines.
- Legitimacy is of specific importance for firms in emerging areas of the world given the general perception of weak government institutions and lack of appropriate law.
- It is internal factors and moral orientation of a firm's managers that determine the effective strategic implementation of ECM.



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## PROJECT

with food for thought

- Think of any corporate scandals and unethical conduct that have happened in the previous five years or so. How did they come about? What impact did they have on the company? What measures were taken to improve?
- What about your own company or organisation? How does it take into account its stakeholders – company employees, clients, suppliers, local communities, government bodies – in terms of good conduct and good will?
- Is ethics & compliance just greenwashing? How? And to what extent is ethics & compliance useful or needed in today's world?

*Thoughts*



# PERFORM

by putting it all into practice



## CHECKLIST



**1. Carry out an initial needs analysis for your company** or organisation regarding ethics & compliance management. Check the following:

- Does your company deal in sensitive products such as processed food, pharma and child care products which require specific and stringent compliance?
- If you are aiming to break into a foreign market, do the laws, market requirements and local regulatory bodies make it mandatory or even desirable to have an ethics and compliance management system for your company?
- To what extent is your company open to risk – either operating in emerging countries or where there is a high percentage of bribery and corruption, abuse of power, loose labour law and lack of sustainability policy and monitoring.
- Do the size and finances of your company match the necessary investment needed for a full-blown ethics and compliance system or can you adopt key areas of compliance using existing safety regulations and quality control?
- Look around you at your peers. Which companies have a good ethics and compliance record or systems in place? How have they gained legitimacy among their customers, suppliers, communities and regulatory agencies? Which of their best practices can you adopt or adapt?

**2. Map out your external environment to gain a thorough understanding of pressures,** needs and expectations, taking into account law, regulations, institutional strengths and weakness, stakeholders impacted by their firm's activities.

**3. Map your own internal features** (structure, resources, finances, skills, strategy, future projects and developments).

**4. Carry out a SWOT analysis.**

Now that your company or organisation has chosen to adopt and implement ethics and compliance management:

**5. What is the overall ethical ambience within the firm and is it sufficient** to be capable of rolling out a full-blown transition from adoption to implementation? How? Draw up a timeline.

**6. What values does the firm promote and build in to its offer to its customers?** How can ethics and compliance support and mirror these?

**7. Ensure that the ECM policy** is endorsed by top management and linked firmly to the strategic and moral intentions of the Board.

**8. Ensure that ECM** is tied to the firm's long-term strategic goals.

**9. Create the post of Ethics and Compliance Officer** and give his/her role and department an operational role just as for sales, marketing, production, quality, etc.).

**10. Set the ECM specific KPIs** and link their role to company results.

**11. Ensure the independence of the E&C Officer and team** and have the E&C Officer sit on various committees and boards.

**12. In what way can ECM be a proactive function in the company?** Carry out a future scenarios workshop and identify forthcoming potential risks and developments. Brainstorm how ECM can cater for these and in which way.

**13. Tie in your company's ECM to training and knowledge creation** (organisation-wide ethics training, guest speaker experts, publications and comms, code of conduct, audit programmes, speak-up policies, whistleblowing procedures and help lines).



# Getting involved


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