



# PRINCIPLES AND PRACTICES OF HIGH-QUALITY ETHICS & COMPLIANCE PROGRAMS

Report of ECI's Blue Ribbon Panel

**EXECUTIVE SUMMARY**

This report is published by the Ethics & Compliance Certification Institute (ECCI). The certification arm of Ethics & Compliance Initiative (ECI).

Library of Congress Cataloging-in-Publication Data  
ISBN 978-0-692-65638-9

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**The findings and conclusions of this report are those of the panel members alone and do not represent the views of their organizations.**

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## SPECIAL THANKS

The panel wishes to thank the following individuals for their help in the writing of this report:

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Additional thanks to the following ECI staff for their input and invaluable support to the process.

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Finally, we offer thanks to the U.S. Chamber Institute for Legal Reform for its contribution of a grant to support the expenses related to the Blue Ribbon Panel project. Funds were allocated to the Ethics & Compliance Certification Institute (ECCI), the certification arm of the Ethics & Compliance Initiative. ECCI represents strong rigor in education and certification for ethics and compliance practitioners, which helps prepare them to deliver excellence to their organizations. ECCI is an independent 501(c)(3) charitable organization. ECI independently made all decisions regarding the selection of the panel members, and ECI and the panel members are solely responsible for the contents of this report.

## EXECUTIVE SUMMARY

By their very nature, ethics and compliance (E&C) programs play an important role in the viability and ongoing success of any organization. While E&C programs vary widely depending on the makeup of the organization of which they are part, the fundamental purpose of such programs is nearly universal. They:

- A. Reduce the risk of wrongdoing by parties employed by or aligned with the organization;
- B. Increase the likelihood that, when it occurs, wrongdoing will be made known to management within the organization;
- C. Increase the likelihood that the organization will responsibly handle suspected and substantiated wrongdoing; and
- D. Ensure and sustain integrity in the organization's performance and its reputation as a responsible business.

Ethics and compliance programs are designed to achieve this purpose in two primary ways. They:

- A. Assess and abate the organization's legal, ethics, and other compliance risks; and they
- B. Establish and perpetuate an organizational culture that prizes ethical decision-making and the raising of concerns.

Research has shown that when they are effectively implemented, these efforts achieve positive results; ethics and compliance programs *do* accomplish their purpose. However, outcomes are dependent on the quality of program implementation and leadership commitment. The authority, objectives, and scope assigned to the program make a profound difference.

To date, the de facto standard for "effectiveness" in program design has been largely based on definitions set forth by such entities as the United States Sentencing Commission, the Organization for Economic Co-operation and Development (OECD) and the International Organization of Standards (ISO). While important to the advancement of practice, these and other frameworks articulate the *minimum standard*. After years of thoughtful implementation, there are organizations that have not only successfully complied; they have transformed their workplaces through a higher vision for their E&C efforts. The purpose of this report is to articulate the principles and key practices that characterize these high quality ethics and compliance programs (HQP) in order to offer actionable ideas that other organizations can adopt.

In sum, the Blue Ribbon Panel report describes HQPs as set apart because they:

- Are designed to not only make every effort to comply with all relevant legal and regulatory expectations, but also integrate E&C thinking and practice into everyday operation of the organization;
- Are not satisfied with a mere “check the box” effort;
- Assess and mitigate risk and prioritize the creation of a culture where concerns can be raised;
- Hold themselves accountable – both internally and externally – for prompt, responsible action when misconduct occurs; and they
- Implement strategies that are continually documented, objectively measured, evaluated and improved.

The Panel identified the following principles and objectives that characterize high quality programs.

**Principle 1: Ethics and compliance is central to business strategy.**

In organizations with HQPs, E&C is both a function on the organizational chart and is considered to be (and provided resources commensurate with being) an essential element within every other operation. An HQP ensures compliance with law and regulation and serves as a resource and advocate to help leaders across the organization understand their critical role in setting and meeting the standard for integrity. At the same time, the E&C program is expected to provide an independent voice when needed. Staff of HQPs maintain excellence by dedicating themselves to continuous improvement in E&C through innovation, engagement with stakeholders and consistent consideration of employee feedback.

**Principle 2: Ethics and compliance risks are identified, owned, managed and mitigated.**

Whereas organizational values are the heart of any E&C program, risk assessments provide foundation upon which HQPs are built. E&C collaborates across the organization to support a risk assessment process that identifies, prioritizes and mitigates risk consistently. Compliance performance, strength or weakness of organizational culture, employee willingness or fear to report and other key E&C areas are evaluated as potential risks to the organization. HQPs then provide targeted outreach to leaders, functions and individual employees to prevent risks from materializing and to respond to them should they occur. Leaders at all levels assume ownership for the ongoing identification and mitigation of risks that are relevant to their areas.

The E&C program serves as a supporter, facilitator and guardian for the organization. HQPs do not limit assessment and mitigation of risk to the confines of their internal operations; they work to ensure third party agents, vendors and acquisitions are held accountable to the organization's standards of responsible ethical conduct and compliance. Because the risk assessment process is ongoing, integrated and responsive to near misses or problems, it provides a critical early warning system for current and emerging risks.

**Principle 3: Leaders at all levels across the organization build and sustain a culture of integrity.**

Organizations with HQPs understand that culture is the largest influencer of business conduct, and leaders are recognized as the primary drivers of that culture. Therefore, in HQPs, leaders throughout the organization are committed to and responsible for making ethical conduct and ethical decision-making central to the organization and its operations. HQPs equip managers and supervisors with organizational values and the support needed to make those values relevant to their day-to-day operations, then hold them accountable for acting in alignment with those values. Finally, recognizing that employees at all levels make ethics-related choices every day, HQPs provide resources, guidance and training for all employees that emphasize the importance of acting in accord with shared values, seeking help and speaking up.

**Principle 4: The organization encourages, protects and values the reporting of concerns and suspected wrongdoing.**

Perhaps the greatest E&C risk to an organization is the presence of an environment where employees are unwilling or unable to make management aware of their suspicions that wrongdoing is taking place. HQPs focus on establishing an environment where issues can be raised, long before situations are elevated to the level of misconduct. They prepare leaders and supervisors to respond appropriately if/when employees do come forward. They also help managers understand their impact and hold them accountable for contributing to an intimidating culture. In organizations with HQPs, there are focused efforts to prevent and deter retaliation, e.g., strong messaging, tracking and monitoring, investigation and punishment for violators. HQPs treat all reporters fairly because they recognize the potential of a chilling effect if they do not consistently and effectively support employees who report suspected violations.

**Principle 5: The organization takes action and holds itself accountable when wrongdoing occurs.**

Accountability is central to HQPs – a fact which leaders at all levels communicate on a regular basis. Despite the strong efforts of an HQP, misconduct will still occur. When it does surface, or is alleged to have taken place, organizations with HQPs are quick to take action out of a commitment to accountability and organizational values. Investigations are timely, neutral, thorough, competent and consistent. When a violation is confirmed, the organization responds with appropriate consequences, regardless of the level of violator. The organization maximizes learning from every substantiated case, including conducting root-cause analysis, and it acknowledges issues to employees in order to reinforce the message that integrity matters. HQPs recognize that technology has increased reputational risk and have well-developed systems for escalation of issues, with regular testing for crisis management and response. When appropriate, organizations with HQPs disclose issues to appropriate regulatory and government authorities and work cooperatively to respond to their concerns.

The full report includes more detail about these principles and their application, including operational objectives, case examples and pitfalls to avoid. Download your copy at [ethics.org/certification/blue-ribbon](https://ethics.org/certification/blue-ribbon).