

# Ethics: The true foundation of every compliance program

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Believe it or not, ethics are often more important than rules, and this is certainly true when it comes to internal procedures and policies in a company. That is to say, rules are always needed to construct a compliance program, but without ethics, there is really no way for these policies to actually work.

But what does this mean exactly, and what makes ethics so important?

It simply means that most companies focus on the technical aspects of compliance, but the truth is, ethics and morals are the real driving force behind any such program. What's more, companies that try to enforce certain rules or strict compliance programs can alienate employees and even stifle the sense of culture in an organisation. At the same time, to realize the role of ethics, it's just as important to understand the underlying purpose of a compliance program.

## The importance of a compliance program

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A compliance program is a set of policies that are used to maintain the reputation of a business. This program is put in place to prevent those associated with the company from breaking specific laws, and there are several aspects outlined in a compliance program. The main components of a company compliance program are:

- **Written procedures** – The definitive list of the best company practices and policies.
- **Compliance officer** – The designated compliance committee or individual in the company.
- **Training** – Outline of the compliance training and education available in the company.
- **Communication** – Detail of the standard lines of communication in the company.
- **Auditing** – Brief outline of how the company monitors its rules and the internal auditing practice.

- **Disciplinary guidelines** – Guide to disciplinary standards and actions for specific situations.
- **Response** – Outline of various responses and actions to be taken with problems that may arise.

Needless to say, all the above makes perfect sense for the legitimacy of any company. Simply put, this compliance program can protect an organization from risk and help the company avoid compromising situations. What's more, a compliance program is designed to ensure that the company keeps in line with strategic planning and stays on course to reach set goals or objectives.

## How ethics support the compliance program

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Ethical decision-making can lessen the need to actively enforce a compliance program. That is, these policies and procedures are essential to the foundation of a company, but an ethical focus is the best way to encourage individuals to play by the rules. It's more effective for companies to adopt a values-driven approach to this program as opposed to attempting to enforce the rules. After all, morals and values are what govern a person's behavior, and this behavior will determine whether this person chooses to comply with the policies.

Program rules and procedures are also for the purpose of guiding company employees in the right direction. Together they provide a blueprint of the basic expectations a company has for behavior and performance. Additionally, a compliance program can protect the company reputation and, in essence, protect the security of jobs in the organisation.

Here are just a few reasons why ethics are so important to successfully integrate with a compliance program:

- **Culture** – Placing an emphasis on ethics can establish a more meaningful company culture.
- **Decision-making** – Focusing on ethics can nurture productive and positive decision-making by employees.
- **Reputation** – Compliance programs help the company maintain a positive reputation.
- **Problems** – Policies and procedures can help identify and solve problems more easily.

## How to establish ethics as a compliance program's foundation

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First, ethics starts from the top-down, and leadership is usually the benchmark for compliance. That is to say, ethical leaders who display strong values and morals can have an immense influence on an organization. Ethics is all about demonstrating the most

admirable values and morals, which the company expects or desires from its employees. In this sense, there is no force involved; co-operation is achieved through influence, and the hierarchy leads by example.

Second, effective programs require employees to understand the reasoning behind morals and controls. Training and educating employees on the importance of morals is essential for establishing ethics. This simply means that training can illustrate the overarching tone that is needed to ensure the compliance program is successful. Ethics is not something that can be forced upon an organization. In many ways, this ethical standard is a badge that can be earned through collective mindfulness and used to strengthen the culture, reputation, and the organization's resilience to misconduct.

## Conclusion

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It's true that no matter what rules or policies you put in place, ethics provide a reliable foundation for a compliance program. These ethics must be clearly demonstrated by leadership, and employees need to be educated in terms of why this set of standards and morals is so important. In fact, these ethics need to be so consistent and present throughout the organization that ethical decision-making becomes a significant pillar of the company culture.

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