The Seven Deadly Sins for a Compliance Program

In an article in the October/November issue of Society of Corporate and Compliance Ethics Magazine (SCCE), entitled "*The seven biggest mistakes companies make that erode ethical culture and destroy reputation*", author Eric Feldman reviews his version of the Seven Deadly Sins for a company's compliance and ethics program. While noting that the "most severe consequences of corporate ethical lapses can be mitigated, even avoided, by proactive care and feeding of a corporate culture" when a compliance crisis arises it may well be "too late to put the genie back in the bottle." However, by following his seven prescriptions, it may well be the difference between a "bump in the road or falling into quicksand" when the government comes knocking.

1. *Putting the Code of Conduct on your Shelf*

A Code of Conduct is not solely a reference tool, like a dictionary. An effective Code of Conduct is a "manifestation of a company's core values." In the words of Lanny Breuer, it is a living document and should be regularly updated, not sitting on the shelf for many years, without any updates. Recommendation Demonstrate leadership and tone at the top.

2. *Ignoring your Company's Culture*

Feldman defines compliance as adherence to "laws, rules and regulations" and ethics as a guiding set of "core principles that "guide a company's behavior"." Put another way, does your company only "talk the talk" of ethics or more importantly does it "walk the walk" as well? Recommendation - Corporate focus on regular assessment and improvement of ethical culture.

3. *Worshiping at the Altar of Highest Grade Point Average*

Interestingly, Feldman believes that companies which proudly proclaim that they hire only the "best and the brightest" may be setting themselves up for a big compliance problem. His root cause analysis, Gen X'ers and Gen Y'ers have more problems with "résumé credibility" than older workers. He notes that integrity needs to be a high basis in employee recruitment. Recommendation - Incorporate an ethics component into your hiring and interview process.

4. *Letting the Money Talk*

There needs to be a clear compensation system based on reference to how an employee conducts business. This is true both for monetary compensation and promotion in the organization. Recommendation - System of sanctions for ethical violations and a reward system for conducting business in an ethical manner.

5. *The Parent Trap - Do as I say, not as I do*

This relates to Point 2. Your company needs to have in place a compensation and promotion system which rewards good ethics and compliance. I often use the example of the following:

some Regional VP (outside the US - you pick the foreign region) is alleged to have said the following, "If I violate the Code of Conduct, I may or may not get caught; If I violate the Code of Conduct and get caught, I may or may not be disciplined; If I miss my numbers for two months, I will be fired." If that is the reality, guess what, the Regional Vice President (VP) will make his or her numbers. Recommendation - Values based ethics training.

6. *Ethics in the Corner*

Feldman writes that nothing speaks volumes louder than creating a company Chief Compliance Officer (CCO) and not giving sufficient clout within an organization to get the job done. This will certainly be true if the government comes knocking. If the CCO is not high enough up in the organization or does not have the budget to accomplish the compliance mission, employees will clearly see this and react accordingly. Recommendation - A CCO who has both the authority and the budget to get the job done.

7. *Shooting or Ignoring the Messenger*

Here Feldman is referring to the employee who reports ethical misconduct and suffers retaliation. Although *every* company says they never retaliate, the sad truth is very different in corporate America. This leads to too many employees staying silent about "fraud and misconduct striving in their organizations." Worse yet is when the government comes knocking and they tell the investigator, that they were afraid to report the misconduct. Recommendation - An anonymous hotline that earns employee credibility.

Feldman's seven deadly mistakes provide an excellent framework for any company to assess their overall compliance program from a high level. While perhaps not rising to the level of "sins", the answers will allow the compliance practitioner to be ready to respond if the Department of Justice comes a calling.