ExecutiveAction Series

# Building Sustainable Integrity into Organizational Strategy and Operations

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In today's world of Twitter, YouTube, WikiLeaks, and cable news, every misstep by an organization may be highlighted, scrutinized, and sensationalized. To avoid being wrongfully labeled as a corporate "villain," it is important to have a well operating ethics, compliance, and integrity program that is integrated into the company's business operations and strategy.

## Doing Business with Integrity

Most companies claim that integrity is foundational to their mission. In practice, however, it is becoming increasingly difficult to protect a company's reputation. Government regulations and investigations are increasing worldwide, leading, in some cases, to costly settlements and expensive commitments to establish or improve compliance programs. The public is scrutinizing every organization's activities more closely, and business practices are evolving rapidly, with greater reliance on partners and vendors who have the ability to tarnish a company's reputation overnight, if not managed properly.

To protect a company's integrity, there must be a strong ethics, compliance, and integrity (ECI) program in place—one that is fully integrated into the organization's mission, strategy, and operations.[1]

1 The term "ECI program" is used in this report to refer broadly to internal programs that cover two or more of the following types of programs: ethics, compliance, corporate (social) responsibility, enterprise risk management, and/or governance. The acronym "ECI" is used broadly to describe an organization's internal program that typically would include a code of conduct, training, communications, monitoring, auditing, policies, risk management, a disciplinary process, a hotline or helpline, and resources dedicated to the organization's principal ECI issues, such as fraud, corruption, antitrust, discrimination, human rights, environmental health and safety, conflicts of interest, etc. Also, the term "organizations" is used broadly and applies not only to the corporate sector, but also to other organizations, including not-for-profit, academic, and governmental entities.

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The full integration of integrity begins with the company's mission. Senior leadership has to make a deliberate and visible choice to operate with integrity—meaning, at a minimum, legal and regulatory compliance. But, in today's environment of heightened reputational risk, the minimum may not be enough. Organizations need to define their ethical expectations and the best ways to demonstrate integrity to their stakeholders. Organizations must then ensure that their strategies clearly reflect integrity in their mission and that their operations fully integrate compliance expectations and the means for employees to make ethical choices consistent with that mission.

The task of integrating an ECI program into the business is initially a multiyear effort and, thereafter, a permanent corporate priority. Some companies choose a "quick fix" approach, adopting elements of an ECI program but never integrating the program into operations and strategy. Such an approach is likely to fail eventually because it is impossible to build integrity into a company's culture without it being present in its mission, strategy, and operations.

This report shows how an ECI program can be integrated into the fabric of an organization and become a part of the company's culture and includes a case study showing how a major corporation—Eli Lilly and Company—is tackling the integration of its ECI program into its business strategy and operations. The report also provides a set of guidelines to help organizations create a sustainable and fully integrated ECI program for the long term.

## After a Challenging Decade, the Regulatory Pendulum Swings Back into Action

The ECI environment has never been more challenging. Government regulators throughout the world have made corporate compliance a top priority. Investigations are leading to expensive settlements and agreements for implementing specific enhancements to, or establishment of, ECI programs. Regulators are cooperating across national boundaries, and pressure is being brought to boards of directors and senior leadership in all types of organizations, not just corporations, with threats of personal liability, including fines and jail terms. All this comes at a time of financial uncertainty and tight budgets, when organizational resources for ECI programs may be scarce or not considered at all.

During the last decade, there has been an explosion of headlines, investigations, prosecutions, and convictions related to failed ethics. Among them are the following:

- **Business** Starting with Enron in 2001 and the domino-like ECI failures at many other major companies, including WorldCom, Tyco, Parmalat, Royal Ahold, DaimlerChrysler, and Siemens (corporate fraud and corruption).
- **Non-profit** Scandals at major charities, including the Red Cross in 2002 and the United Way in 2004 (misuse of donations), as well as within the Catholic Church (institutional cover-up of alleged sexual abuse by priests).
- **Governmental** A wide variety of governmental scandals exist. Two examples include the U.N. Oil for Food scandal (fraud, corruption, kickbacks) involving numerous governments around the world over a lengthy period of time and the complex web of political and business scandals currently unfolding in France (loosely named the "Bettencourt Affair" after the heiress to the L'Oreal fortune), involving past and current high-level officials and allegations of tax evasion in exchange for illegal political donations and other possible bribes.
- **Academic and research** Examples include flawed/altered research by UK researchers claiming that childhood vaccinations cause autism, and claims of partisan interference to prove or disprove global warming within the scientific community.

More recently, two expert commissions appointed by the U.S. government—one investigating the Gulf of Mexico oil spill and the other the financial meltdown of 2007–2008—issued reports that concluded there were compliance culture failures both within the companies that were part of these failures and across the oil and gas and the financial services industries, respectively.[2]

2 For the oil and gas industry report, see The National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, *Deepwater: The Gulf Oil Disaster and the Future of Offshore Drilling,* January 11, 2011, www.oilspillcommission.gov/final-report (last accessed on March 30, 2011). For an early reaction by the oil industry, announcing the creation of a safety oversight agency, see "Oil Companies Plan New Safety Body," *Financial Times,* January 30, 2011. For the financial crisis report, see The Financial Crisis Inquiry Commission, *Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States,* January 2011, https://s3.amazonaws.com/pdf_final/DEEPWATER_ReporttothePresident_FINAL.pdf (last accessed on March 30, 2011).

A very significant and growing trend has also become clear: greater, more proactive government and regulatory action. This trend is exemplified in the rise of significant new governance laws—the Sarbanes-Oxley Act of 2002, adopted in reaction to Enron and other corporate failures, and the Dodd-Frank Act of 2010, adopted on the heels of the recent financial failures in the United States. Similar developments in other countries have led to increased government oversight over the past decade, as the development of European Union-wide directives in several ECI areas—such as anti-harassment, privacy and data protection, accounting and auditing, and shareholder rights—illustrate.

Prosecutors and other law enforcement agencies are increasingly collaborating with one another in pursuing allegations and wrongdoing both on civil matters (e.g., banking and financial matters) and criminal matters (e.g., anti-corruption laws). Other important legal and compliance areas are also the object of increased cooperation and enforcement, such as money laundering, cybercrime, and terrorism.

In today's world of Twitter, YouTube, WikiLeaks, cable news, and the concomitant power of technology to ignite action and spread information (witness the popular uprisings in Egypt, Tunisia, and Libya, which have been aided by technology and social media), every misstep by any organization may be highlighted, scrutinized and sensationalized. To avoid being wrongfully labeled as a corporate "villain," it is important for an organization to have an integrated and well-operating ECI program. (See box below.)

### The Cost of Non-Compliance

- Substantial expenditures and employee distraction during government investigations.
- Civil and criminal penalties imposed on the organization through government settlements.
- Civil and criminal penalties for employees and executives.
- Public criticism and adverse publicity that damages relationships with stakeholders.
- Increased difficulty attracting and retaining employees due to reputational damage.

## The Integrity Dilemma

The "integrity dilemma"— whether organizations should spend time and money establishing or enhancing an ECI program—is particularly challenging if an organization has not had ethical or reputational trouble. While it may be tempting to defer establishing or improving an ECI program, it is not a risk worth taking. Increasingly, regulatory authorities are assessing the adequacy of an existing ECI program when determining penalties for a compliance failure.[3] Such enhanced penalties may apply not only to the corporation, but also to senior leaders and even board members.

A fully functioning ECI program can help an organization identify and avoid compliance failures and the detrimental impact to reputation and employee morale, as well as the costs of investigation and remediation, and any criminal or civil penalties imposed. Such a program should be part of an organization's overall enterprise risk management (ERM) efforts. By so doing, a company may avoid or reduce the costs to reputation and treasury of a very public compliance failure.

A company also may face an integrity dilemma when it has experienced a compliance failure and resulting government-imposed penalties. While it may be tempting to meet the letter of the government agreement but not its spirit (i.e., to make the minimum required improvements to its ECI program), this minimalist or quick-fix approach may not provide long-term reputational protection. Such a quick fix likely begins with new policies and procedures or changes to existing ones. Training follows, but it tends to be computer-based and focused solely on the new compliance requirements.

Because the requirements take a "check-the-box" approach to compliance and are not integrated into existing work processes, employees may be frustrated that training does not seem directly relevant to their jobs. Often, employees are also fearful of making a mistake, especially if penalties for policy violations are severe. Employees and supervisors may grow tired of the focus on compliance training and communications, and, as a result, pay less attention to compliance requirements.

3 Chapter 8 of the U.S. Sentencing Guidelines covers the sentencing of organizations and identifies the factors that are used to calculate the "culpability score" of such an entity. Among these factors is whether the organization had an effective ECI program in place at the time of the compliance failure. U.S.S.G. § 8C2.5(f)(1).

Employees may do their work more slowly to avoid mistakes, and leaders quickly forget the compliance failure that caused the company so much trouble and adverse publicity. Instead, they blame compliance requirements for slowing down the business and creating a competitive disadvantage for the company. In this environment, employees can eventually feel pressure to work around the "bureaucracy," leading to new compliance violations.

Some companies may deliberately pursue this minimalist approach because they consider government penalties a cost of doing business. Those that consider large fines and withering public criticism a "cost of doing business" will find continued operations increasingly difficult. Some of these companies may experience short-term financial gain, but, in the longer term, they risk losing the confidence of their employees, the public, and other stakeholders. They are likely to experience significant costs of time and money—not only during an investigation, but also if penalties are imposed. Increasingly, senior leaders and board members of such companies may face personal liability as well.

Alternatively, organizations—whether caught up in a scandal or not—can make a choice to resolve their "integrity dilemma." Companies that settle significant government claims can adopt a proactive, long-term approach and use the opportunity to create or enhance a fully integrated ECI program. In this situation, the company has the opportunity to underscore the importance of integrity in its mission and to communicate effectively from all levels the importance of compliance with the company's policies and procedures. These companies then undertake a multiyear effort to integrate ethics and compliance requirements into their strategy and operations.

### Turning Points for the Creation of an ECI Program

- Significant compliance failure
- New regulatory requirements
- Proactive senior management/board focus

## Turning "Quick Fix" into an Integrated, Sustainable ECI Program

From time to time, it will be necessary for an organization to change its ECI program, often in response to legal and regulatory changes. In other cases, changes will occur because of a government settlement. In either situation, it will be necessary to communicate such changes to employees. Computer-based training may be the most efficient way to reach all employees and ensure they know about the new requirements. With a quick-fix ECI program, the effort usually stops there. After all, the company has informed employees of the new requirements, and the employees should be able to implement them.

### Characteristics of a "Quick Fix" ECI Program

- Numerous new or changes to existing policies and procedures.
- Heavy reliance on computer-based training of large numbers of employees.
- Employee frustration, as training is time-consuming but not always applicable to an employee's job.
- Employee confusion, as employees attempt to apply requirements to their jobs.
- Employee fear, as penalties for noncompliance increase.
- Work slows down, as employees check and double-check to avoid compliance violations.
- Compliance fatigue, as employees tire of incorporating new requirements into their work.
- Management may fight compliance requirements and encourage "workarounds."

Companies with an integrated, sustainable ECI program, however, know that the work is just beginning when the computer-based training is complete. The new requirements need to be integrated into existing business processes and incorporated into regular training. Employees need to understand how the new requirements apply specifically to their jobs. Supervisors must reinforce the importance of the new requirements through their communications and discussions so employees can be more confident about applying the changes to existing processes. Monitoring can then be put in place to ensure that the new requirements are being followed and audit plans adjusted. So when problems are discovered, root causes can be identified and the problems corrected. In short, if an organization intends to integrate and sustain its ECI program, its senior leadership must position the program as an *indefinite* priority and continuously improve it.

Table 1 illustrates the variety of possible ECI programs within an organization. This illustration provides a useful tool to gauge where an organization's ECI program lies on a spectrum of sustainability, with no ECI program being the least sustainable (as it doesn't exist) and a fully integrated sustainable ECI program being the most enduring.

## Case Study: Eli Lilly and Company

Two years ago, Lilly agreed to plead guilty to a misdemeanor violation of the Food, Drug, and Cosmetic Act for promoting its drug Zyprexa from September 1999 to March 2001 for a use not approved by the U.S. Food and Drug Administration (FDA). Under the terms of the settlement with the Department of Justice (DOJ) and various states, Lilly paid more than $1.4 billion. At the time of the settlement, the payment was the largest in history paid by a single defendant to DOJ. In addition to the guilty plea and financial payment, Lilly also agreed to sign a corporate integrity agreement (CIA), which required the company to maintain its compliance program, undertake certain corporate integrity obligations, and make reports to the government for a period of five years.

The consistent, strong reaction of employees—from the CEO to sales representatives and line operators—was "Let's make sure this never happens again!" Lilly had a compliance program in place for many years and had taken frequent steps to improve it. However, in addition to the CIA requirements, Lilly believed it needed to do even more. As a result, the ethics and compliance group began looking for ways to integrate the ECI program more fully into the business and strengthen business oversight. The goal at Lilly is to ensure that each employee assumes responsibility for ethics and compliance and that the ethics and compliance function supports those efforts by maintaining and improving a strong ECI program.

Table 1
**Types of ECI programs within organizations**

| Type | Description |
|---|---|
| No ECI program | No ECI program exists, and no one provides guidance or oversight on compliance or ethics topics. |
| Disaggregated/incomplete ECI program | One or more people from different functions handle aspects of ECI, but no one is responsible for integrating pieces into a single program. |
| ECI program within another function | ECI exists within another function, such as legal, human resources, or audit. |
| Standalone unsustainable ECI function | An ECI function exists, but without the visibility and resources to ensure the ECI program is integrated into the fabric of the business. |
| Integrated, sustainable ECI program | Independent ECI function is integrated into all aspects of the organization's strategy and operations. |

The ethics and compliance group looked for examples of successful integration of compliance into the business and found an excellent one already established inside Lilly. In the early part of the last decade, some of Lilly's manufacturing operations had been under intense scrutiny by the FDA. The issues scrutinized were eventually resolved, but not until the manufacturing organization abandoned initial efforts to focus on procedural improvements alone. Success came when manufacturing completely rebuilt its quality system from top to bottom. A strong emphasis was placed on improving scientific, technical, and business processes in addition to increasing people capacity and capability.

The effort took several years, beginning with a clear articulation of Lilly's long-standing commitment to patients' health. The leader of the quality organization began reporting directly to the CEO, and employees in quality roles reported to the head of quality management.

Policies, standards, and procedures were redesigned to clarify roles and responsibilities, to provide standard governance for all operations, and to help employees understand more clearly the company's expectations in this highly regulated industry. Training became more thorough, more customized to an individual's job, and embedded into the ongoing oversight each supervisor provided to employees. There was strengthened monitoring and auditing, with a rigorous corrective and preventative action process, to ensure that root causes of problems were identified and addressed.

## The role of quality management

At first blush, the quality management system seemed too different to apply to areas outside of manufacturing. It was one thing to provide oversight to the process for manufacturing a medicine, where operators could be observed doing their jobs, and quite another to control the behavior of tens of thousands of employees who did their work without direct oversight. After a closer look, however, it was possible to identify many parallels to a compliance program, and there was plenty of direction on how to integrate compliance more effectively into business operations.

Lilly examined the quality system and looked for elements that could be applied more broadly. Of immediate interest was the approach to redesigning policies, standards, and procedures. This effort is helping Lilly to clarify roles and responsibilities and to ensure that there are clear and simple procedures identified for conducting work. The first order of business was to focus on the processes that are used for developing and communicating information about Lilly's medicines to external audiences. By treating this information as a "product," Lilly can determine that the quality of the information is consistent and meets the high standards of both the company and its regulators, similar to the way Lilly makes certain the medicines it manufactures meet the highest standards of quality. When the quality system for information is fully implemented, Lilly can confirm not only that the legal and regulatory requirements are being met, but also that those requirements are integrated into clear business processes.

Quality and manufacturing staff believe the quality system has enabled them to manage their business more effectively, identifying opportunities to reduce costs while deviations continue to decrease. It is too soon, of course, to see financial benefits from the efforts to design a quality program for product information, but Lilly hopes that simplifying the processes for reviewing and approving product information will provide many benefits for the organization.

## The role of ERM and business strategy

Although improving a compliance program is a full-time job, it is essential to reserve enough time to identify and remediate future compliance risks as well. At Lilly, the ERM program is part of the ethics and compliance organization's responsibilities. This linkage helps ensure that ethics and compliance risks are prioritized along with other business risks.

Recently, Lilly decided to take a hard look at its established ERM program, in partnership with the corporate strategy group. Previously, the company used its ERM process to focus primarily on more operational/compliance type risks and its strategic planning processes to identify more environmental/strategic type risks. The goal now is to integrate risk management into a single process. The first step was to refresh the list of enterprise risks, completed through a series of workshops with senior leaders in each part of the business. To ensure that compliance risks were considered, compliance officers were involved in many of the workshops. These risk-identification efforts will be integrated into the annual long-range planning process to ensure not only that risk identification is current, but also that the long-range plan incorporates risk management strategies.

Lilly also took a fresh look at risk ownership and oversight. Previously, risks had been owned, in some cases, by functional subject-matter experts, who had responsibility for developing techniques to manage risk but did not necessarily have the authority to ensure that the techniques were implemented. Now, risk owners have direct responsibility for identifying and managing risks in their part of the business.

Lilly has incorporated oversight into existing long-range planning and business reviews, where possible, enabling senior leaders and the board of directors to focus on risk management in the context of ongoing management of the business. There is the flexibility, of course, to have an in-depth discussion of an individual risk by either senior management or the board of directors. Program oversight continues to be a responsibility of the company's compliance and ERM committee and the board of directors.

## An unexpected benefit: risk-embedded opportunity

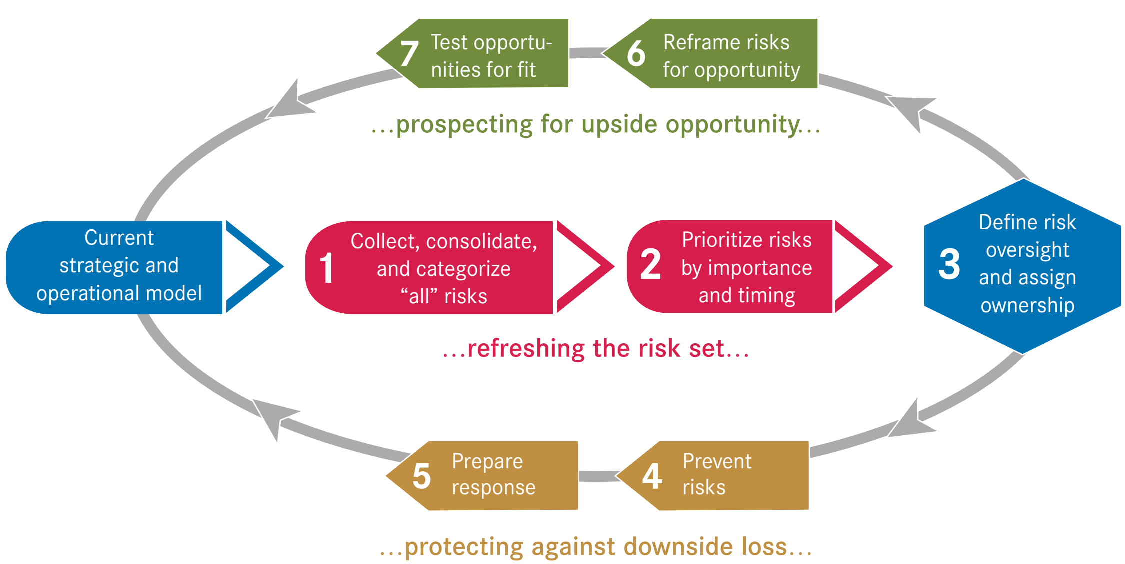
There was at least one unexpected benefit of the ethics and compliance collaboration with corporate strategy. After many discussions of risks and necessary steps to minimize them, Lilly began to see that opportunity was sometimes embedded in the risks. Business colleagues were encouraged to take a similar look at their risks and also found a few opportunities.

Today, Lilly's risk management process deliberately includes steps to identify and address the opportunities that arise from embedded risk. For example, several years ago, the pharmaceutical industry came under criticism for failing to disclose the results of some clinical trials. Lilly believed the company's reputation could be damaged if it failed to respond to the requests for greater transparency. While Lilly recognized that disclosing the results could provide valuable information to competitors, the company concluded that it was more important to address the transparency concerns and publish the clinical trial results. Lilly believes the increased transparency improved the company's image.

Another example is the risk of clinical trials becoming too costly for companies to afford. While it is possible to take steps to make clinical research more efficient, there is also an opportunity to be the first company to develop alternative methods to fund clinical research, sharing some of the risks and rewards of the research with other parties. (See Figure 1 for a graphic representation of how this process works at Lilly.)

Figure 1

**Identifying, prioritizing, and managing enterprise risk at Lilly**



In both efforts, Lilly is mindful of advice from its manufacturing and quality functions: Never declare success when evaluating your ECI program, ERM, or quality initiatives. Continuous improvement and constant vigilance are necessary to anticipate and remediate problems before they become major program failures.

## Integrating Integrity into Organizational Strategy and Operations

The Lilly case study demonstrates that it is possible to make a deliberate, executive-level decision to design a customized ECI program and integrate it into the fabric of an organization—its mission, its strategy, and its business operations. Integration is the best plan for a long-term sustainable ECI program that can provide direct quantitative and qualitative benefits to the organization's shareholders, employees, and other stakeholders.

### A blueprint for integration

How do organizations—whether they already have an ECI program or are just getting started—begin to implement a sustainable, fully integrated ECI program?

Organizations should start by answering these questions and then creating action plans that flow from each answer:

1. **Organization's mission, vision, and culture** Does the organization's mission, vision, and culture (or values statement) reflect the critical importance and centrality of integrity to the business, strategy, and long-term objectives?
2. **Board and senior management oversight** Does each relevant senior organizational body (both board of directors/trustees and executive leadership) conduct regular, periodic, and (when necessary) extraordinary reviews of the ECI program? Do the reviews provide insight into the effectiveness of the program in identifying and mitigating the risk of significant compliance failures?
3. **Executive leadership of the ECI program** Do the CEO and other leaders in the organization regularly and visibly communicate the importance of the ECI program? Are they connecting the program to the company's mission and strategy? Have they assumed responsibility for its implementation, including serving as role models for ethics and integrity? Does their performance management program, as determined by the organization's board or its compensation committee, reflect the centrality of integrity to their success and the success of the organization?

Table 2
**Benefits of an integrated and sustainable ECI program**

| Item | Qualitative/Quantitative Benefits |
|---|---|
| Government investigations | Fewer investigations initiated, saving costs and reducing employee distraction |
| Criminal or civil penalties | Fines or penalties reduced or avoided; reduced personal risk for employees and executives; less adverse publicity |
| Prevent or mitigate risk | Prevent worst-case scenarios |
| Public image | Better opportunity to sustain positive image with stakeholders |
| Customers | Retain and strengthen customer relationships |
| Employees | Attract and retain top employees; increase employee pride in organization |
| Third-party relationships | More effective oversight and risk reduction |
| Partners and suppliers | Reputation for integrity may provide business advantage |

4 **ECI program executive leader** Does the ECI functional leader report to the CEO and the board of directors? Does this person belong to the executive leadership of the organization? Does he or she combine knowledge of the legal and regulatory requirements that apply to the business with a deep understanding of the organization and its business? Is the ECI program leader respected within the organization, and does he or she have a proven record of influence in the organization? Does the ECI program leader have the opportunity to focus on the ECI program, or is he or she distracted (or otherwise overwhelmed) with other responsibilities within the legal, human resources, audit, corporate responsibility, or other departments?

5 **ECI, risk, and strategy integration** Has the ECI program been fully integrated into the organization's strategy and risk management plans? Has a conscious decision been made to integrate the ECI program into the organization's ERM program? Do the ECI leader and the head of organizational strategy have regular and periodic communications that dovetail with the organization's business plan?

6 **ECI program organization** Is there an organization supporting the ECI program leader, and do team members have the expertise and knowledge of the business to help integrate the ECI program into the organization? Has the ECI leader designed an organization and responsibilities that can attract top talent to the program staff?

7 **Employee ECI ownership** Do company communications, training, and leadership actions reinforce for employees the importance of personal responsibility for the success of the ECI program? Do employee surveys reflect an understanding of their responsibilities?

8 **Performance management** Has integrity been fully integrated into the organization's performance management system – for both management and all other employees – to include clear and direct positive consequences for upholding integrity objectives, as well as direct negative consequences for ignoring or flouting such objectives? Does the performance management system reflect the importance of a discussion between supervisors and employees about their obligations under the ECI program? Do all employees have an annual performance objective that reflects their responsibility for implementing and integrating the ECI program?

### Summary Blueprint for a Sustainable ECI Program

1 Integrity is fully reflected in the organization's mission, vision, and values.

2 Proactive ECI oversight by board of directors and senior management.

3 CEO and leadership team as role models for effective ownership of ECI.

4 ECI program leader as respected, independent executive with dual reporting to senior executive (CEO) and board and full-time focus on ECI program.

5 ECI program fully integrated with strategy, operations, and ERM.

6 ECI program leader and staff are influential and respected in the organization.

7 Employees fully understand their ECI program responsibilities.

8 Organization's performance management system rewards integrity, punishes integrity breaches.

This list of considerations for establishing or enhancing an ECI program is not comprehensive, but it can help organizations avoid common pitfalls. For example, many companies embed their ECI program in an existing function, such as legal, human resources, or audit. This ensures that those responsible for the ECI program have, at best, to divide their attention between ECI and another important part of the organization's operations or even divert attention from the ECI program entirely. It may also create the impression in the company that the ECI program is not as important as other organizational priorities. Some companies even assign responsibility for the ECI program to an ad hoc committee, which ensures that the program is a priority only in the event of a major compliance failure. Organizations should consult the U.S. Sentencing Guidelines adopted in 1991, guidelines from not-for-profit organizations, or even the recently adopted international OECD guidelines regarding ECI program approaches to anti-corruption to ensure that an ECI program is comprehensive.[4]

4 See *The Ethics and Compliance Handbook: A Practical Guide from Leading Organizations* (Waltham, MA: ECOA Foundation, 2008); and *Good Practice Guidance on Internal Controls, Ethics, and Compliance,* OECD, February 18, 2010.

## Conclusion

A well-integrated ECI program will not only reinforce the mission, strategy, and operations of an organization and make it more attractive to stakeholders—both internal and external—it will also have a better chance to become enduring and sustainable. It may also have a positive cost/benefit impact, as it enables an organization to adopt simpler, more integrated procedures and increase the likelihood that employees can perform their jobs confidently, consistent with legal requirements and the ethical expectations of the organization. Risk will be more likely to be identified (and either mitigated or avoided) and, as a result, the organization will experience improved operations.

For too long, the ethics and compliance community has been focused on creating an effective ECI program. That work is critical, and it needs to continue. However, a parallel effort needs to be pursued to integrate the ECI program with the rest of the organization—with the strategy and operations. This integration will ensure the long-term viability of the ECI program and help ensure the success of the organization. Such integration can only occur with senior management and board recognition of this need, on the one hand, and the existence of a respected and strong ECI leader within the organization, on the other hand.

Organizations that continue to view their ECI program as merely a cost center are missing the opportunities that a well-integrated program offers. Not only will the program help the organization avoid the financial and reputational costs of a major compliance failure, but it may also enable the organization to achieve cost savings through simplified, better controlled operations and potentially more business through better partnering and investment opportunities.

No matter how successfully an organization integrates its ECI program into its mission, strategy, and operations, the program must continue to be an organizational priority. It should be the subject of frequent management communications and role modeling, and it must continue to be improved. With this continued focus and priority, the ECI program may help an organization differentiate itself from competitors and enhance its reputation with stakeholders.

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## About the report

This report was written as part of the ongoing collaboration between The Conference Board and the Ethics and Compliance Officer Association, which is the leading international professional association for ethics and compliance practitioners.

This report is not intended to provide legal advice with respect to any particular situation, and no legal or business decision should be based solely on its content.

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