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The GlobalEthicist

Ask the GlobalEthicist

An interactive Q&A with governance, risk and reputation strategist
Dr Andrea Bonime-Blanc

Q Does an effective corporate ethics and compliance programme provide a competitive advantage?

Submitted by Sonsoles Rubio Reinoso, chief compliance officer, Iberdrola

A: The ethics and compliance (E&C) function today is where sustainability was 10 years ago. E&C sprung up as a function about 25 years ago in the US and more globally and pervasively over the past 10 years at leading global companies. In essence, an E&C programme provides employees and third parties with common global legal and behavioural standards of conduct through codes, policies, education, hotlines and risk management.

While sustainability and corporate responsibility programmes are well on their way to proving business value, E&C programmes are just catching up. Though

An E&C programme provides common global legal and behavioural standards of conduct

**COLUMNIST:
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In this new monthly column, Andrea Bonime-Blanc, 'The GlobalEthicist', answers readers' strategic governance, risk, ethics, compliance and reputation related questions. Submit your questions to Ethical Corporation's editor, Zara Maung, at Zara.Maung@ethicalcorp.com. Each month a question will be selected for a response.



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leading global companies have been developing E&C programmes for the past decade or two, not all of them are actually effective because they are mere marketing programmes that are skin-deep and without substance. The actual value (beyond reducing liability and lowering certain risks) of those that are more material and real is only recently being grasped.

There are three reasons that leading companies are realising that an effective E&C programme can add bottom line value: 1) the age of transparency via the internet and social media, which has created a vast new multi-stakeholder awareness; 2) massive global regulatory changes in reaction to widespread corporate scandals; and 3) intensified global anti-corruption law enforcement leading to an acknowledgement of the need for E&C programmes. Governments and other entities, such as the OECD and Transparency International, have issued anti-corruption guidance that includes the requirement that companies have an effective E&C programme, incentivising companies to have such programmes to reduce possible investigations, liability, fines and prosecutions. As a result, a growing global consensus is developing around the key elements of an effective E&C programme. See Table 1 on page 42.

The next step is to demonstrate that an effective E&C programme does more than reduce liability. Some companies and their visionary CEOs and boards think that such programmes can lead to better risk management and reputation enhancement and are implementing a more strategic, holistic approach to these matters.

Thus, an effective E&C programme can help corporations enhance competitive advantage for various reasons:

- A strong speak-up culture leads to fewer problems, more efficient solutions and operational excellence because it allows problems to be surfaced early and often, without fear of retaliation.
- Embedding ethical decision-making with business strategy helps marketing, sales, bidding and business development teams act faster, smarter and more successfully by providing them with needed information seamlessly and the ability to compete more successfully.
- Better reputation leads to greater trust and value from key stakeholders (customers, employees, governments, media). Greater trust adds value; lower trust subtracts value.



Social media has increased stakeholder pressure

Visionary CEOs and boards think E&C can lead to better risk management and reputation enhancement



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- Attracting and retaining the best talent, partners and suppliers avoids costly turnover and repetitive, wasteful activities by nurturing long-term relationships.
- Greater resilience to deal with reputational hits and crises means that fewer valuable resources are being devoted to fight fires haphazardly.
- Better strategic risk management leads to opportunity identification because by understanding your risks you can unlock hidden value.
- More sustainable financial results are created over time, as a number of studies have proven.

There is an important caveat to all this, however: to contribute these value-enhancements, an E&C programme cannot be a Potemkin village programme – it must be real and substantive to be effective. And therein lies the challenge: the smarter and faster companies that understand this intrinsic value will gain the competitive advantage over those who do not. ■

The key elements of an effective global ethics and compliance programme

1. **Periodic E&C risk assessment** – knowing your risks allows you to address and prevent them
2. **Code of conduct and policies** – providing employees and third parties with guidelines informs them
3. **Resources and budget** – having the proper resources allows risks and opportunities to be addressed
4. **Board and c-suite access** – access to the highest organisational bodies informs them properly
5. **Education and communication** – reaching your audience informs them, and equips them to deal with dilemmas
6. **Internal controls** – proper internal controls can enable and empower process improvement
7. **‘Safe to speak up’ culture** – speaking up early and often avoids problems and finds solutions
8. **‘Organisational justice’ and consistent discipline** – a sense of internal justice creates a valuable culture of loyalty and common purpose
9. **Auditing, monitoring, evaluating, improving** – constant improvement leads to value creation

E&C cannot be a Potemkin village

[Dr Andrea Bonime-Blanc](#) is chief executive of [GEC Risk Advisory](#), a global strategic governance, risk & reputation consultancy. She is a frequent keynote speaker worldwide, board chair and chair emeritus, a widely published author including *The Reputation Risk Handbook* (Do Sustainability – October 2014). She is a 2014 100 Top Thought Leader in Trustworthy Business and tweets @GlobalEthicist.