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# Strengthening your ethics program
Going from good to great

The environment

Ethics and compliance professionals continue to make significant strides in developing risk mitigation strategies, while building and fortifying trust in their organization's reputation and brand. At the same time, integrity and reputation risks are increasing exponentially, creating an environment for ethics and compliance executives that has never been more challenging. Consider, for instance, the following:

- The extended enterprise includes an ever-changing web of third parties (e.g., vendors, agents, joint venture partners, etc.), each presenting new ethics risks to the organization

- Complex business processes give rise to new ethical dilemmas and opportunities for the misuse of sensitive or protected data
- Stepped up government enforcement action brought by regulators and prosecutors globally, increasing the intensity on the need to mitigate ethics and compliance risks
- Global austerity, in the form of doing more with fewer resources (financial, people, etc.),
- Vastly expanded expectations of stakeholders — including senior executives, the board of directors, and investors — along with an decreasing tolerance for fiduciary failures

In this environment, ethics and compliance professionals experience significant stresses and concerns.
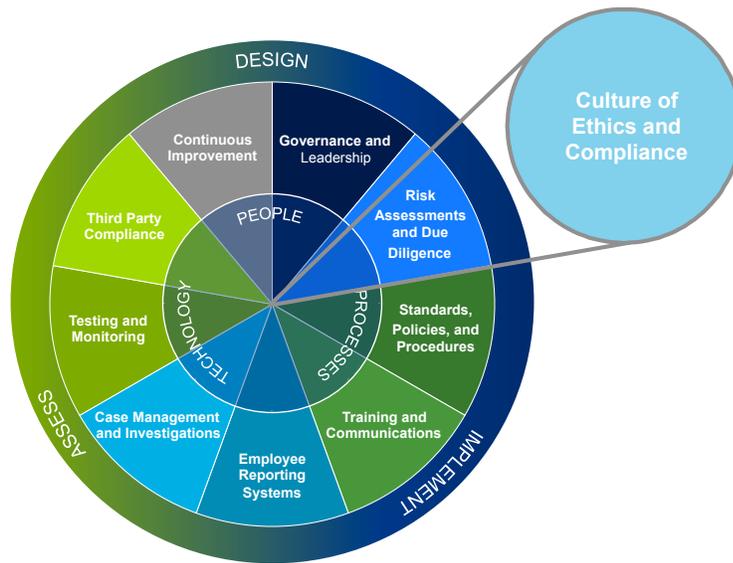
The Deloitte[1] differentiated approach to ethics programs

An organization's ethics program serves as the critical foundation that supports the organization's most valuable asset — its reputation.
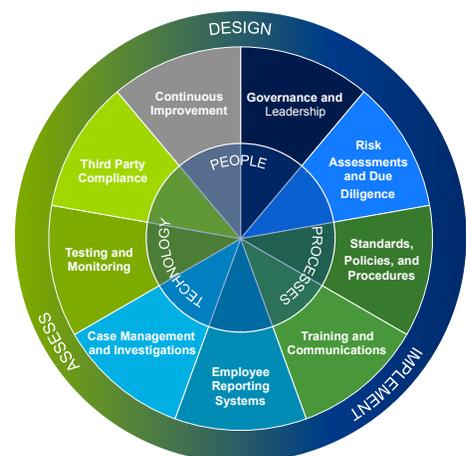
In a 2014 survey, 87% of business leaders identified reputational risk as the most critical strategic risk facing the organization. 55% stated that ethics and integrity risks were the most significant drivers of reputational risk[2].

This foundation is, first and foremost, built upon the base of each individual employee's value system, as formed through their own life experiences and ethical influences. While the ethics officer must have a solid understanding of these factors, they generally cannot be changed — or even influenced. Similarly, the foundation is built upon organizational elements, such as individual behavior (especially as demonstrated by executive leaders); formal corporate statements and messaging (including the code of ethics and business conduct); and the rewards and incentives particular to an organization. As was the case with employee value systems, these foundational elements are not typically under the direct control of the organization's ethics officer. He or she is an influencer, but not the owner.

The ethics officer is generally responsible for the design, implementation and execution of the organization's ethics program — the processes implemented to set the ethical tone of the organization; the communication of expectations regarding ethical standards; the identification and consideration of potential ethical challenges and reputation risks; the monitoring of ethical behavior; and related mitigation processes. The ethics officer — as the steward of

the ethics program — reports to executive leadership, the board of directors, regulators, and other stakeholders.

The Deloitte framework characterizes the activities within the ethics program into several elements, which can be used as the preliminary approach for determining the ethics program operating model:

- Governance and leadership
- Risk assessments and due diligence
- Standards, policies, and procedures
- Training and communication
- Employee reporting system
- Case management and investigation
- Testing and monitoring
- Third-party compliance
- Continuous improvement

While each element is a distinct set of activities and objectives, they work together and are mutually reinforcing. The ethics program operating model should be constructed with the organizations overall risk and compliance framework in mind, to enable a seamless alignment of the corporate risk culture.

How can Deloitte help?

Our methodology for ethics program design and enhancement is built on this framework, and seeks to help an organization strengthen the critical components that support ethical culture and corporate reputation.

Step 1: Define core values	Step 2: Create a vision	Step 3: Establish a structure	Step 4: People, process, and technology
Deloitte helps organizations to create or enhance an existing ethics program using a proven methodology that starts with alignment around objectives and desired outcomes. For some, this means developing a set of core values, while for others, it means validating that the core values continue to reflect the expectations of the organization's stakeholders.	With those core values in mind, the organization must then determine the overarching vision for the ethics program. At first, this seems simple. But consider these two potential vision statements: **Option 1:** "We will create an environment that encourages ethical behavior and compliance with laws and regulations." **Option 2:** "We will be recognized by our stakeholders as setting the global standard for integrity and principled performance among all companies in our industry." While either vision statement could be acceptable depending on the circumstances, certainly the second requires a very different kind of ethics program than the first. That is why these foundational elements — core values and program vision — are so critical. And why a seasoned team will help senior executives and the board coalesce around design choices.	The next critical step is to determine the appropriate structure for the organization's ethics program. The structure is driven by a number of complex challenges, especially when considering the relationship between the ethics program and other functions, such as compliance, risk management, assurance, legal, and human resources. Finding a solution that provides the program with adequate authority and accountability, but that respects and appropriately interfaces with other functional leaders, requires a nuanced approach and thoughtful consideration of various alternatives.	Finally, our approach focuses on identifying practical, actionable, and implementable enhancements to each of the elements within the framework. Our recommendations focus on 1) arming people with the knowledge and access they need to make ethical decisions every day, 2) implementing robust controls and procedures that encourage principled performance and discourage unethical behaviors, and 3) enabling technologies that help improve both the efficiency and the effectiveness of the ethics program.

Why Deloitte?

We have a team of highly experienced professionals who have the know-how to assist companies with the assessment and development of integrated frameworks around ethics, compliance, corporate and operational risks, and governance programs. While each of these programs should stand on its own, they are — when properly designed — mutually reinforcing and should be designed to work together.

People
Deep compliance capabilities with access to hundreds of professionals specializing in risk and compliance solutions, including former regulators, chief compliance and risk officers, as well as C-Suite, and boardroom backgrounds.

Experience
Significant experience assisting companies with the development of their ethics, compliance, corporate, and operational risk and governance programs.

Value
Our demonstrated approach is designed to build a fully integrated, durable, and disciplined framework to address ethical risks. Our advanced toolset and enablers allow the Deloitte team to execute quickly, and to provide key stakeholders with actionable recommendations.

Case in point

A nationwide, diversified financial services company engaged Deloitte to assist the organization in performing a current state gap assessment of its ethics processes and activities, developing a vision and strategy for the desired future state of its ethics program and creating a roadmap to achieve their desired future state (Phase I). At the completion of Phase I, we were subsequently engaged to perform a policy rationalization exercise to simplify and contemporize their existing policies and procedures to manage key ethics risks (Phase II).

Value

- Identified the building blocks to create an industry leading ethics program that supports and reinforces the bank's core values across the organization
- Increased effectiveness of the banks ethics program
- Reinforced to all its team members and to third parties their integrity-based culture and commitment to ethical behavior and to restoring trust in the industry

The Deloitte team

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