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ETHICS IS MORE THAN COMPLIANCE

Steve Priest, president of Ethical Leadership Group, a global compliance company, in an exclusive interview to CRO.

CRO: Do ethics and the profit motive in a business have some contradictions, at least in the short-term, that need to be resolved?

Priest: We have asked business people in a number of countries whether a company that acts legally and ethically will be more or less successful than other companies. Interestingly, in every country where we have asked the question, around 60-70 percent say that the legal and ethical company will be more successful in the long-term, but may be harmed in the short-term. (In India, 62 percent answered this way, compared to 66 percent in US, 65 percent in China and 63 percent in Russia, all within statistical equivalence of each other). This is my belief as well. Our ethics consulting business has been hurt by less scrupulous firms who exaggerate their capabilities or intentionally underbid on a project knowing that once they are involved it will be hard for the company to switch even after they raise their fees. Since so many business people believe that in the long-term, the reputational benefits from being ethical are a competitive business advantage, the key challenge for management is to instill a long-

term, reputational focus.

CRO: Does ethics have a broader scope than compliance for business organisations? What are the key differences between the two?

Priest: Compliance is simply adherence to rules and regulations. It is a necessary, but not sufficient, business attribute. Compliance is not doing the wrong things. Ethics is about doing the right things. Ask yourself which company you would rather do business with or work for - a company that has as a standard 'don't break the law' or one that has as a standard 'do the right thing'.

CRO: What, according to you, are the main constituents of a 'code of ethics' for an organisation? Are these, by and large, same for all businesses, or are business and firm specific?

Priest: Most of the content areas will be the same, and a quick scan on the Internet will reveal these areas. However a good code of conduct is firm specific. It reflects the industry one is in, the countries where one does business, and the unique culture and values of the firm.

CRO: Corruption, bribes, working around, or bending rules - there is a common belief that these cannot be altogether eliminated from business. Do you agree?

Priest: In terms of working around rules or bending them, I agree. That is why we emphasise compliance AND ethics. Most people are simply not hundred percent compliant - and we do not want them to be. In the airline industry, pilots and mechanics have created havoc with airline operations by simply 'working to the rule'. We want people to live up to the spirit of the rule, not necessarily slavishly adhere to every element of every rule. However I disagree when it comes to bribery and corruption. I have done ethics and compliance work in over forty countries, and there are substantial differences in perspectives from country to country. I was just in Sweden, and most people there firmly believe that business can be done cleanly. On the other hand, in Mexico, India and here in Chicago there is a wide sentiment that it will be a constant struggle to reduce corruption.

CRO: Does corporate social responsibility, in terms of concerns for environment, health

of people, and efficient utilisation of resources form a major part of the 'code of ethics' for business organisations?

Priest: Good companies understand that they need to obey laws and act ethically towards employees, customers, business partners and shareholders. Good companies increasingly understand that their continued vitality also depends on contributing to the health and well being of the communities of which they are a part. Sustainable and responsible business practices are becoming increasingly important.

CRO: In a conflict of interest situation between various stakeholders, how does an ethical code of conduct help?

Priest: Conflicts of interest can be the most difficult issues for individuals and organisations to resolve. A good code of conduct provides guidelines to address many typical concerns. For example, it will address whether one can do business with a family member, and how this may be done appropriately. Sometimes the issues are unusual or complex, however. And then the key is having a good, clear process and good, sound people involved to resolve these issues.

CRO: Are there some differences between ethics as it applies to an individual and a commercial organisation?

Priest: Understanding the difference between individual and organisational ethics is critical. Recently I was in Saudi Arabia, working on a code of conduct for a western multinational, and there was concern among many Saudi nationals about an infringement

on their personal ethics, which are of course profoundly shaped by Islam. I don't believe it should be the role of any corporation to tell an individual what his or her personal ethics should be. It is the legitimate role of an organisation to say 'while you are working at our firm or representing our firm, these are the expectations of how you will behave'. Then the individual can make the decision whether his personal ethics are aligned with the organisation's ethics.

CRO: Does following an ethical code provide a competitive advantage in the long-term to commercial organisations? What is the return on investments (ROI) on ethics for an organisation?

Priest: As I discussed above, most business people believe that ethical practices provide a long-term competitive advantage for businesses. Certainly India has a number of examples of ethical companies that have done well over a long period of time. It is important to differentiate this from an ethical ROI. I do not believe in promoting ethics this way. If the reason a company is ethical is because they believe it has a positive ROI, then it is not a commitment, but a tactic that will presumably go away as soon as the ROI is not attractive enough. Most employees and customers can easily differentiate between a tactic and a commitment.

CRO: Do avoiding mis-selling, ensuring product safety and honouring warranty clauses in their spirit, form a part of ethics for organisations?

Priest: This is a great question. Many people get consumed by the scandal of the month or the ethics



Biography

Steve Priest is president of Ethical Leadership Group, an ethics and compliance consulting firm which was acquired by Global Compliance in January 2008.

Steve Priest has practiced ethics consulting in over 40 countries for large organisations in different industries. He is a frequent conference speaker, and has conducted ethics sessions for the board of directors of quite a few large companies in the US.

Prior to founding the Ethical Leadership Group in 1993, Priest was Executive Director of the Centre for Ethics and Corporate Policy, a Chicago-based ethics think tank.

Priest has a Bachelor of Arts degree and Master in Business Administration from the University of Chicago and a Master of Theological Studies degree from Harvard University. He has also studied international organisational development in the Graduate Business School at the Katholieke University of Leuven in Belgium.

issue of the year. But most of ethics for most companies should be about business basics: do we treat our employees right, do we treat our customers right? Honest sales practices, providing safe products and honouring commitments are vital business practices that great companies never lose sight of.

CRO: One comes across phrases like 'ethics tool kit' for organisations. Has ethics also been commoditised?

Priest: I hope not. Most of the leaders at top companies want their companies to be ethical, but don't have experience integrating ethics throughout a company's

operations. So they may turn to a commodity solution. But these same leaders recognise that they need to own ethics and make it a part of the fabric of the company's culture, so that adapting and customising and tailoring can be done. Ethics builds trust. Without trust, any business will fail. ▣



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