

CEP Magazine – March 2020

Best friends forever: Nurturing the compliance/board relationship

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Your best friend forever or “BFF” is that person you can have the difficult conversations with, even when it might be something that that person might not want to hear. A BFF always makes time to listen and provides sage advice and counsel. You respect your BFF for their wisdom, experience, and knowledge. During large and very public scandals, consumers, shareholders, employees, and the public at large have rejected the Sergeant Schultz defense (from TV’s *Hogan’s Heroes*): “I see nothing! I hear nothing! I know nothing!” from the boards, so it would seem that a BFF relationship between the board and the chief ethics and compliance officer (CECO) is a match made in heaven. However, according to a recent study by LRN,^[1] most CECOs feel that more can be done to strengthen that relationship, particularly in setting ethical standards for senior management, developing a deeper understanding of ethics and compliance initiatives, being a partner for meaningful metrics, as well as establishing confidential and direct lines of communication between the board and the CECO. So how can the CECO nurture the compliance/board relationship?

Connecting ethics and compliance to the bottom line

One of the reasons the board and the CECO are not BFFs is maybe the doom-and-gloom approach of CECOs. The importance of investing in and fostering an ethical culture might be better received when put forth in the context of achieving the organization’s mission and strategic goals. If you want the board to see the ethics and compliance program as an operational imperative, you need to articulate the business case that ethical organizations have the competitive advantages of attracting the best talent, brand loyalty, and greater profits.

The Business Roundtable recently issued its *Statement on the Purpose of a Corporation*;^[2] it is much more than just making a profit for shareholders and now includes other stakeholders such as consumers, employees, suppliers, and communities. These stakeholders prefer to do business with and will stand by the brands that they believe are ethical.^[3] Ethical organizations win the battle to attract and retain talent.^[4] They enjoy what has been dubbed the “Ethics Premium,” which can yield profits as much as 14.4% higher over a five-year period than other organizations.^[5] In addition to not only making more profit, ethical organizations have more value and are better positioned to survive a scandal.^[6] We live in an increasingly connected and data-driven world. The more that the CECO can draw connections between the interrelationships of the ethics and compliance program and the organization’s mission, strategy, risks, and key business processes, the better.

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