

# CEP

MAGAZINE

A PUBLICATION OF THE SOCIETY OF  
CORPORATE COMPLIANCE AND ETHICS



**CFIUS: Compliance with a  
National Security Agreement**  
(P20)

**Making audit your best friend**  
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**DRIVE THE CHANGE  
IN YOUR ORGANIZATION** (P14)



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“ It is up to us to drive change in the conversations with our organization. ”

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**CEP**

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February 2019

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Compliance & Ethics Professional® (CEP) (ISSN 1523-8466) is published by the Society of Corporate Compliance and Ethics (SCCE), 6500 Barrie Road, Suite 250, Minneapolis, MN 55435. Subscriptions are free to members. Periodicals postage-paid at Minneapolis, MN 55435. Postmaster: Send address changes to Compliance & Ethics Professional magazine, 6500 Barrie Road, Suite 250, Minneapolis, MN 55435. Copyright © 2019 Society of Corporate Compliance and Ethics. All rights reserved. Printed in the USA. Except where specifically encouraged, no part of this publication may be reproduced, in any form or by any means, without prior written consent from SCCE. For subscription information and advertising rates, call +1952.933.4977 or 888.277.4977. Send press releases to SCCE CEP Press Releases, 6500 Barrie Road, Suite 250, Minneapolis, MN 55435. Opinions expressed are those of the writers and not of this publication or SCCE. Mention of products and services does not constitute endorsement. Neither SCCE nor CEP is engaged in rendering legal or other professional services. If such assistance is needed, readers should consult professional counsel or other professional advisors for specific legal or ethical questions.

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## Your code of conduct looks great, but what does it do?

**I** imagine you've been tasked with updating your company's code of conduct. The last time it was updated was five years ago. It looks a little stale and outdated. The first thing you do is a bit of benchmarking. You take a look at the codes of conduct of your competitors and other companies you admire. The codes that stand out are the attractive ones. They have lots of nice pictures, colors, and great graphics.

Now you are excited. You think to yourself, "All I need to do is add some nice pictures and pretty colors, and I'm done, right?" Well, not quite. Don't get me wrong, when it comes to your code of conduct, looks are important. You want your code to be attractive so people will want to read it. Using photos, color, and layout will help your readers connect with your code on a deeper level. But there's more to it than that.

When the U.S. Department of Justice published its latest guidance on the Evaluation of Corporate Compliance Programs, they focused on the impact of a compliance

program and not so much how it looks on paper. Many organizations that have been in the news for ethics and compliance failures had programs that looked good on paper, yet bad behavior occurred. The same principle applies to codes of conduct.

First, let's rethink the purpose of a code of conduct. It's not just that we have to have a code of conduct to protect the company from liability and to demonstrate our commitment to ethics and compliance. Those are both important outcomes but are not the true purpose of a code. At its heart, the purpose of your code of conduct is to affect behavior — to reinforce good behavior and discourage bad behavior — so your organization can achieve positive outcomes and thrive over the long haul.

But how does a code do that? I'd like to suggest three ways: *inspire, guide, and enable.*

First, your code of conduct should *inspire* your colleagues to do the right thing. One way to do this is to tie your code to your organization's purpose and shared values. Highlight



**Jim Walton**

*Senior E&C Advisor, LRN*



what you are doing to make the world a better place and enrich people’s lives. Sprinkle the code with images and stories that make your colleagues feel proud to come to work. Employees who feel inspired are more likely to work hard to protect your organization’s reputation and speak up when they have concerns.

Second, the code should *guide* employees by explaining how values are the key to achieving your purpose and business objectives. Describe ethics and compliance requirements in behavioral terms that are easily understood by everyone in the organization.

Explain the business rationale for complying with a particular policy or procedure. People are more open to receiving guidance when they understand the full context of what it means and why it’s important. They will be more likely to comply when they understand that it helps the company compete in the marketplace.

Finally, your code of conduct should *enable* all associates to identify ethics and compliance risks, understand the controls in place to manage those risks, and make them feel comfortable raising concerns and asking questions. Ethics and compliance

are not the responsibility of one person or one department. They are everyone’s responsibility. Doing the right thing is not an impediment to the business. It is an enabler of the business.

Figuring out how you want your code of conduct to look is one of the key steps in the journey toward a more effective code, but it is not the first step. Your journey should begin by determining what you want your code to do. A code that *inspires* employees to do the right thing, *guides* them through principled behaviors, and *enables* them to be ethical leaders is a good place to start. <sup>CEP</sup>

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